

APPROVED
by Decision of the Management Board of
EPSO-G UAB of 14 July 2017
(Minutes of the Meeting No. 14)

EPSO-G GROUP DIVIDEND POLICY

Introduction

This transparent and publicly available policy of EPSO-G Group establishes uniform regulations for calculation, payment and announcement of dividends for all companies of the Group.

The main objective of the policy is to establish clear guidelines for expected return on equity in order to assure the existing and potential shareholders of sustainable business value growth of EPSO-G UAB and other companies in the Group and development of strategic projects thus consistently strengthening confidence in power transmission and exchange group of companies.

Objective: Establishing uniform fundamental principles for calculation, payment and announcement of dividends in EPSO-G Group.

Scope of application: Applicable to all companies in EPSO-G Group.

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1. Definitions and abbreviations

Dividend	Part of the profit allocated to a shareholder in proportion to the nominal value of shares owned by such shareholder
Dividend Policy or Policy	Dividend policy of EPSO-G Group
Subsidiaries (S)	Subsidiaries directly controlled by EPSO-G UAB.
Group	Group of companies controlled by EPSO-G UAB, which is comprised of EPSO-G UAB and subsidiaries directly and indirectly controlled by EPSO-G UAB
Group Companies (Company)	EPSO-G UAB, Subsidiaries and Subsequent Level Subsidiaries (SLS) or any of the above companies separately
Return on Equity	Financial indicator calculated by dividing net profit or loss for the past 12-month reporting period by average equity capital at the beginning and end of the reporting period
Resolution	Resolution No. 786 of 11 August 2016 of the Government of the Republic of Lithuania "On dividends for state-owned shares and profit contributions of state-owned enterprises"
Resolution on EPSO-G Dividends	Resolution No. 1116 of 9 November 2016 of the Government of the Republic of Lithuania "On dividends payable by EPSO-G UAB for state-owned shares"
Parent Company or EPSO-G	EPSO-G UAB
Subsequent Level Subsidiaries (SLS)	Companies directly or indirectly controlled by the subsidiaries.
Supervisory Board	Collegial supervisory body of the Group
Management Board	Collegial management body of the Group Company
Meeting	General meeting of shareholders of a Group Company

2. General Provisions

- 2.1. The Policy shall be adopted and amended by resolution of EPSO-G Management Board after considering prior comments and suggestions of the Supervisory Board regarding the proposed draft Policy.
- 2.2. The Policy shall apply directly in EPSO-G.
- 2.3. It is recommended that the Policy is implemented in S and SLS by boards of the Companies adopting resolutions on joining the Policy.
- 2.4. Interpretation of the provisions of the Policy (if any issues arise), giving recommendations on implementation of the Policy to Group Companies, collection of information related to implementation of the Policy at Group level and presenting it to the Board of EPSO-G as well as the General Director at least once a year shall be the responsibility of the financial functional division of EPSO-G.
- 2.5. The Parent Company shall publish this Policy in full on its website. Group Companies are recommended to publish this Policy in full on their websites and the stock exchange information system (if the shares of the Group Company are traded on the stock exchange).

3. Key Principles of the Policy

- 3.1. The Policy was drawn up in accordance with the Resolution, Resolution on EPSO-G Dividends, Law on Companies of the Republic of Lithuania and other applicable laws and secondary legislation.
- 3.2. The Policy regulates the principles for calculation, payment and announcement of dividends of Group Companies, which are aimed at ensuring sustainable growth of business value of the Group and its Companies, long-term benefits to the shareholders, implementation of long-term and short-term objectives, quality implementation of strategic projects, and increasing the transparency of activity of Group Companies.

4. Amount of Dividends

- 4.1. Dividends are allocated for a financial year or a period shorter than a financial year.
- 4.2. The Management Board of the Parent Company proposing allocation of the dividends to the Meeting shall follow the Resolution and Resolution on EPSO-G Dividends and their amendments.
- 4.3. The Management Board of a Group Company (except for the board of EPSO-G, who shall observe the provisions of paragraph 4.2 of the Policy) proposing allocation of the dividends to the Meeting shall follow the principles:

Return on equity, per cent	Amount of dividends, share of the Group Company's distributable profit, per cent
Does not exceed 1%	Not less than 85%
Over 1%, but does not exceed 3%	Not less than 80%
Over 3%, but does not exceed 5%	Not less than 75%
Over 5%, but does not exceed 10%	Not less than 70%
Over 10%, but does not exceed 15%	Not less than 65%
Over 15%	Not less than 60%

- 4.4. The Management Board of a Group Company (except for the board of EPSO-G, who shall observe the provisions of paragraph 4.2 of the Policy) may propose that the Meeting allocate lower dividends than provided for by paragraph 4.3 of the Policy, if at least one of the following conditions is met:
 - 4.4.1. Significant deterioration of financial condition of the Group Company;
 - 4.4.2. Group Company has outstanding significant financial obligations, which had matured before adopting the decision on allocation of dividends by the Meeting;
 - 4.4.3. After the dividends are paid out, equity capital of the Group Company would be less than the sum of the authorized capital, compulsory reserve, revaluation reserve and reserve for acquisition of own shares;
 - 4.4.4. Group Company is implementing or is taking part in implementation of an economic project of national importance recognized by resolution of the Government or higher-than-normal demand for investment funds is expected for ensuring sustainable development of the Group Company;
 - 4.4.5. Group Company is in default or, if dividends are paid out, would be in default of obligations/covenants to credit institutions under financing contracts.
- 4.5. The Management Board of a Group Company may propose that the Meeting allocate higher dividends than provided for by paragraph 4.3 of the Policy, taking into account the fulfilment of financial plans, changed deadlines for implementing strategic or investment projects and the level of indebtedness of the Group Company. It is recommended that the amount of proposed dividends did not exceed the sum of net profit of the reporting period (eliminating the influence of asset revaluation and other one-off factors) and the profit or loss of the financial year not recognized in the profit or loss account.

- 4.6. Decision of the Management Board of Group Company to propose to the Meeting the allocation of the amount of dividends other than specified in paragraph 4.3 of the Policy must be reasoned and substantiated by detailed arguments indicating that the Group Company meets the criteria established in paragraphs 4.4 or 4.5 of the Policy.
- 4.7. The amount of dividends must be expressed in euro per ordinary registered share, approximated to four decimal places accuracy.

5. Adopting Decisions on and Payment of Dividends

- 5.1. Based on audited financial statements of the Group Company and in accordance with the provisions of the Policy, the Managing Board shall decide on the amount of proposed dividends and submit the decision to the Meeting for approval.
- 5.2. The Supervisory Board shall present the comments and proposals on the proposed dividends to the Meeting.
- 5.3. The Meeting shall decide on allocation of dividends.
- 5.4. When announcing the Meeting's decisions on payment of dividends, Group Companies whose shares are traded on stock exchange shall specify the total amount allocated for dividends, dividends per share, date of shareholders' rights accounting day, dividend payment start date, and the manager of securities accounts of the Group Company.
- 5.5. If a share of the Group Company is not paid up in full and its payment term has not expired, the shareholder's dividend shall be reduced in proportion of the outstanding part of the share's cost. If a share is not paid up in full and its payment term has expired, a dividend shall not be paid.
- 5.6. The persons entitled to receive dividends shall be those who were the shareholders of the Group Company or were otherwise legally entitled to receive dividends at the end of the day of the Group Company Meeting, which had announced the dividends (or at the end of rights accounting day in a public limited company).
- 5.7. Group Companies shall pay the allocated dividends not later than within one month from the day of adopting the decision to distribute the profit or to allocate dividends for a period shorter than a financial year. Dividends shall not be paid in advance. A Company shall pay the dividends in cash.
- 5.8. Group Companies shall pay the dividends directly to the shareholders, except for the Group Companies whose shares are traded on stock exchange, who shall pay the dividends to minority shareholders via securities account managers.
- 5.9. Taxation of dividends paid by Group Companies and deduction and payment of applicable taxes shall be carried out in procedure established by law of the Republic of Lithuania.
- 5.10. The right of initiative for allocation of dividends for a period shorter than a financial year shall lie with the shareholders whose shares grant at least 1/3 of all votes.