

APPROVED by  
Lietuvos Energija, UAB  
Decision of the Board (Meeting  
Minutes No PR\_2016-67) of  
27 December 2016

**LIETUVOS ENERGIJA, UAB**  
**CORPORATE DIVIDEND POLICY OF THE GROUP COMPANIES**

**Purpose:** to establish the basic corporate principles for dividend allocation of the Group Companies of Lietuvos Energija, UAB.

**Scope of application:** applicable at the level of the Company and Group Companies.

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**1. Concepts and Abbreviations Used in the Policy**

<b>Parent Company</b>	Lietuvos Energija, UAB (legal entity code: 301844044, registered office: Žvejų St. 14, 09310 Vilnius).
<b>Policy</b>	Corporate Dividend Policy of the Group Companies of Lietuvos Energija, UAB.
<b>Board</b>	Collegiate governing body.
<b>Group</b>	Parent Company and legal entities directly and indirectly controlled by it.
<b>Group Company</b>	A legal entity directly or indirectly controlled by the Parent Company, the legal form whereof is a limited or private limited liability company.
<b>Shareholder</b>	Natural and legal persons who have acquired shares of the Group Companies.
<b>Dividend(s)</b>	Profit share allocated to a shareholder in proportion to the par value of the shares held by ownership right in the Group Company.
<b>Net Profit</b>	Part of gross income after the deduction of the entity's (financial) operating costs, extraordinary losses, and taxes paid.
<b>D/E</b>	Debt-to-equity ratio.
<b>EBITDA</b>	Earnings before interest, taxes, depreciation, and amortization.
<b>Governing Bodies</b>	Board or Chief Executive Officer of the Group Company.
<b>Resolution</b>	Resolution No 20 of 14 January 1997 of the Government of the Republic of Lithuania "On dividends on shares owned by the state".
<b>Return on equity (ROE)</b>	Determined at the beginning and the end of the reporting period by dividing the net profit (loss) of the reporting period for which dividends are proposed by the average equity.
<b>Stock Exchange</b>	AB NASDAQ Vilnius.
<b>Central Storage Facility, CRIB</b>	The database which is administered by the Stock Exchange and conforms to statutory requirements, designated for the centralised storage of regulated and other information published by issuers.

## **2. Purpose and Scope of the Policy**

- 2.1. The purpose of this Policy is to define the basic principles to be ensured when the Governing Bodies of the Parent Company and Group Companies make decisions regarding the allocation of dividends of the Group Companies. The Policy aims at contributing to enhancement of the value of the Group Companies by providing adequate information to the shareholders of the Group Company and other market participants about future long-term investment return to the equity of the Group Companies.
- 2.2. This Policy has been drawn up in accordance with the Resolution, its amendments and other effective laws of the Republic of Lithuania.
- 2.3. In case of any discrepancies between the requirements of internal legal acts of the Group Company and this Policy, the provisions of this Policy shall prevail. Group Companies shall ensure that their internal legal acts are revised and, when necessary, updated after the coming into force of the Policy and effective legal acts conform to and do not conflict with the Policy provisions.
- 2.4. The Policy shall apply to the Group. The Group Companies newly included into the Group shall be subject to the provisions of this Policy to their full extent, except in the cases when special provisions set forth in their acquisition transactions or shareholder agreements apply to newly included companies.
- 2.5. The Policy shall be approved, amended, supplemented or revoked by a decision of the Board of the Parent Company.

## **3. Dividend Amount**

- 3.1. The Board of the Parent Company shall suggest allocating part of the profit for dividends for the financial year or for the period shorter than a financial year in accordance with the Resolution and its amendments.
- 3.2. The Board of the Group Company shall suggest allocating part of the profit for dividends for the financial year or for the period shorter than a financial year following the provisions stated below:
  - 3.2.1. not less than 85 per cent of the net profit of the Group Company for the reporting period for which dividends are proposed, if the ROE of the Group Company does not exceed 1 per cent of the ROE at the end of the reporting period;
  - 3.2.2. Not less than 80 per cent of the net profit of the Group Company for the reporting period for which dividends are proposed, if the ROE of the Group Company is above 1 per cent and does not exceed 3 per cent of the ROE at the end of the reporting period;
  - 3.2.3. Not less than 75 per cent of the net profit of the Group Company for the reporting period for which dividends are proposed, if the ROE of the Group Company is above 3 per cent and does not exceed 5 per cent of the ROE at the end of the reporting period;
  - 3.2.4. Not less than 70 per cent of the net profit of the Group Company for the reporting period for which dividends are proposed, if the ROE of the Group Company is above 5 per cent and does not exceed 10 per cent of the ROE at the end of the reporting period;
  - 3.2.5. Not less than 65 per cent of the net profit of the Group Company for the reporting period for which dividends are proposed, if the ROE of the Group Company is above 10 per cent and does not exceed 15 per cent of the ROE at the end of the reporting period;
  - 3.2.6. Not less than 60 per cent of the net profit of the Group Company for the reporting period for which dividends are proposed, if the ROE of the Group Company is above 15 per cent of the ROE at the end of the reporting period.
- 3.3. The Board of the Group Company shall suggest establishing a lower share of profit to be allocated for dividends than that established for the Group Companies in clauses 3.2.1 - 3.2.6 of the Policy or suggest not allocating any dividends for the reporting period if at least one of the following conditions is met:

- 3.3.1. the Group Company suffers net loss during the reporting period.
  - 3.3.2. The financial debts of the Group Company at the end of the reporting period for which dividends are offered are equal to or higher than the sum of EBITDA of the Group Company for the four previous twelve months EBITDA calculating from the end of the reporting period.
  - 3.3.3. The D/E ratio of the Group Company at the end of the reporting period for which dividends are allocated is equal to or higher than 1.0.
  - 3.3.4. The Group Company implements or is involved in the implementation of an economic project of national significance as recognised by a resolution of the Government of the Republic of Lithuania.
  - 3.3.5. The shareholder equity of the Group Company after the payment of dividends would become lower than the sum of the authorised capital, statutory reserve, revaluation reserve, and reserve for acquisition of own shares of the Group Company.
  - 3.3.6. The Group Company is insolvent or would become insolvent after the payment of dividends.
- 3.4. The Board of the Group Company may suggest establishing a higher share of profit to be allocated for dividends than that established for the Group Companies in clauses 3.2.1–3.2.6 of the Policy considering the achievement of the financial plans of the Group Company, the net profit amount and EBITDA of the Group Company, the financial debt and EBITDA ratio of the Group Company, D/E ratio, and other material indicators at the end of the reporting period for which dividends are proposed.

#### **4. Dividend Allocation and Payment Procedure**

- 4.1. The Board of the Group Company, considering the Policy provisions, shall adopt a decision regarding a recommended draft of profit (loss) allocation for the financial year or period shorter than a financial year and provide a recommendation to the General Shareholders' Meeting of the Group Company.
- 4.2. A decision regarding the payment of dividends and dividend amount shall be made by the General Shareholders' Meeting of the Group Company.
- 4.3. Dividends may be received by the persons who were the shareholders of the Group Company or held the right to dividends on any other legal basis at the end of the day of the General Shareholders' Meeting that announced the dividends (at the end of the accounting day of the rights in case of a Group Company the legal status whereof is a public limited liability company).
- 4.4. The Group Company shall pay out the dividends allocated not later than within one month after the day of adoption of the decision to allocate the profit or of the decision to allocate dividends for the period shorter than a financial year.
- 4.5. Pre-payment of dividends shall not be allowed. Group Companies shall pay dividends in cash.
- 4.6. Group Companies listed on the trade lists of the Stock Exchange shall pay out dividends through intermediaries – managers of securities accounts.
- 4.7. If the shares of the Group Company have not been fully paid up and the time limit for their payment has not expired, the shareholder's dividends shall be reduced in proportion to the outstanding amount of the share price. If the share has not been fully paid up and the time limit for payment has expired, no dividends shall be paid. It may be established in the Articles of Association of the Group Company that dividends for paid up shares shall also be reduced if the payment has been completed during the financial year or another period for which dividends are allocated.
- 4.8. The dividends allocated by a decision of the General Shareholders' Meeting shall constitute the commitment of the Group Company to its shareholders. A shareholder shall have the right to claim a dividend from the Group Company as its creditor.
- 4.9. The Group Company may recover the dividends paid to the shareholder, if the shareholder knew or was supposed to know that the dividends have been allocated and/or paid out unlawfully.
- 4.10. The principles set forth in this Policy shall also apply when dividends are paid out for the period shorter than a financial year. The right of initiative to allocate dividends for the period shorter than a financial year shall be held by the shareholders who hold the shares in the Group

Company carrying at least 1/3 of all votes, unless the Articles of Association of the Group Company specify a higher majority.

## **5. Final Provisions**

- 5.1. The Group Companies listed on the Stock Exchange trade lists shall inform the shareholders of the Group Company and other market participants about the approved Policy provisions by a notification on material event which shall be published and placed on CRIB as a material event. Information about the Policy shall be also announced on the websites of the Group Companies.
- 5.2. The Policy shall become effective for the Group after the Board of the Parent Company adopts all decisions necessary regarding the Policy approval and informs the Group Companies in writing.
- 5.3. The Governing Bodies of the Group Companies shall be responsible for proper implementation of the Policy. Enforcement of the Policy shall be the responsibility of the Finance and Treasury Director of the Parent Company.