
	AB Lietuvos Geležinkeliai Treasury and Finance
The Dividend Policy of AB Lietuvos Geležinkeliai Group	No. P/FN11/LTG/2 Version 02


APPROVED

by decision of the Board of AB Lietuvos geležinkeliai
of February 27th, 2024 No. SPR-VL(LTG)-8/2024

THE DIVIDEND POLICY OF AB LIETUVOS GELEŽINKELIAI GROUP

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The Dividend Policy of AB Lietuvos Geležinkeliai Group	No. P/FN11/LTG/2 Version 02

1.	General provisions	3
2.	Definitions	3
3.	The main rules of dividend distribution and the operating model	4
4.	Final provisions	6

 LIETUVOS GELEŽINKELIAI	AB Lietuvos Geležinkeliai Treasury and Finance
The Dividend Policy of AB Lietuvos Geležinkeliai Group	No. P/FN11/LTG/2 Version 02

1. General provisions

1.1. The purpose of the Dividend Policy of AB Lietuvos Geležinkeliai Group of Companies (hereinafter - the Policy) is to set out the principles for dividend distribution applicable to the entire LTG Group and to be followed by the governance bodies of the companies within LTG Group when deciding on the distribution of dividends of these companies. Implementation of the Policy aims at contributing to the development of the higher value of the LTG Group, ensuring that LTG Group's shareholders and other market players are properly informed of the prospect long-term return on investment of the LTG Group.

1.2. The Policy has been produced in accordance with the legal acts. The policy has been prepared in accordance with the principles of the Republic of Lithuania, the European Union, international legal acts applicable to this area and in line with the LTG Strategy.

1.3. Should there be any inconsistency between the internal regulations of the LTG Group of Companies and this Policy, then the Policy shall apply. The Managers of the LTG Group must ensure that once this Policy enters into force the internal regulations of these Companies are reviewed and, if necessary, revised to comply with the Policy.

1.4. This Policy shall apply to companies within the LTG Group, including the newly incorporated undertakings, except for the cases where the newly incorporated companies are subject to special provisions set forth in their Acquisitions, Shareholder Agreements or legal acts.

1.5. Members of the Boards of Associates or Non-Controlled Companies of the LTG Group that represent LTG must make every effort to ensure that such companies pay their dividends to the best of their ability.


1.6. As regards a company within LTG Corporate Group responsible for performing the functions of the public railway infrastructure manager the provisions of this Policy shall be effective and apply in so far they are not contrary to the legal acts regulating the requirements for impartiality of the management and financial transparency of the infrastructure manager, allocation of public railway infrastructure capacity, as well as the requirements for calculation and payment of the charge for the minimum access package.

1.7. The procedure for calculation and payment of dividends of AB LTG Infra, which performs the functions of the Public Railway Infrastructure Manager, is additionally regulated by the Description of the Procedure for Calculation and Use of the Public Railway Infrastructure Manager's Performance Results, approved by Order of the Minister of Transport and Communications of the Republic of Lithuania No. 3-289 of 6 June 2022 (with subsequent amendments), which has been drawn up in accordance with the provisions of Article 241 paragraph 9 of the Railway Transport Code of the Republic of Lithuania.

2. Definitions

2.1. The following terms and abbreviations are used in this Policy.

Concept / Abbreviation	Definition / Explanation
Group of AB Lietuvos Geležinkeliai (LTG Corporate Group)	LTG, subsidiaries, and lower-level legal entities
Shareholders	Natural and legal persons who have acquired shares of the companies within the LTG Group.
Reporting Period	The period as defined by the accounting legislation relating to the entity's performance and economic events.
Corporate Governance Bodies	The General Shareholder Meeting, the Board and / or the CEO (General Manager).

 LIETUVOS GELEŽINKELIAI	AB Lietuvos Geležinkeliai Treasury and Finance
The Dividend Policy of AB Lietuvos Geležinkeliai Group	No. P/FN11/LTG/2 Version 02

Concept / Abbreviation	Definition / Explanation
Dividends	The amount of profit attributable to the shareholder in proportion to the nominal value of the shares in the LG Group company that he owns.
Subsidiary	A legal entity directly controlled by LTG. For the purposes of this Policy public institution Geležinkelių Logistikos Parkas is also considered as Subsidiaries.
D/E	Debt-to-equity ratio.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
Financial debt	Indebtedness for borrowed money, including financial leasing.
Net profit	A share of comprehensive income minus operating expenses (financial) of an entity, extraordinary losses and taxes paid.
Group company	LTG, subsidiaries, and lower-level legal entities. For the purposes of this Policy public institution Geležinkelių Logistikos Parkas is also considered as Subsidiaries.
LTG strategy	An activity planning document which defines the common development direction of LTG Corporate Group and establishes at least 10-year operational goals and target performance results
LTG	AB „Lietuvos geležinkeliai“
RoL	The Republic of Lithuania
Return on equity (ROE)	The ratio determined by dividing the net profit (loss) at the beginning and end of the reporting period for which the dividend is proposed by the average equity.
Resolution	The Resolution No. 665 of the Government of the Republic of Lithuania dated 6 June 2012 On the Approval of the Description of the Procedure for the Implementation of the Property and Non-property Rights of the State in State-owned Enterprises (with subsequent amendments)
Lower-level Legal Entity	A legal entity directly or indirectly controlled by LTG's subsidiary.
The Board	The collegial governance body


3. The main rules of dividend distribution and the operating model

3.1. Dividend distribution model:

3.1.1. the information required to adopt a decision on the distribution of dividends is provided centrally to the Boards of LTG and LTG subsidiaries by LTG's Treasury and Finance function;

3.1.2. the information required to adopt a decision on the distribution of dividends to the Boards of the Lower-level Legal Entities is provided by the persons responsible for the performance of the financial function.

3.1.3. the rules for determination and pay-out of dividends are standardized.

 LIETUVOS GELEŽINKELIAI	AB Lietuvos Geležinkeliai Treasury and Finance
The Dividend Policy of AB Lietuvos Geležinkeliai Group	No. P/FN11/LTG/2 Version 02

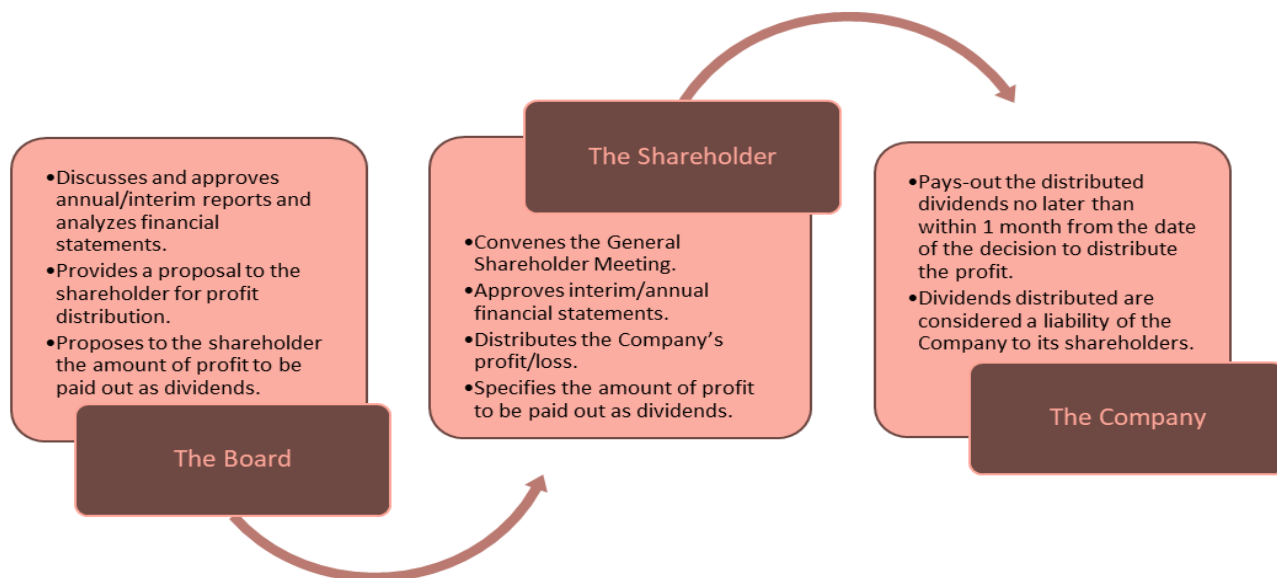


Figure 1 Dividend distribution model

3.2. The Board of the Group company proposes to the Shareholder to allocate a share of the profit for dividends, which is no less than that determined in the Resolution, taking into account the return on equity of the Group company for the reporting period:


3.2.1. for the financial year according to:

Return on Equity, %	The amount of dividends, part of the distributable profit of the Group company, %
not exceed 1 %	not less than 85 % of the net profit
is more than 1 % does not exceed 3 %	not less than 80 % of the net profit
is more than 3 % does not exceed 5 %	not less than 75 % of the net profit
is more than 5 % does not exceed 10 %	not less than 70 % of the net profit
is more than 10 % does not exceed 15 %	not less than 65 % of the net profit
is more than 15 %	not less than 60 % of the net profit

3.2.2. the share of profit allocated for the payment of dividends for a period shorter than the financial year must be at least 60 percent of the distributable profit of the Group company.

3.3. The Board of the Group company may propose to Shareholder a lower dividend pay-out than set for in items 3.2. or propose not to allocate dividends for the reporting period, if at least one of the following conditions is met:

3.3.1. the Group company is implementing or taking part in an economic project of national importance recognized as such by a decision of the Government of the Republic of Lithuania or a project of particular national importance recognized as such by a decision of the Seimas of the Republic of Lithuania or a project of particular importance affecting the implementation of LTG's Strategy;

 LIETUVOS GELEŽINKELIAI	AB Lietuvos Geležinkeliai Treasury and Finance
The Dividend Policy of AB Lietuvos Geležinkeliai Group	No. P/FN11/LTG/2 Version 02

3.3.2. the equity of the Group company after the payment of dividends would be less than the amount of the share capital, legal reserve, revaluation reserve and reserve required for the acquisition of own shares of the Company with the LTG Group;

3.3.3. Loans, leasing obligations and other long-term payables and obligations of the Group company, except for the income of future periods, deferred income tax obligations and grants, would exceed the amount of its own capital after the payment of dividends;

3.3.4. after dividends have been paid, there is a real possibility that the Group company may become insolvent due to war, state of emergency, mobilization, quarantine, emergency situation or extremal event.

3.4. In all the cases listed in article 3.3., the decision on the share of the profit determined for the Group company to be allocated for the payment of dividends is taken by the Government of the Republic of Lithuania.

3.5. The Group company or Lower Level legal entity intends to apply the exceptions listed in point 3. 3. determining the share of profit to be allocated to dividends, must be agreed with the Director of LTG Finance and the Head of Treasury and Finance before the submission of information on the distribution of profit to the Board of the Group company or Lower-level legal entity.

3.6. The Board of the Group companies may propose a higher dividend pay-out than that set for in items 3.2. hereof, based on the implementation of the Group companies' financial plans, such as the Group company's net profit, EBITDA, Group company's financial debt to EBITDA ratio, D / E ratio, taking into account other significant ratios of the reporting period for which the dividend is proposed, provided that such disbursement cannot materially adversely affect LTG's strategy.

3.7. The decision to assign dividends is made taking into account the legislation of the Republic of Lithuania and the country of registration of the Group company (if that country is not Lithuania) valid on the day of the decision.

3.8. The persons who at the end of the day of the General Shareholder Meeting announcing the decision to distribute the dividends (companies having the legal status of a public limited liability company - at the end of the record date) were the company's shareholders or hold other legal rights in respect of the dividends are entitled to receive dividends.

3.9. Advance payment of dividends is prohibited.

3.10. The Group companies pay cash dividends.

3.11. The Group companies may recover the dividends disbursed to the Shareholder if it is established that the Shareholder knew or should have known that the dividends had been unlawfully distributed and / or paid.

3.12. The principles set out in this Policy are also followed for the payment of dividends for a period shorter than a financial year. Shareholders who hold at least 1/3 of the voting rights of the Group company shall have the right to initiate the distribution of dividends for a period shorter than a financial year, unless the Articles of Association of the Group company provide for a greater majority.


3.13. Specialists of the Treasury and finance function of LTG and specialists of the financial function of Subsidiary and Low - level legal entities are responsible for paying the assigned dividends on time and in accordance with the established procedure.

3.14. If the Group company does not have a Board, the functions of the Board provided for in the Policy are performed / the rights are exercised by the head of the Group company, as far as this is consistent with and does not contradict the applicable legal acts.

4. Final provisions

4.1. The Financial director of LTG is responsible for the implementation of the Policy.

4.2. The Financial director of LTG shall initiate the revision and update of this Policy and the Chief of the Treasury and Finance shall coordinate it.

	AB Lietuvos Geležinkeliai Treasury and Finance
The Dividend Policy of AB Lietuvos Geležinkeliai Group	No. P/FN11/LTG/2 Version 02

4.3. The Policy shall be reviewed at least once a year, either as a result of changes in Lithuanian legislation governing rail transport and corporate management or as a result of major changes in LTG's strategic goals, organizational structure and operational functions of the LTG Group.

4.4. Treasury and finance function is responsible for clarifying the Policy (in case of uncertainty), providing policy guidance to the Group companies, collecting and reporting information on the implementation of the Policy within the LTG Group, to Boards of the Companies within the LTG Group, the Board of LTG and the Chief Executive Officer of LTG.

4.5. The Policy is applied insofar as it is in compliance with the laws of the Republic of Lithuania and / or other applicable legal acts.

4.6. The Policy and any amendments thereto shall be approved by the LTG Board.

4.7. The Policy shall take effect upon its approval by the Board of LTG.

4.8. The Policy is publicly available on LTG website www.ltg.lt.
