

2016-11-30 Nr.

CERTIFICATION STATEMENT

Referring to the provisions of the Article 23 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuania, we, Dalia Andrulionienė, Chief Executive Officer of AB Energijos skirstymo operatorius and, Augustas Dragūnas, Director of Finance and Administration division, and Giedruolė Guobienė Head of Accounting service center of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, AB Energijos skirstymo operatorius condensed interim financial information for the nine month period ended 30 September 2016 prepared according to International Accounting Standard 34 'Interim financial reporting' adopted by the European Union, give a true and fair view of AB Energijos skirstymo operatorius assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report for the nine-month period includes a fair review of the development and performance of the business.

AB Energijos skirstymo operatorius
Chief Executive Officer



Dalia Andrulionienė

AB Energijos skirstymo operatorius
Director of Finance and
Administration division



Augustas Dragūnas

Verslo aptarnavimo centras UAB,
Giedruolė Guobienė
Head of Accounting service center,
acting under Order No. V-088 (signed
2016 08 29)



Giedruolė Guobienė

2016

ENERGIJOS SKIRSTYMO OPERATORIUS AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE III
QUARTER OF 2016 AND 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016,
PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34,
'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION
(UNAUDITED)



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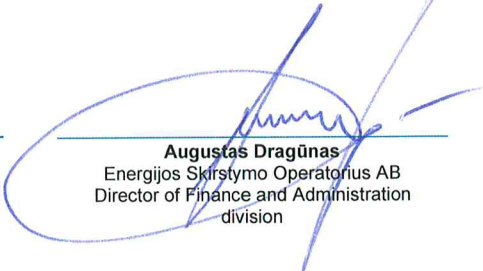
Translation note:

These condensed interim financial information is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of this document takes precedence over this translation.


Condensed interim financial information was approved on 30 November 2016 by Energijos Skirstymo Operatorius AB General Manager, Director of Finance and Administration division and Head of Accounting Service Center of Verslo Aptarnavimo Centras UAB acting under Order No V-088 of 29 August 2016:



Dalia Andrulionienė
Energijos Skirstymo Operatorius AB
General Manager



Augustas Dragūnas
Energijos Skirstymo Operatorius AB
Director of Finance and Administration
division



Giedruolė Guobienė
Verslo Aptarnavimo Centras UAB
Head of Accounting Service Center acting
under Order No V-088 of 29 August 2016

ENERGIJOS SKIRSTYMO OPERATORIUS AB, company code 304151376 Agonų str. 24, Vilnius, Lithuania
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
30 September 2016

All amounts are in EUR thousands unless otherwise stated

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	2016-09-30	2015-12-31
ASSETS			
Non-current assets			
Property, plant, and equipment	3	975.303	921.797
Intangible assets	3	3.269	3.612
Prepayments for property, plant, equipment		1.265	1.267
Investments in associates		2.018	2.018
Deferred income tax assets		-	1.978
Non-current amounts receivable		11.002	10.633
		992.857	941.305
Current assets			
Inventories		2.008	2.544
Trade and other receivables		64.893	100.817
Prepayments, deferred charges and accrued income		6.195	5.497
Prepaid income tax		-	1.604
Cash and cash equivalents		3.795	26.961
		76.891	137.423
Total assets		1.069.748	1.078.728
EQUITY AND LIABILITIES			
Equity			
Share capital	4	259.443	259.443
Revaluation reserve		51.403	55.520
Legal reserve		25.910	25.910
Retained earnings		266.351	232.940
Total equity		603.107	573.813
LIABILITIES			
Non-current liabilities			
Borrowings		119.132	147.576
Deferred income tax liability		6.031	2.505
Deferred income		114.942	117.569
Grants and subsidies		20.658	21.384
Non-current employee benefits		2.843	2.487
Other non-current liabilities		123	51
		263.729	291.572
Current liabilities			
Borrowings		90.627	99.409
Trade and other payables		88.660	89.871
Advance amounts received, accrued charges and deferred income		17.662	23.941
Income tax payable		5.963	122
		202.912	213.343
Total liabilities		466.641	504.915
Total equity and liabilities		1.069.748	1.078.728

The accompanying notes form an integral part of this condensed interim financial information.

For the nine-month period ended 30 September 2016

All amounts are in EUR thousands unless otherwise stated

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Q1-3 2016	Q3 2016	Q1-3 2015	Q3 2015
Revenue	475.888	143.748	463.512	143.913
Other income	2.890	1.076	4.528	953
Purchases of electricity and related services	(281.978)	(86.320)	(270.053)	(89.709)
Purchase (expenses) of natural gas and transmission services	(2.305)	(676)	(3.196)	(671)
Depreciation and amortisation	(34.059)	(11.672)	(33.174)	(11.070)
Employee benefits and related social security contributions	(33.812)	(10.316)	(40.687)	(12.177)
Repair and maintenance expenses	(13.440)	(4.597)	(19.800)	(6.795)
Transport costs	(3.393)	(1.124)	(3.523)	(1.197)
Telecommunications and IT services	(5.874)	(1.551)	(6.001)	(2.154)
Rent and utilities	(3.057)	(1.051)	(1.930)	(557)
Impairment and write-off expenses	(2.491)	(734)	(1.853)	(9)
Other expenses	(11.982)	(3.958)	(10.238)	(3.459)
Operating profit	86.387	22.825	77.585	17.068
Finance income	679	204	697	310
Finance costs	(1.678)	(414)	(1.924)	(505)
Finance costs – net	(999)	(210)	(1.227)	(195)
Profit before income tax	85.388	22.615	76.358	16.873
Income tax	(12.974)	(3.417)	(11.181)	(2.410)
Net profit for the period	72.414	19.198	65.177	14.463
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Gain on revaluation of property, plant and equipment, net of deferred income tax	-	-	461	461
Total comprehensive income for the period	72.414	19.198	65.638	14.924
Weighted average number of shares	894.630.333	894.630.333	894.630.333	894.630.333
Basic and diluted earnings per share (in EUR) attributable to owners of the Company	0,081	0,021	0,073	0,016

The accompanying notes form an integral part of this condensed interim financial information.

ENERGIJOS SKIRSTYMO OPERATORIUS AB, company code 304151376 Agonų str. 24, Vilnius, Lithuania
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2016

All amounts are in EUR thousands unless otherwise stated

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2015		259.103	65.996	25.910	208.701	559.710
Comprehensive income						
Net profit for the period		-	-	-	65.177	65.177
Revaluation of property, plant and equipment, net of deferred income tax		-	461	-	-	461
Total comprehensive income for the period		-	461	-	65.177	65.638
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(5.729)	-	5.729	-
Dividends		-	-	-	(72.162)	(72.162)
Result of conversion of nominal value of shares to the euros		340	-	-	-	340
Balance at 30 September 2015		259.443	60.728	25.910	207.445	553.526
Balance at 1 January 2016		259.443	55.520	25.910	232.940	573.813
Comprehensive income						
Net profit for the period		-	-	-	72.414	72.414
Total comprehensive income for the period		-	-	-	72.414	72.414
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(4.117)	-	4.117	-
Dividends	5	-	-	-	(43.120)	(43.120)
Balance at 30 September 2016		259.443	51.403	25.910	266.351	603.107

The accompanying notes form an integral part of this condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2016

All amounts are in EUR thousands unless otherwise stated

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	2016-09-30	2015-09-30
Cash flows from operating activities		
Net profit	72.414	65.181
Adjustments for:		
Income tax expense	12.974	11.181
Depreciation and amortisation	35.026	33.748
Depreciation of grants	(967)	(574)
Share of (profit)/loss of associates and joint ventures	-	38
(Gain)/loss on disposal and write-off of property, plant and equipment	2.127	1.414
Finance (income)	(679)	(697)
Finance costs	1.678	1.924
Changes in working capital:		
Trade and other receivables	11.554	16.282
Inventories, prepayments, deferred expenses and accrued income	(915)	(714)
Trade and other payables, advance amounts received, accrued expenses and deferred income	871	(10.155)
Cash generated from operating activities	134.083	117.628
Income tax paid	(25)	(7.028)
Net cash generated from operating activities	134.058	110.600
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(88.046)	(74.415)
Proceeds from sale of property, plant and equipment and investment property	11.991	1.202
Grants received	241	5.496
Loan repayments received	68	47
Dividends received	58	-
Interest received	120	148
Net cash used in investing activities	(75.568)	(67.522)
Cash flows from financing activities		
Proceeds from borrowings	1.500	91.500
Repayments of borrowings	(34.947)	(99.736)
Dividends paid to the Company's shareholders	(43.120)	(40.024)
Interest paid	(1.312)	(1.546)
Net cash used in financing activities	(77.879)	(49.806)
(Decrease) increase in cash and cash equivalents	(19.389)	(6.728)
Cash and cash equivalents at the beginning of the year (including overdraft balance)	5.836	11.050
Cash and cash equivalents at the end of the period (including overdraft balance)	(13.553)	4.322

The accompanying notes form an integral part of this condensed interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1 General information

Energijos skirstymo operatorius, AB (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania. The Company was registered with the Register of Legal Entities on 11 December 2015. The Company commenced its operations from 1 January 2016. Shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange since 17 January 2016. The address of the Company's registered office is as follows:

Agonų str. 24,
 LT-03212 Vilnius,
 Lithuania.

The Company was established by the way of merger of LESTO AB and Lietuvos dujos AB. Following the terms of reorganization, approved by the extraordinary shareholders meeting of LESTO AB and Lietuvos dujos AB held at 3 December 2015, a transfer-acceptance statement was signed on 31 December 2015. On the basis of this statements the Company took over all the assets, rights and obligations of LESTO AB and Lietuvos dujos AB. The moment of the take-over of the assets, rights and obligations was 31 December 2015, 24:00.

The Company's core line of business is electricity supply and distribution, and natural gas distribution .

The Company had no subsidiaries as of 30 September 2016. At 31 March 2015 the Company has sold its subsidiary Elektros Tinklo Paslaugos UAB, and at 27 April 2015 – ordinary shares of subsidiary NT Valdos, UAB.

As at 30 September 2016 and 31 December 2015 Company's investments in associates comprised of the following:

Associate	Country	Year of acquisition	Company's ownership interest (%)		Profile of activities
			30 September 2016	31 December 2015	
Technologijų ir Inovacijų Centras, UAB	Lithuania	2013	29,012%	29,012%	Information technology and telecommunication, and other services provided to the shareholders
Verslo Aptarnavimo Centras, UAB	Lithuania	2014	22,25%	22,25%	Organisation and execution of public procurement procedures, accounting and personnel administration services

This condensed interim financial information contains the Company's condensed interim financial information, because the Company had no subsidiaries as at 30 June 2016 and the results of operations of the associates were considered by management as not material. The results of operations of the associates for the nine-month period ended 30 September 2016 and the retained result of the associates until 31 December 2015 attributable to the Company comprised as follows:

	Acquisition cost	Ownership interest (%)	Company's share of the results of operations of the associates until 31 Dec 2015	Company's share of the results of operations of the associates for the nine-month period ended 30 September 2016
Technologijų ir inovacijų centras, UAB	1.898	29,01	199	197
Verslo aptarnavimo centras, UAB	120	22,25	(28)	(11)
Total	2.018		171	186

For the purpose of the condensed interim financial information comparative figures as at 31 December 2015 and for the nine-month period ended 30 September 2015 have been prepared by combining the data of the financial statements of LESTO AB and Lietuvos Dujos AB and having eliminated intercompany transactions and balances. The term "the Company" used in this condensed interim financial information when presenting data as at 31 December 2015 or for the nine-month period ended 30 September 2015 means the merged companies LESTO AB and Lietuvos Dujos AB.

2 Accounting principles

Company's condensed interim financial information for a nine-month period ended 30 September 2016 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (IAS) 34, 'Interim financial reporting'). This unaudited condensed interim financial information should be read together with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by the European Union.

Financial year of Company coincides with the calendar year.

The accounting policies applied in the preparation of this condensed interim financial information are consistent with those of the annual financial statements of LESTO AB and Lietuvos dujos AB for the year ended 31 December 2015.

2 Accounting principles (continued)

Income taxes for the interim reporting periods have been estimated using the tax rate that would be applicable to the estimation of income taxes on the expected gross profit for the year.

3 Intangible assets and property, plant, and equipment

Movements in the Company's account of the intangible assets and property, plant and equipment are presented below:

Company	Intangible assets	Property, plant and equipment
The period ended at 30 September 2016		
Net book value at the beginning of the period	3.612	921.797
Additions	1.275	88.321
Sales	-	(72)
Write-offs	-	(2.110)
Reclassifications from inventories	-	775
Amortisation /depreciation	(1.618)	(33.409)
Net book value at 30 September 2016	3.269	975.303

4 Share capital

As at 30 September 2016, the Company's authorised share capital comprised 894.630.333 ordinary registered shares with par value of 0,29 Eur each. All the shares are fully paid.

5 Dividends

The ordinary general meeting of shareholders of Energijos Skirstymo Operatorius AB was held on 29 March 2016 where it was decided to approve the profit appropriation for July–December 2015 and to allocate EUR 0.0342 per share in dividends, in total EUR 30,596 thousand in dividends.

The ordinary general meeting of shareholders of Energijos Skirstymo Operatorius AB was held on 26 September 2016 where it was decided to approve the profit appropriation for January–June 2016 and to allocate EUR 0,014 per share in dividends, in total EUR 12.524 thousand in dividends.

The ordinary general meeting of shareholders of LESTO AB was held on 27 April 2015 where it was decided to approve the profit appropriation for the year 2014 and to allocate EUR 0,02 per share in dividends, in total EUR 12.079 thousand in dividends.

The ordinary general meeting of shareholders of Lietuvos Dujos AB was held on 27 April 2015 where it was decided to approve the profit appropriation for 2014 and to allocate EUR 0,0963 per share in dividends, in total EUR 27.993 thousand in dividends.

6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

According to the management, the Company has two operating segments - supply and distribution of electric power and gas distribution. The Company has a single geographical segment – territory of Republic of Lithuania. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements in accordance with IFRS, i.e. information on profit or loss, including the reported amounts of income and expenses, assets and liabilities.

Company's information about operating segments for the nine-month period ended 30 September 2016 is presented below:

2016	Supply and distribution of electric power	Gas distribution	Total
Revenue	439.230	39.548	478.778
Expenses	(366.864)	(25.527)	(392.391)
Whereof depreciation and amortisation expenses	(27.807)	(6.252)	(34.059)
Operating profit	72.366	14.021	86.387
Finance income	563	116	679
Finance (expenses)	(1.268)	(410)	(1.678)
Profit before income tax	71.661	13.727	85.388
Income tax			(12.974)
Net profit			72.414

6 Segment reporting (continued)

Company's information about operating segments for the nine-month period ended 30 September 2015 is presented below:

2015	Supply and distribution of electric power	Gas distribution	Total
Revenue	430.398	37.642	468.040
Expenses	(359.569)	(30.886)	(390.455)
Whereof depreciation and amortisation expenses	(26.349)	(6.825)	(33.174)
Operating profit	70.829	6.760	77.585
Finance income	681	16	697
Finance (expenses)	(1.775)	(149)	(1.924)
Profit before income tax	69.735	6.627	76.358
Income tax			(11.181)
Net profit			65.177

7 Related-party transactions

The Company's related parties are:

- Lietuvos Energija, UAB (the main shareholder of the Company) and its subsidiaries and associates;
- Associates of the Company;
- Management of the Company including companies in which they hold executive positions or companies which are controlled by them or over which a significant influence is exercised;
- All companies which are owned by the state or over which the state exercises a significant influence (transactions with these companies are disclosed when they are material).

Purchase and sale of goods and services:

The Company's transactions with related parties between January and September of 2016 and the balances arising on these transactions as at 30 September 2016 are as follows:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Parent company Lietuvos energija, UAB	11.925	22.652	478	313
Associates	1.633	-	12.634	-
Lietuvos energija, UAB group companies	6.251	4.384	58.604	32.743
EPSO-G UAB group companies	23.758	6.417	143.339	893
Total	43.567	33.453	215.055	33.949

The Company's transactions with related parties between January and September of 2015 and the balances arising on these transactions as at 31 December 2015 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Parent company Lietuvos energija, UAB	263	34.682	1.816	60.066
Associates	2.175	-	8.202	-
Lietuvos energija, UAB group companies	11.227	20.127	118.363	26.931
EPSO-G UAB group companies	25.300	4.573	113.657	4.209
Total	38.965	59.382	242.038	91.206

Compensation to key management personnel

Company	2016 Q III	2015 Q III
Wages and salaries and other short-term benefits to management personnel	395	757
Number of key management personnel	8	15

In 2016 management consists of heads of administration and their deputies. Until 31 May 2015, the management of AB „Lietuvos dujos“ included the head of administration, the deputies, the directors of the branches, the chief accountant; with effect from 1 June 2015, the management includes the board members. In 2015 management of AB LESTO consisted of heads of administration and their deputies

8 Events after the reporting period

October 10th, 2016 ESO received a notification from Liudas Liutkevičius on his resignation from the position of the Chief Executive Officer and the Chairman of the Board. The last serving day of Chairman of the Board and Chief Executive Officer of ESO is 2016 November 4.

November 4th, 2016 The Board of the Company withdrew Mr. Liudas Liutkevičius from the Chairman of the Board and Chief Executive Officer of Energijos Skirstymo Operatorius AB since 4th November, 2016 4:00 pm and elected Mrs. Dalia Andrulionienė, Director of Service Division, as an acting Energijos Skirstymo Operatorius AB Chief Executive Officer since 4th November, 2016 4:00 pm. In accordance with the point 59.5 of the Articles of Association, the meetings of the Company's Board temporarily chaired by Mr. Rytis Borkys, a member of the Board.

November 25th, 2016 the Board of the Company held a meeting in which a member of the Board Mrs. Dalia Andrulionienė was elected as Chairman of the Board and Chief Executive Officer of the Company. The decision was adopted upon the Opinion by the Supervisory Board of the Company delivered on 25 November, 2016.

2016

ENERGIJOS SKIRSTYMO OPERATORIUS AB INTERIM REPORT

REPORT FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016



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INTERIM REPORT

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The reference period covered by the report

The report covers the period between January-September 2016.

Information on the fact where and when one can get acquainted with the report and the documents that were used for the preparation of the report, and the mass media in which all the public reports of the company were published.

One can get acquainted with the reports and the documents, on the basis of which it was prepared, on working days Mondays through Thursdays 7.30-16.30, on Fridays 7.30-15.15 at the head office of Energijos Skirstymo Operatorius AB, the Department of Communication (Aguonų St. 24, Vilnius, Room 535). The report is also available on the website of Energijos Skirstymo Operatorius at www.eso.lt and the website of the AB Nasdaq Vilnius Stock Exchange at www.nasdaqomxbaltic.com. All the public announcements which Energijos Skirstymo Operatorius AB (hereinafter – ESO or the Company) must publish according to the existing legislation of the Republic of Lithuania are published on the Company website at (www.eso.lt) the website of AB Nasdaq Vilnius at (www.nasdaqomxbaltic.com).

The persons responsible for the information provided in the report

Position	Name and surname	Phone number
Chief Executive Officer	Dalia Andrulionienė	(8 5) 277 7524
Director of Finance and Administration Division	Augustas Dragūnas	(8 5) 277 7524
Director of the Finance Department	Artūras Paipolas	(8 5) 277 7524

The report of ESO has been prepared according to the Law on Securities of the Republic of Lithuania, the Rules for the Preparation and Submission of the Periodic and Additional Information approved by Decision No. 03-48 of 28 February 2013 (with subsequent amendments and supplements) of the Board of the Bank of Lithuania, other laws and legislation currently in force.

The date of signing the report

The report was signed on 30 November 2016.

Due to financial results comparison

Presented the financial results of ESO for nine months of 2016 are compared with a joint LESTO AB (hereinafter – LESTO) and Joint Stock company Lithuania Dujos (hereinafter – Lietuvos Dujos) financial statements, after eliminating intercompany transactions.

MAIN OPERATIONAL AND FINANCIAL FIGURES AND RATIOS

Main activity indicators of ESO

		2016	2015	Change	
		Q3	Q3	+/-	%
Activity indicators					
Distributed electricity in medium and low voltage grids	TWh	6,60	6,29	0,318	5,06
Public and guaranteed supply	TWh	2,33	2,31	0,015	0,67
Distributed natural gas amount	TWh	4,82	4,59	0,23	5,00
Network quality indicators					
<i>ELECTRICITY</i>					
SAIDI, min. (with „force majeure“)		144,34	80,15	64,19	
SAIFI, times. (with „force majeure“)		0,96	0,81	0,15	
<i>GAS</i>					
SAIDI, min. (with „force majeure“)		0,464	0,871	-0,407	
SAIFI, times (with „force majeure“)		0,005	0,005	-	

Main financial indicators of ESO

		2016	2015	Change	
		Q3	Q3	+/-	%
Sales revenue	thousand EUR	478.778	468.040	10.738	2,29
Purchases of electricity and gas, other related services	thousand EUR	284.283	273.249	11.034	4,04
Operating costs (1)	thousand EUR	71.558	82.179	-10.621	-12,92
EBITDA (2)	thousand EUR	122.937	112.612	10.325	9,17
EBITDA margin (3)	%	25,68	24,06		
Net profit (loss)	thousand EUR	72.414	65.177	7.237	11,10
		2016 m.	2015 m.	Pokyitis	
		Q3	12 mo.	+/-	%
Total assets	thousand EUR	1.069.748	1.078.728	-8.980	-0,83
Equity	thousand EUR	603.107	573.813	29.294	5,11
Financial debt	thousand EUR	209.759	246.985	-37.226	-15,07
Net financial debt (4)	thousand EUR	205.964	220.024	-14.060	-6,39
Return on equity (ROE) (5)	%	16,01	15,14		
Return on assets (ROA) (6)	%	9,03	8,06		
Equity level (7)	%	56,38	53,19		
Net financial debts / EBITDA of 12 months	times	1,29	1,48		
Net financial debts / Equity	%	34,15	38,34		

(1) Operating expenses (OPEX) = operating expenses, excluding the costs of purchase of electricity and related services, costs of depreciation, amortisation and value impairment and costs write-offs of tangible fixed assets;

(2) EBITDA (earnings before interest, taxes, depreciation and amortisation) = pre-tax profit (loss) + finance costs – finance income – received dividends + costs of depreciation and amortisation + value impairment costs + write-offs of tangible fixed assets;

(3) EBITDA margin = EBITDA / revenue;

(4) Net financial debts = financial debts – cash and cash equivalents – short-term investments and time deposits – share of other non-current financial assets comprising investments in debt securities;

(5) Return on equity (ROE) = net profit (loss) for the reporting period / 3*4 / equity capital in the end of the reporting period;

(6) Return on assets (ROA) = net profit (loss) for the reporting period / 3*4 / total assets in the end of the reporting period;

(7) Equity capital level = equity capital at the end of period / total assets at the end of period.

CEO LETTER

Dear All

Our achievements in the third quarter of the year were even more impressive. The main reason for our better financial performance indicators is the synergy from the merger of the two companies – LESTO and Lietuvos dujos – that continues generating an increasingly positive effect.



Enhancing our performance efficiency is our strategic objective and an on-going process. We share the return from efficiency with our customers by offering to them reliable, convenient and high quality services. Furthermore, reduction in our operating costs is our direct contribution to lower service prices for our customers. During the nine months of the year the operating costs of ESO, as compared to a consolidated result of LESTO and Lietuvos dujos last year, decreased by EUR 11 million, or 13 %.

And we continue looking for a still untapped potential for the efficiency of our performance. To that end our universal power and gas operative teams were put in action this autumn, and as soon as the beginning of the next year we will launch a Lean-principles based operational excellence programme.

This year we were specifically active in our efforts to ensure a simpler and faster connection of our customers to electricity and gas systems. We have been consistently improving our processes, and submitting proposals on improvement of relevant legal acts. Since July those willing to get connected to electricity networks or increase power in most cases can indicate the desired power and the place of metering closet. Certificate from the Centre of Registers, act of property boundaries and other documentation takes care ESO staff. These changes reduce the administrative burden on customers and improve the electrical input conditions.

How delightful to see that this year our efforts in improving electricity and gas connection processes received a most positive feedback from the World Bank. Within the Doing Business survey experts of the World Bank rated very positively the progress in improving the conditions for connecting to electricity networks. In the section of the survey covering connecting to electricity networks ('Getting Electricity') Lithuania jumped up by three positions – from the 58th to the 55th place. A contribution to the developments was the changes implemented by ESO and the Ministry of Energy due to which the process of connection to electricity networks was shortened by at least 10 days.

In August, we started implementing a pilot project during which we were offering electricity and internal networks installation services to our customers. Having tested the new services the customers were happy that ESO was taking care of everything, because connection to electricity and gas networks is a time consuming and for customers excessively complex process. We plan to start providing gas network installation services in premises of customers of all types starting from January 2017, and electricity interior network installation services as from April 2017.

The first three quarters of the operation of ESO exceeded the objectives set early in the year, thus our robust start is building solid foundation for our further successful operation. We work to ensure that energy resources reach our customers in a simple and reliable manner.

Chairman of the Board and CEO of ESO
Dalia Andriulionienė

SIGNIFICANT EVENTS TO THE COMPANY DURING THE REPORTING PERIOD

Regarding the Extraordinary General Meeting of Shareholders

On 4 July 2016 by the decision of the Board of the company it was announced that an Extraordinary General Meeting of Shareholders of the Company is to be convened on 26 July 2016. During Extraordinary General Meeting of Shareholders it's planned to elect of the audit company for the audit of financial reports of the Company and set of terms of remuneration for audit services.

Regarding the supplemented draft decision of the Extraordinary General Meeting of Shareholders

On 13 July 2016, the document of the shareholder Lietuvos Energija, UAB controlling 94,98% of the shares of the Company, was received. The Company was informed about the recommendation of the Lietuvos Energija, UAB Supervisory Board Audit Committee for the offered audit company.

A decision on the election of the audit company was adopted

On 26 July 2016 at the Extraordinary General Meeting of Shareholders of the Company „PricewaterhouseCoopers“ UAB was elected as the audit company for the audit of the Company. For the audit services of 2016-2018 it will be paid no more than 159 600,00 EUR (VAT not included).

Regarding the Extraordinary General Meeting of Shareholders

On September 1, 2016 the Company received a request from Lietuvos Energija, UAB, to convene the Extraordinary General Meeting of Shareholders. The purpose of the Extraordinary General Meeting of Shareholders - to pay dividends for the period shorter than the usual financial year. In the application Lietuvos Energija, UAB presented a draft decision to allocate 0,014 EUR dividends per share for shareholders of Energijos Skirstymo Operatorius AB for the period shorter than financial year as of the end of 30 June 2016.

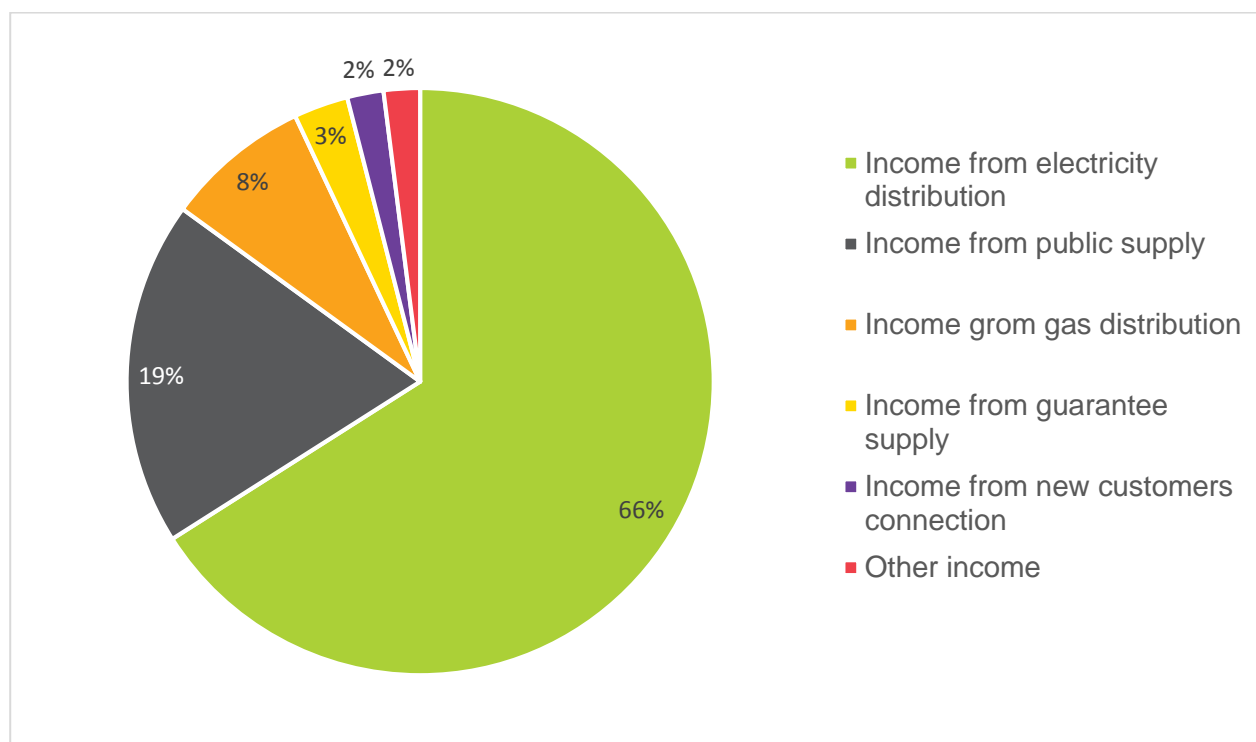
Based on the application from Lietuvos Energija, UAB, the Company's Board has decided to convene an extraordinary general meeting.

Regarding the resolutions of Extraordinary General Meeting of Shareholders

On 26 September 2016 the Extraordinary General Meeting of Shareholders of the Company was held. During the meeting the interim Report of the Company for the period of six months and the set of interim Financial Statements of the Company of the first half of 2016, audited by “PricewaterhouseCoopers” UAB, the Company's auditor, was approved. The shareholder also approved the allocation of dividends in the amount of 0,014 EUR per share for the period ended 30 June 2016.

ANALYSIS OF PERFORMANCE RESULTS

ESO income structure



During nine months of 2016 ESO revenue reached EUR 470 million. Compared to the January-September of 2015 ESO revenue increased by 2.3 %. Revenue grew due to increased electricity transmission volume and increased gas distribution volume. The main source of Company's income is income from electricity distribution.

During the nine months of 2016 income from network service made up 66% of total company's income. Income from public supply service consisted 19%, income from gas distribution – 8% from total revenue.

EBITDA ratio

	2016.09.30	2015.09.30
EBITDA, thousand. EUR	122,937	112,612
EBITDA ratio, proc.	25,68	24,06

*EBITDA (earnings before interest, taxes, depreciation and amortisation) = pre-tax profit (loss) + finance costs – finance income – received dividends + costs of depreciation and amortisation + value impairment costs + write-offs of tangible fixed assets

During nine months of 2016 ESO EBITDA amounted EUR 122.9 million, and compared to the same period in 2015, EBITDA increased by 9.2%.

Costs

During nine months of 2016 electricity, natural gas purchase and related services costs made up EUR 284.3 million and, compared to the same period of 2015, increased by 4%. This was mainly influenced by increased electricity transport

volumes and increased transmission cost as well as higher natural gas volumes. During the reporting period electricity, natural gas purchase and related services costs amounted to EUR 318.3 million, which made up 81.1% of total ESO costs.

Operating expenses¹ amounted to EUR 71.6 million. Compared with nine months of 2015 operating expenses decreased by 12.9%. Employee benefits and related social security contributions, as well as repair and maintenance expenses, decreased by most - respectively 16.9% and 32.1%.

ESO operating expenses in thousand EUR

	2016.09.30	2015.09.30
Employee benefits and related social security contributions	33 812	40 687
Repair and maintenance expenses	13 440	19 800
Other expenses	11 982	10 234
Telecommunications and IT service	5 874	6 001
Transport	3 393	3 523
Rent and utilities	3 057	1 930
Operating expenses	71 558	82 175

Profit, loss and profitability ratios

During nine months of 2016 ESO net profit amounted to EUR 72.4 million and compared to the same period in 2015 it increased by 11.1%, when it totalled EUR 50.7 million. Net profit increased due to increased revenue and reduced operating costs.

ESO profitability ratios

	2016.09.30	2015.09.30
Net profit margin, %	15,12%	13,93%
Operating profit margin, %	18,04%	16,58%

Electricity distribution

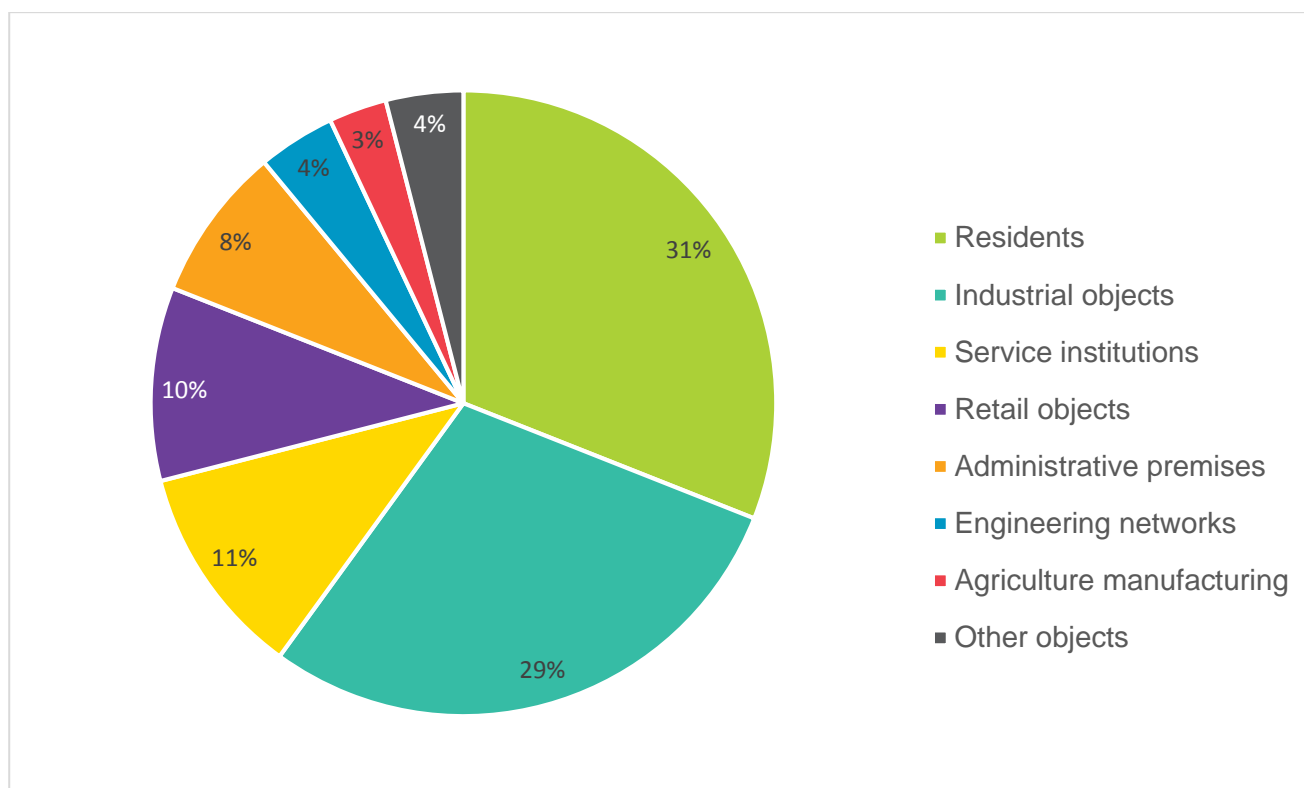
During nine months of 2016 the amount of ESO distributed electricity reached 6.604 billion kWh. Electricity sales made up 35.3% of this amount. To the rest customers ESO granted only network distribution service.

Compared to the same period of 2015, the amount of electricity sold increased by 0.65%, while the volume of network service increased by 5.06%. Technological losses experienced by the company during the nine months of 2016 amounted to 406 million kWh and this totalled to 5.79 % from the amount of electricity received. During the same period of 2015 technological losses totalled 6.09%.

¹ Operating expenses (OPEX) = operating expenses, excluding the costs of purchase of electricity, natural gas and related services, costs of depreciation, amortisation and value impairment and costs write-offs of tangible fixed assets

Structure of network service volumes by objects

31 % of ESO electricity network service volume was allocated to residents. Industrial and service institutions consumed 29% and 11% respectively. Compared to nine months of 2015 data, the structure of electricity network service has not changed.



Natural gas distribution

During nine months of 2016 ESO via its distribution pipelines transported 4.8 billion kWh (449 million cubic meters) of natural gas - about 5% more than in 2015 in the same period.

During nine months of 2016 distribution volumes increased mainly due to colder weather during the heating season increased gas consumption demand in heat and power generation plants.

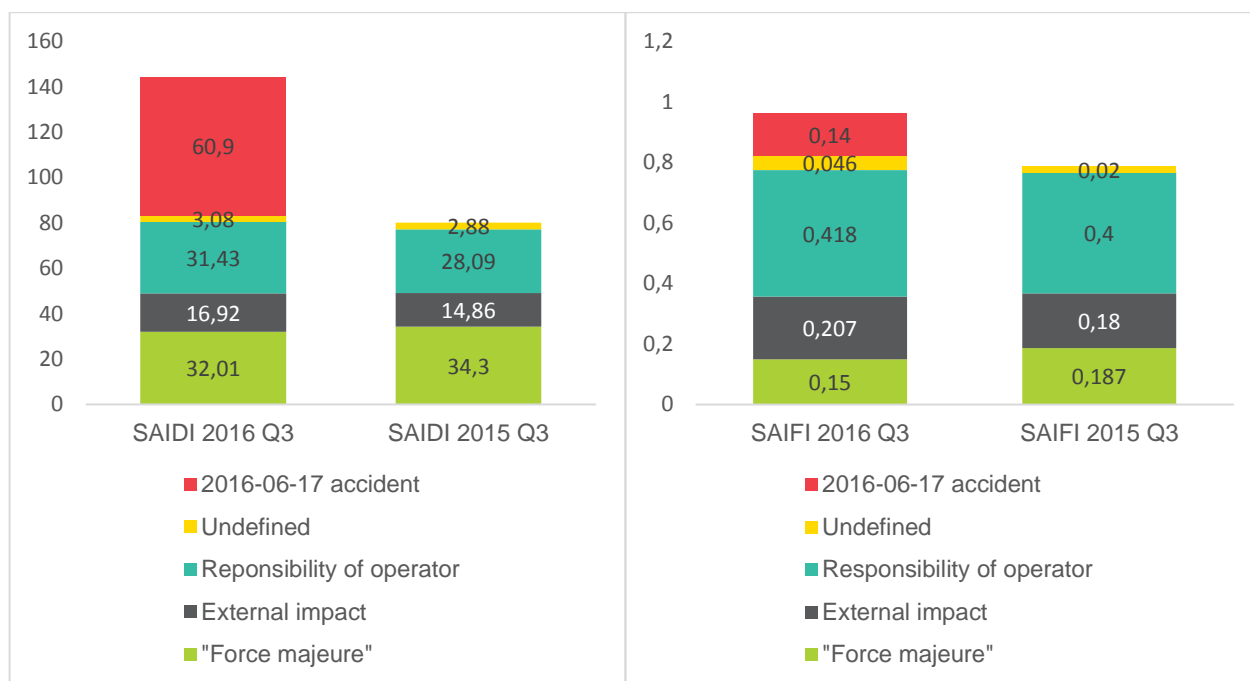
Electricity distribution network reliability indexes

During nine months of 2016 with the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer amounted to 144.3 minutes. This is 64.19 minutes more compared to the same period in 2015, when it amounted 80.15 minutes. The system average interruption frequency index (SAIFI) with the influence of natural disasters per customer reached from 0.96 – 0.15 times more compared to 2015 January-September, when it was 0.81 times.

Significant impact on the electricity distribution network operation during nine months of 2016 had more frequent natural disasters, which resulted in very changeable weather, compared to the same period last year. The greatest impact on

network reliability indicators had a storm on June 17-18 2016. It was one of the strongest in recent years. The effects of the storm, which were eliminated during June 17-25, were classified as an Accident, according to the regulations of the Republic of Lithuania energy equipment accidents and disorders.

Quality of electricity supply (SAIDI, SAIFI) 2016 January – September and 2015 January – September



Investments

During nine months of 2016 ESO investments in the electricity and gas distribution networks amounted to EUR 89.594 million – 10.5% more than during three quarters of 2015.

ESO investments, million. EUR

	2016 Q3	2015 Q3
Electricity distribution network upgrade	47,702	38,564
Electricity distribution network expansion	28,509	32,522
Construction and reconstruction of Gas systems	8,459	7,844
Other (IT, management systems, etc.)	4,923	2,176
Total investments	89,594	81,107

During nine months of 2016 ESO investment in electricity distribution network upgrade amounted to EUR 47.702 million – 23.7% more compared to the same period of 2015. Investments in the electricity distribution network expansion during three quarters of 2016 were lower compared to January-September of 2015, because major investment projects are planned for implementation during of the second half of 2016.

Nine months of 2016 compared to January-September of 2015, investments in IT and management systems increased by 2.3 times - up to EUR 4.9 million. This was resulted by new electricity distribution network management system installation works.

The new system, implemented by the US industrial and energy concern "General Electric Company" company IGE Energy Management Services Limited, will ensure a better quality of electricity supply and distribution, network reliability and expeditious restoration of power supply in the event of failure.

During the nine months of 2016 ESO has connected 20.43 thousand new customers, 0.2% less than in the same period of 2015 when it had 20.477 thousand new customers connected. The permissible power for new customers during the nine months of 2016 was equal to 244,279 thousand kW, which is 15.3% less than during January-September 2015, when the permissible power was 288.71 thousand kW.

During nine months of 2016 ESO investment in gas systems for construction and reconstruction reached EUR 8.5 million or 8% more compared to the same period in 2015. During nine months of 2016 for new customers connection company has built 60.5 km of distribution pipeline (2015 January-September – 53.3 km) and the connected 3011 costumers* to the distribution network – 23% more compared to the same period in 2015 (2453 consumers).

* For new connected consumers ESO built a natural gas system, and supporting documents for the end of the reconstruction has been received (consumers do not necessarily contract a natural gas purchase - sales and service contracts).

Financial ratio analysis

The value of ESO assets at the end of the reporting period made up EUR 1.07 billion. Fixed assets share in total assets was equal to 92.8 %. Most liquid assets - Cash with cash equivalents accounted to EUR 3.8 million i.e. 4.9% of total current assets.

ESO financial leverage ratios

	2016.09.30	2015.12.31
Indebtedness ratio	0,44	0,47
Debt to assets ratio	0,20	0,23
Debt to equity ratio	0,77	0,88
Total liabilities to equity	0,35	0,43
Debt to equity ratio, thousand EUR	206,0	220,0
Net financial debt to equity ratio	0,34	0,38
Long-term debt to equity ratio	0,20	0,26
General solvency ratio	0,77	0,88
Equity to assets ratio	0,56	0,53
Price-earnings ratio*	10,64	-
Capitalisation, million EUR*	770,3	-

* ESO shares trade on stock exchange began since 01/11/2016

As of 30 September 2016 ESO financial debt amounted to EUR 209.8 million. EUR, or it amounted 47% all the liabilities. Longterm loans amounted to EUR 119.1 million, 56.8% of total loans. At the end of the reporting period, ESO current liabilities totaled EUR 202.9 million.

ESO liquidity ratios

	2016.09.30	2015.12.31
Current liquidity ratio	0,38	0,64
Acid test ratio	0,37	0,63
Cash liquidity ratio	0,02	0,13
Working capital ratio EUR thousand	-126.021	-75.920
Working capital to total assets ratio	-0,12	-0,07

ESO current liabilities exceeded current assets by EUR 126 million. Current liquidity ratio - 0.38. Acid ratio is not significantly different from the current liquidity, since reserves amount to only 2.6% of total current assets. Financial debt, reduced by short-term investments and cash and cash equivalents in size, amounts EUR 206 million. The company's net financial debt consists of 34 % equity.

References and additional explanations of disclosures in the annual financial statements

Other information is presented in ESO financial statements: interim financial information for the nine months period ended 30 September 2016

FACTORS AFFECTING THE FINANCIAL INDICATORS OF THE COMPANY

Operating environment

For the fourth year, the European Union's gross domestic product is slowly growing. In addition, growth should also lead to low oil prices, favourable financing conditions, and a weaker euro against the dollar. On the other hand, new risks are beginning to emerge, which can affect economic growth: slower growth in China and other developing countries, weak global trade, and geopolitical tensions in the neighbourhood. The European Commission forecast published in autumn 2016 said that in 2016 the European Union's gross domestic product growth will reach 1.8% and 1.7% in the euro zone. Meanwhile, in 2017 economic growth should reach 1.6% and 1.5% respectively².

According to European Commission forecasts Lithuanian economic growth will increase by 2.0% in 2016, and 2.7% in 2017³. Lithuania bank economists in the Lithuanian economic growth prospects published in 2016 also predict economic growth in Lithuania. According to the SEB Bank analysts' October forecasts, it is expected that Lithuanian's gross domestic product will increase by 2.2% in 2016 and 2.5%⁴ in 2017. In November 2016 Swedbank, AB analysts also published a Lithuanian economic outlook: they expect that gross domestic product growth will reach 2.0% in 2016 and 2.8% in 2017⁵. According to the Bank of Lithuania September 2016 forecast, Lithuanian gross domestic product will grow 2.3% in 2016 and 2.9% in 2017⁶.

² Data source: European Commission. European Economic Forecast Autumn 2016

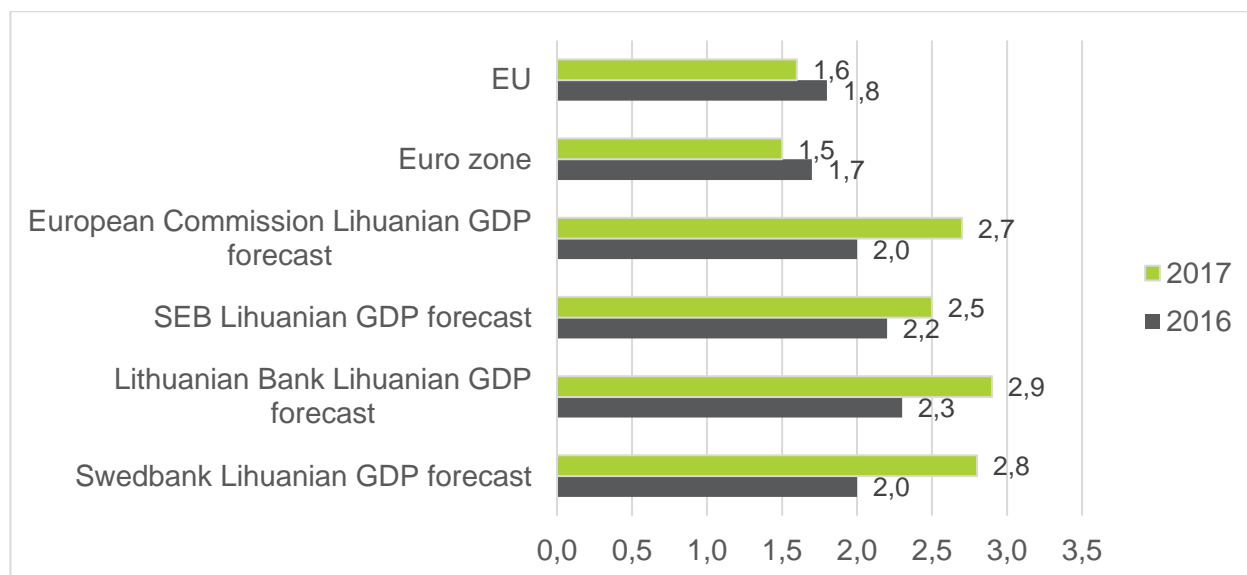
³ Data source: European Commission. European Economic Forecast Autumn 2016

⁴ Data source: SEB bankas. Lietuvos makroekonomikos apžvalga Nr. 63, October 2016

⁵ Data source: „Swedbank“ ekonomikos apžvalga. November 2016 m.

⁶ Data source: Lietuvos bankas. Lietuvos ekonomikos raida ir perspektyvos. 2016 m. September

The Lithuanian, European Union, and Eurozone gross domestic product growth forecasts for 2016 - 2017 in %.

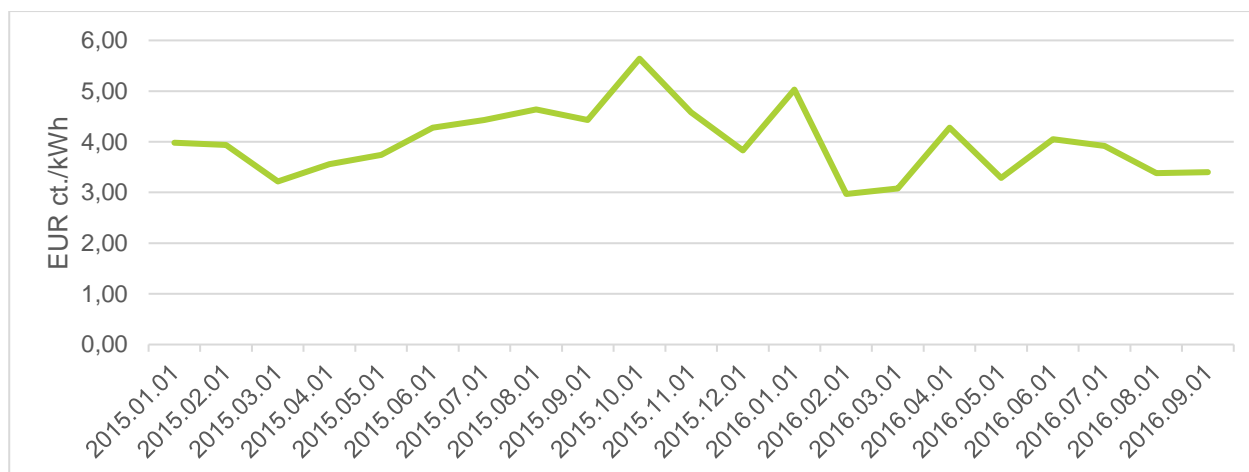


Because power consumption is closely linked to gross domestic product growth, economic growth affects the performance of the ESO, too. Taking into account the macroeconomic forecasts of economists as well as 2015 results, we can expect a growth in electricity transmitted for 2016 and beyond.

The situation in the electricity market

In January-September 2016 the average price of electricity in Nord Pool Exchange Lithuanian trade zone was somewhat lower than in the respective period last year. In January the average price of electricity in Nord Pool Exchange Lithuanian trade zone, compared to the same period in 2015 increased by 26.4%, in February – decrease by 24.6%, in March – decreased by 4.3%, in April - increased by 20.2%, in May – decreased by 12.0%, in June – decreased by 5.4%, in July – decreased by 11.5%, in August – decreased by 27.2%, in September – decreased by 23.3%.⁷

Average monthly prices at the electricity exchange



⁷Data source: Elektros rinkos apžvalga, September 2016. Checked 2016-11-17 <http://www.litgrid.eu/index.php/elektros-rinka/rinkos-apzvalgos/798>

Company strategy and objectives

On November 2nd, 2016 ESO strategy for 2016-2020, which was approved by the Board of the Company, was published. ESO long-term strategy is based on reliability, effectiveness, high reputation and values-based organizational culture.

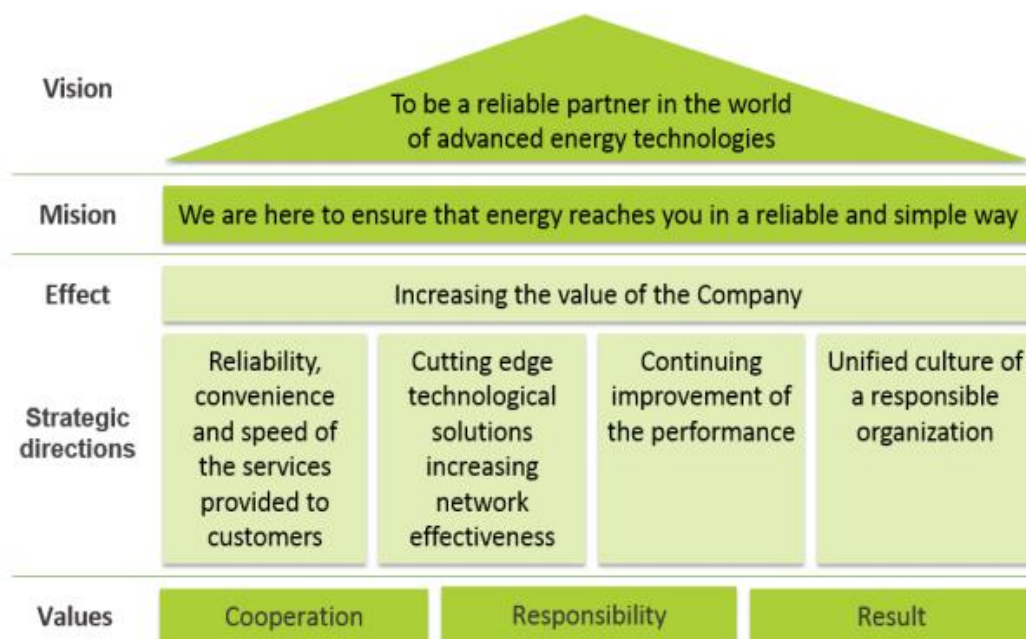
The Strategy envisages further increase of operational efficiency and reduce of operating costs by more than 10% by 2020. In pursuance to ensure high quality and safe electricity and natural gas distribution services, it is planned by 2020 to increase the volume of investments by 45% by directing funds to improve the technical condition of the electricity and gas distribution networks.

The Company will seek to improve the reliability of the electricity distribution network significantly. It is planned that the system average interruption duration index (SAIDI with force majeure) of electricity network will be reduced to 87 minutes by 2020 (2016 - 106 min.). The system average interruption frequency index (SAIFI with force majeure) will fall to 0.94 times (2016 - 1.06 times). The Company will also seek to maintain high reliability indicators of natural gas distribution network.

The Company plans to shorten the connection time of new customers to the natural gas distribution network twice: from 177 to 85 days. It is planned that the connection time of new customers to the electricity distribution network will shorten from 66 to 50 days. Faster connection process to the electricity distribution network process will improve the country's ranking in World Bank Doing Business index, as one of its constituent parts is Getting Electricity indicator.

The company will seek to maintain a high level of customer satisfaction, exceeding the average of Europe energy companies. It is expected that the GCSI index of the Company customer satisfaction will remain 80 points by 2020.

ESO strategy scheme



Fulfilment of the mission, the pursuit of the vision ESO bases on the values of collaboration, responsibility and results. The values expressed in terms of the provision that we constantly feel responsibility for actions, working together and always strive for the best results to our stakeholders.

All of these elements are considered fundamental assumptions to achieve the basic strategic goal of increasing the value of the Company. Increase of Company value is perceived as a sustainable balance between the strategic directions listed below, which are linked by balanced scorecard methodology to their relevant perspectives:

1. Service customer reliability, convenience and speed (customer perspective)
2. Advanced technological solutions which enhance network performance (internal processes perspective)
3. Unified organizational culture (employee training perspective)
4. Continuous improvement of activities (internal processes perspective)

These directions' consistent implementation allows us to contribute to the core of the Company's strategic objective in a balanced way – increasing the value of the company (financial perspective).

Stakeholders

In order to balance the implementation of the strategic directions in particular we take into account the interests and expectations of stakeholders. During the internal and external analysis these key stakeholders were identified: shareholders, customers, the public, employees, regulators, and contractors.

The Company's strategic directions should reflect key stakeholder interests. An outline schematic shows ESO stakeholder needs conveyed through strategic directions. Each strategic direction is associated with one or more stakeholder. According to this logic, specific objectives and indicators are provided to monitor the assurance of stakeholder interests.

Investment plans

Electricity distribution network modernization

On February 3, 2015, LESTO announced the 2015-2025 investment plan. Over the next decade ESO, which continues LESTO activities, plans fundamentally modernize the distribution network. In order to ensure reliable, safe, and intelligently managed services, the Company plans to invest EUR 1.7 billion into network modernization and renewal by 2025.

The company intends to invest the most – EUR 511 million – into the network's resilience to increased climate phenomena. In this way, overhead lines will be replaced by underground or air-insulated lines. We plan to increase such lines by 25 % to 40 %, or to build 18 thousand kilometres of underground and insulated lines over the next 11 years. They intend to invest 16

EUR 426 million in the Safe and Reliable Network program. During the program, unsafe transformers, cable lines, and distribution equipment will be replaced with modern, state of the art equipment conforming to standards.

We plan to invest EUR 132 million in voltage quality improvement. This will solve the poor quality voltage problem for 41 thousand customers by taking care of almost 9.1 thousand kilometres of lines affected by voltage fluctuation. ESO intends to invest EUR 34 million into smart network projects. By 2025, we plan to implement 7 projects including network automation, smart metering pilot projects, a unified dispatch centre, and a distribution network management system. The remaining investment will be used for the connection of new customers, investments in IT systems, and other measures.

Gas distribution network modernization

On December 13, 2015, Lietuvos Dujos announced a ten-year investment plan estimating investment of EUR 141.1 million into the network over the next decade. ESO, which continues Lietuvos Dujos activities, plans the largest investments in the development of the distribution system, distribution pipeline reconstruction, and remote data acquisition and control systems modernization. Ten directions of investment are provided for in the 2016-2025 investment plan. Most of it – EUR 58 million – is earmarked for development of the distribution system, necessary because of the growing number of new natural gas customers. About

EUR 21 million is planned for investments in remote data acquisition and control system modernization and EUR 20.4 million for the reconstruction of gas distribution pipelines. We plan to allocate EUR 11.7 million of funds to the gas metering system within ten years. The gas pressure control equipment reconstruction gets EUR 7.7 million, closing device modifications and additional installation EUR 6.5 million, and pipeline corrosion protection equipment reconstruction EUR 1.2 million. Planned investments for gas distribution reliability projects are EUR 3.5 million and EUR 0.66 million for distribution pipeline buyout. They plan to allocate EUR 3.9 million funding for technological process modernization.

Risks and uncertainty factors and their management

Risk management policy

The Company's risk management system is based on COSO (Committee of Sponsoring Organizations of the Treadway Commission) ERM (Enterprise Risk Management), AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines), and ISO/IEC 27005:2011 (Information technology – Security techniques – Information security risk management) principles.

ESO understands risk as uncertainty as to achievement of the objective, conditioned on potential events and their possible consequences. ESO operational objectives are understood broadly and include both general objectives related to the long-term strategy and action plan, as well as the specific objectives relating to individual Company business processes. The Company's risk management is based on an assessment of the potential adverse impact on the Company and its business function (process) goals and results. Risk identification, analysis, assessment and management is carried out systematically in accordance with the uniform risk management policy for companies in the Lietuvos Energija UAB group. The Company has adopted a risk management procedure and other internal regulations concerning the risk management.

The main principles of ISO risk management:

- risk management creates and protects the value created, and management scenarios and measures are selected in such a way as to contribute to the Company's achievement and performance improvement
- risk management is integrated into the Company business processes and linked to the operational planning process, monitoring the performance of the Company continuously monitoring the level of risk trends
- risk management is an integral part of decision-making
- risk management is adapted to the internal and external environment as well as the nature of the risks
- risk management is systematic, structured, and timely
- risk management is dynamic, responsive to change, and repetitive
- risk management process is transparent and comprehensive. Personnel at all levels of the Company participate in this process. The risk management committee functions carried out by the Company Board of Directors ensure suitability as well as reliability, and the Supervisory Board of Risk Management Supervision Committee does so at the corporate group level for Lietuvos Energija, UAB.

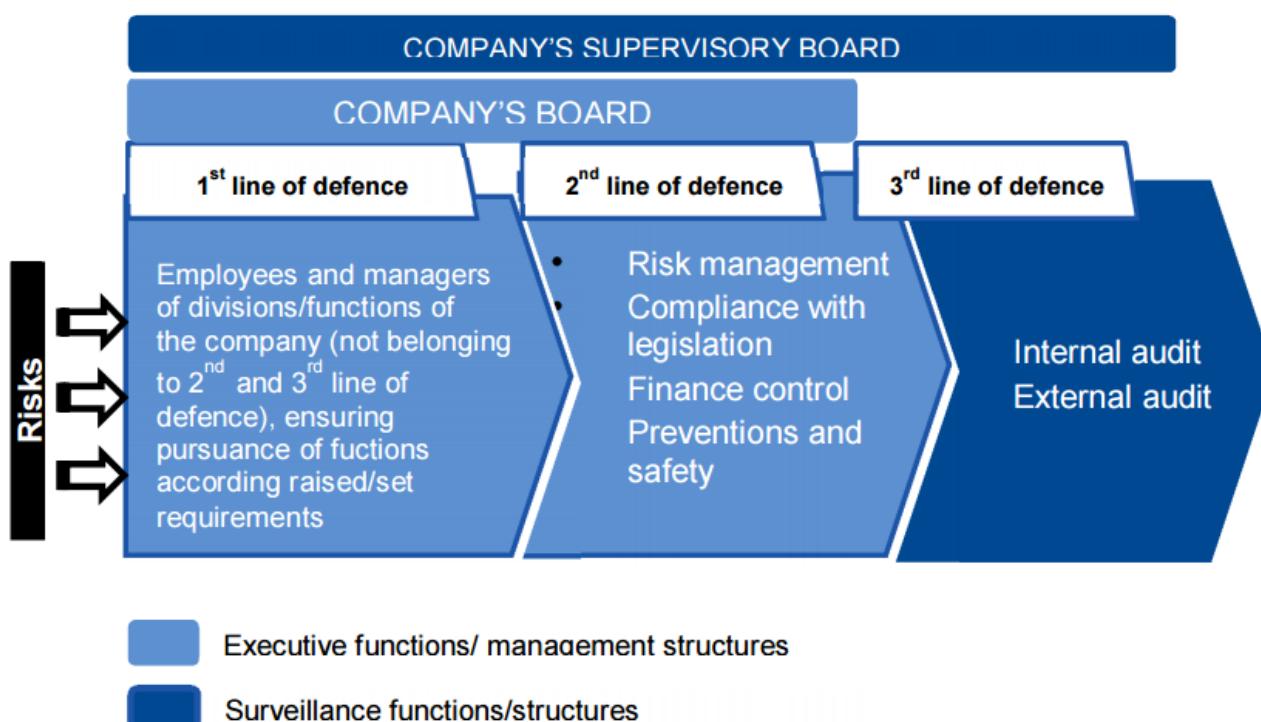
The periodic risk identification and assessment cycle, which measures the residual risk associated with the results of operational functions (processes) and benchmarks strengthening of risk management measures, is held annually during the

planning process for operational objectives. Risks (risk factors) that may have an adverse effect on the Company's business objectives and results are determined during this cycle. The risks identified are assessed according to their probability of occurrence and the potential impact on performance goals and results. This way risk management measures are selected for the risks evaluated whose integrated probability and impact assessment exceeds the risk tolerance level. The implementation of the measures should reduce the probability and (or) the impact so that the risk to objectives and results is within the risk tolerance (risk appetite) range. Risk can also be evaluated spontaneously, before making a significant Company decision or a significant change in the conditions of internal or external circumstances. Risk management measures are targeted to risk avoidance, reduction, transfer and (or) taking into consideration their impact on the Company's objectives, business continuity, taking into account the cost risk mitigation measures as well as their effectiveness. The company aims to manage all risks that may have a critical impact on performance goals and business continuity, regardless of their probability. Residual risk compliance with risk tolerance, the emergence of new risks, and compliance of risk management measure introduction with the risk management plan are reviewed on a quarterly basis.

The Company employee responsible for risk management coordinates the Company's risk management system as well as develops the risk management process. The imposition of measures, their impact on the analysis and evaluation of the Company's business function (process), and appropriate risk management action plan formulation and implementation are the responsibility of the owner or manager of the business process or department to which the results of the risk may have a negative impact.

Risk management and control model

The Company, managing and controlling the risks faced by their activities, apply the three lines of defence principle, establishing a clear responsibility for risk management and control shared between the Company's management as well as supervisory bodies and structural units or functions (see below). **Risk management and control scheme**



"The first line of defence" belongs to the Company's district managers and executives (unnamed are the 2nd and 3rd lines of defence), engaged in operational functions falling within their competence and (or) ensuring operational functions

according to their goals/set requirements, i.e., contracting and (or) the Company's main activities, management and support processes (not belonging to the 2nd and 3rd line of defence) organizing as well as engaged staff and their managers. Function/operations managers and employees who belong to the 1st line of defence, performing activities falling within their defined competencies as well as reaching for set goals, assume relevant activities/process-related risks and take responsibility for the risk management and internal control of element introduction for process for which they are responsible. "The second line of defence" belongs to the Company's risk management, compliance with legislation, financial control, and prevention and safety functions/departments:

- the individual responsible for risk management is responsible for proper risk management and the creation of the control system, the risk management process, as well as the organization of risk management control
- the Legal Department ensures that the Company's executive and employee solutions meet the requirements of the law
- the Financial Control Unit ensures control of proper use of financial resources
- the Prevention Unit is responsible for organizing the installation as well as control of preventive risk management measures related to the risk of abuse, physical, information, and property safety

The Company's Board of directors, performing the functions of the risk management committee, is responsible for proper risk management and controlling of the 1st and 2nd lines of defence.

"The third line of defence" includes: the Lietuvos Energija, UAB internal audit unit and external auditing company. The internal Audit Unit evaluates risk management and internal control effectiveness and efficiency and makes recommendations for risk management and control improvement. The Company's hired external audit company delivers an opinion on the correctness of the Company's financial statements and risk management and internal control effectiveness at least once a year.

The internal audit unit is accountable to the Lietuvos Energija, UAB Supervisory Board and regularly informs the Company Board and the Supervisory Board on the Company's risk management and internal control effectiveness and internal audit recommendation implementation.

The Company's employee responsible for risk management regularly provides aggregate information on risk management and control to the Lietuvos Energija, UAB Risk Manager.

The Lietuvos Energija, UAB Supervisory Board Risk Management Monitoring Committee carries out risk management and control systems monitor the effectiveness of all three lines of defence according to the established competence.

The main risks to Company activities and their management

These are the main risks to Company activities:

- strategic risk
- compliance risk
- operating/operational risk
- financial risk

Strategic risk management

Strategic risk. In the scope of the Company's activities, risks in this group are associated with planning, unfavourable or erroneous operating decisions, improper implementation of decisions or lack of/belated response to political, regulatory, or technological and/or scientific (innovation applicability) developments. Market, reputation, damage to the environment, and natural resources risks arising from improperly defined strategies could also be attributed to this category, depending on the source of risk. The most important macroeconomic risk factor is the cost of energy production (or import) in the emerging

market. This price is directly determined by energy cost. Public electricity supply price is regulated and is fixed regardless of the current market price of electricity.

The Company's revenues and profits from transmission and supply activities directly depend on energy transmission/consumption volumes. The country's macroeconomic situation has a direct impact on energy sales, new electricity and gas installation connecting trends, and customer solvency. This risk is managed by the Company conservatively planning energy consumption and sales revenue.

While operating and expanding its current electricity and gas distribution network, ESO buys distribution network equipment and materials whose price depends on market trends. ESO network operation and grid investment costs, which affect the financial results of ESO, depend on the prices of these goods. In order to optimize the investment and the cost of network operation and development, the Company uses the investment ranking method based on objective criteria reflecting the Company's power distribution network operation as well as development priorities.

Political risk factors are also important for Company activities. Electricity distribution and supply is regulated by the Republic of Lithuania Law on Electricity and gas distribution is governed by the Republic of Lithuania Law on Natural Gas. The aforementioned law and other related legislation may affect ESO activities and results. State policy is important in relation to energy prices. Service prices are regulated and price caps are set and controlled by the National Commission for Energy Control and Prices. ESO's performance depends on these decisions. In order to reduce the abovementioned risk's effects on operating results, the Company analyses international energy companies regulatory practice and, if necessary, submit proposals for legislation to the public authorities.

As public and guaranteed supplier of electricity, the Company seeks the highest standard of reputation in its function of electric and gas distribution. This ambition is reflected in the Company mission, vision, strategic objectives, and values. Company leaders try hard to communicate the Company mission, vision, values, and strategic objectives to employees. In addition, the Company carries out social projects, testifying to the Company's socially responsible image.

Compliance risk management

Compliance risk is understood as the risk arising from a changing regulatory, legal environment, or validation of specific changes in specific areas, but they are not properly or promptly transferred to the Company's internal documents. Or, with regard to the Company's activities, there is no possibility for such requirements to be implemented promptly or fully. Also, this risk group can be associated with compliance risks for a variety of standards and certificates. This is a risk of an increase in losses, loss of prestige, and (or) decrease in confidence, which may be due to external environmental factors or internal factors (such as the internal laws and ethical standard violations, worker abuse cases, and so on).

The Legislation Division is responsible for compliance risk management. In order to minimize the risk of legal compliance, the Company's lawyers participate in the Company's management decision-making, internal legislation, and contract preparation processes.

Operating/operational risk management

Operating/operational risk is understood as the risk of loss/not receiving planned revenues, uncertain business continuity, or to pose a threat to workers and/or the environment, as well as the loss of confidence resulting from inadequate or failed internal procedures, improperly organized and managed processes, staff errors and/or illegal actions and information system failures or from external events. This category includes risks associated with inappropriate human resource management, organization microclimate, employee safety and health, civil, physical, fire safety insecurity, inadequate/insufficient information technology, information security insecurity, improper contract management, inefficient internal control systems, product/service/runaway work quality, customer service quality insecurity, damage to the environment or nature, or inefficient processes. Disruption of energy supply risk management is very important for the Company's activities. One of the key

factors characterizing the distribution network operator is power distribution reliability, measured by SAIDI and SAIFI. Due to unpredictable external factors, such as natural disasters, there is a risk that consumers will not be guaranteed a reliable energy supply, ESO will not get the expected income, and relevant troubleshooting will result in additional operating costs. The Company has developed comprehensive emergency management procedures for this risk. Also, in order to improve energy supply quality and reliability, ESO provides the bulk of the total investment for the rehabilitation of distribution networks, power transformer substation reconstruction, and new, durable electric and gas equipment installation meeting current quality standards. They are looking for technological solutions that ensure continuous distribution network control and quick troubleshooting to prevent electric and gas supply disruptions.

Financial risk management

Credit risk is the risk of loss, that clients and (or) the other parties to the transaction will not be able to fulfill their obligations to the Company.

The Company's credit risk consists of temporary and fixed-term funds in banks, investments in debt securities, and consumer obligations to pay for the consumed energy.

The Company has no significant concentration of credit risk, because a large number of consumers of energy leads to a low concentration of credit risk.

The priority investment objective is to ensure security of funds and, in line with this objective, the maximization of return on investment.

Credit risk caused by energy consumers' inability to pay for the consumed energy in due time is managed by the Company's consumer debt management procedures.

The Company does not guarantee obligations of other parties.

Market risk means the losses of future net revenue loss due to the risk of interest rates, exchange rates, stock, and changes in prices of listed items.

Interest rate risk

The Group's and Company's earnings and cash flows from operating activities are in principle not significantly dependent on changes in market interest rates. All of the Group's and Company's loans are at a variable interest rate, which is linked to the Euribor index. The Company manages interest rate risk by using derivative interest rate risk management tools.

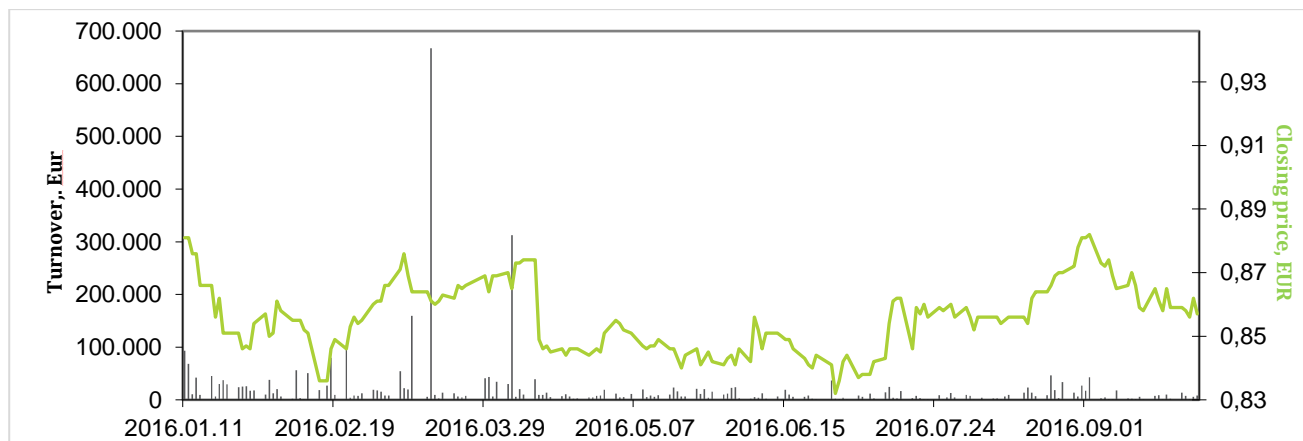
Foreign currency risk

All the Group's and the Company's monetary assets and liabilities are denominated in euros.

INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL AND SECURITIES

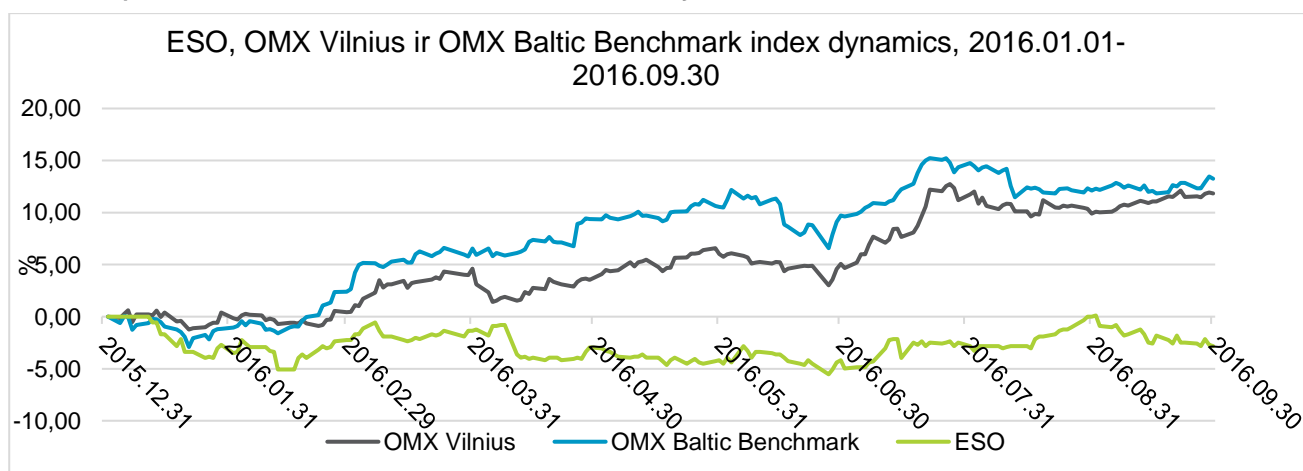
The stock price dynamics and turnover

ESO stock price dynamics and turnover, 2016-01-11 – 2016-09-30



ESO - the largest company by market capitalization in the NASDAQ Baltic Exchange. As of September 30 2016 ESO capitalization amounted to EUR 770.3 million. During nine months of 2016 ESO shares fell 2.82%. The weighted average of ESO's share price for nine months of 2016 was €0.861.

ESO share prices OMX Vilnius and OMX Baltic Benchmark index dynamics, 2016-01-01 – 2016-09-30



Since the beginning of 2016 until September 30, the OMX Vilnius index rose 11.85%, the OMX Baltic Benchmark index rose 13.26%, and in the meantime ESO's share price during the nine months of 2016 fell by 2.82% of its initial value.

The authorized capital structure

Share type	Number of shares	Nominal value, EUR	Total nominal value, EUR	Authorized capital, %
Paprastosios vardinės akcijos	894 630 333	0,29	259 442 796,57	100,00

The company's authorized capital amounted to 259,442,796.57 EUR on September 30, 2016. All Company shares are fully paid up.

Information about the issuer's securities

ESO's shares were listed on AB NASDAQ Vilnius Official Trading List from January 11, 2016. The Company's shares are not traded in other regulated markets

ISIN code	Trade list	Stock ticker	Number of shares	Par value, EUR	Industry standard by ICB	Supersectors by ICB standard
LT0000130023	BALTIC MAIN LIST	ESO1L	894 630 333	0,29	7000 Utilities	7500 Utilities

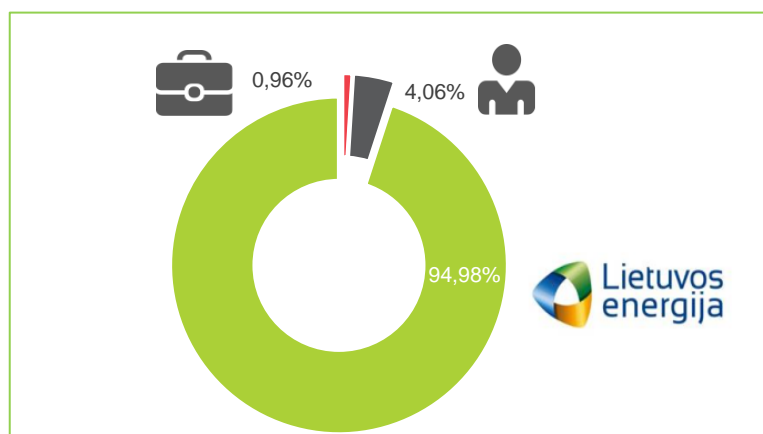
Shareholders

As of September 30, 2016, the total number of Company shareholders was 8,865. After the reorganization of LESTO and Lietuvos Dujos, ESO took over these companies' assets, rights, and obligations. Thus, all of their shareholders became ESO shareholders on December 11, 2015. Lietuvos Energija, UAB owns 94.98%. Company shares. Households own 4.06%. Financial institutions, insurance, and other companies own 0.96% of ESO shares.

ESO shareholders by country as of
2016-09-30

Country	Shareholder number
Lithuania	8575
Estonia	83
Russia	49
Latvia	42
Belarus	39
USA	17
Great Britain	11
Other countries	49
Total	8 865

ESO shareholders by groups as of 2016-09-30



Shareholders who owned more than 5% of the issuer's authorized capital as of September 30 2016

Shareholder's name (company name, legal form, address, code)	Number of ordinary shares belonging to the shareholder	The authorized share capital, %	Votes granted by owned shares of ownership, %
Lietuvos Energija, UAB, Žvejų g. 14, LT-09310 Vilnius, Company code 301844044	849 743 761	94,98	94,98

Dividends

A decision was passed at the March 29, 2016, General Meeting of Shareholders of the Company to pay dividends to shareholders for the period from July 1, 2015, to December 31, 2015. Profit share for dividend pay-out amounted to €30.6 million Dividends for the six-month period from 2015 July 1 to December 31 amounted to €0.0342 per share.

A decision was passed at the September 27, 2016, Extraordinary General Meeting of Shareholders of the Company to pay dividends to shareholders for the period from January 1, 2016, to June 30, 2016. Profit share for dividend pay-out amounted to €12.5 million. Dividends for the six-month period from 2016 January 1 to June 30 amounted to €0.014 per share.

Information about agreements with securities intermediaries of public trading

ESO authorized securities accounts are administered by SEB Bank.

SEB, AB contact details:

Gedimino Pr. 12, LT-01103 Vilnius;

Tel. 1528 or +370 5268 2800.

CUSTOMER SERVICE, SERVICE EVALUATION

Served customers

On September 30 2016 ESO had 1.66 million electricity sales contracts with private clients and 67.79 thousand electricity supply or transmission service contracts with commercial customers (on September 30 2015 there were 1.577 million contracts with private clients and 67,9 thousand contracts with commercial customers).

About 560.5 thousand private and about 9.5 thousand business customers are connected to ESO gas distribution network, which ensures distribution service.

Service channel development

During nine months of 2016, the number of customers who use remote service channels grew (a new self-service site www.manogile.lt and customer service phone number 1802), and electricity consumer flows to customer service centres in smaller towns declined. At the beginning of 2016, the self-service site was adapted for general electric and gas declaration and payment.

As of September 30 2016 the self-service website www.manogile.lt had 269,886 thousand private customers.

During nine months of 2016 information was provided to more than 926 thousand customers (in nine months of 2015 it was more than 745 thousand customers) over the 1802 short customer service number. More than 387 thousand customer referrals on various issues were received and resolved (in the corresponding period in 2015 it was 351 thousand customer referrals).

During nine months of 2016 more than 202 thousand electricity and gas customers were served in the customer service centres in the seven major Lithuanian cities (during nine months of 2015 it was 185 thousand customers).

Electricity and gas metering operation and development

During nine months of 2016 the Company changed 64 962 expired metering devices. Of them 49 601 were electricity meters and 15 361 were natural gas metering devices. New customers received 16 400 electricity and 2 457 natural gas meters. Constantly updating the accounting for existing devices, the Company and its authorized individuals also checked more than 639 thousand electric and more than 62 thousand natural gas meters.

So far this year the Company has installed 347 control metering in the 10 kV power network, thereby increasing their number up to 855. This is borne by 25% of total of 10 kV network.

By investing in electricity and natural gas metering equipment modernization and automation, the Company connected 556 electricity metering devices to the existing automated data reading system, thereby increasing the Company's operating metering equipment for which data is scanned remotely, increasing the numbers respectively to 28 861. Natural gas metering devices, which data is scanned remotely, remained unchanged - 1212.

Automation of meters provides the ability to automatically submit bills for electricity consumed to corporate customers or fine-tune corporate customer's consumption of natural gas.

In order to test the effectiveness of smart metering and the benefits for private customers, in May 2015 the Company announced an international tender for the procurement of smart meters. The winner was a consortium of companies consisting of TecnoLine registered in Lithuania and the foreign companies ELKO and ADD-Production. ELKO and ADDProduction are implementing similar projects in Latvia, Slovakia, Poland, and other countries.

A contractor install 2927 smart meters for residents in 2016 which will allow a more rational use of electricity and save household expenses. Typical electricity consumers are selected for participation in the pilot project, so smart meters will be installed in both new and old building blocks of residents in both urban and rural homes during the project. After the installation of smart electricity meter, each Company customer will be able to see the precise details of when and how much energy he consumes on the self-service site at www.manogile.lt. During the pilot project ESO will also receive more accurate information on the distribution network, which will allow us to identify the electrical network faults and eliminate.

Customer billing management

Lithuania joined the Single Euro Payments Area (SEPA) on January 1, 2016. The direct debit offered in Lithuania did not meet the SEPA requirements by this date, so from 2016 it was discontinued. Customer Direct Debit consents have been automatically changed to e. account with an automatic payment agreement, allowing customers to continue to pay for electricity automatically, the monthly amount paid by automatic deduction from the customer's bank account. ESO has created an opportunity for customers to pay for electricity at the average consumption of electricity. Payment by average consumption helps plan expenses evenly because the same amount is paid every month despite seasonality and changes in the amount of electricity consumed. In addition, customers with multiple properties have the ability to pay for electricity consumption in several dwellings owned by the same consumer (by one account) in one instalment. The monthly payment for electricity is calculated according to the size of the customer's previous electricity consumption average (in kilowatt hours, kWh), which is adjusted according to the customer's declared readings or by periodic meter inspection data.

Consumers can find out and check the adjusted average payment online at the renewed self-service site www.manogile.lt by calling the customer service by phone, or come to the Gilė customer service centre. 21% of ESO customers pay by VAT invoices.

Since January 1, 2016, the payment can be made by the electronic equivalent of the settlement book on the self-service portal at www.manogile.lt.

Market liberalisation

As of September 30, 2016, independent providers supply electricity to 68 124 properties. In accordance with the Lithuanian

Electricity Market Development Plan approved by the Government of Lithuania on July 8, 2009, an independent electricity supplier was chosen on September 30, 2016:

- About 95% of the properties whose maximum power was 400 kW and more
- About 86% of the properties whose maximum power was 100 kW and more
- About 75% of the properties whose maximum power was 30 kW and more
- About 55% of the properties whose maximum power was 30 kW or less

The guaranteed provider (ESO) will continue to supply electricity to the remaining properties.

SOCIAL RESPONSIBILITY OF THE COMPANY

Social responsibility for us is not only ideas and values that we follow in everyday activities and planning for the future. It is also very specific solutions, a part of everyday business and conduct.

We share the responsibility to contribute to the public welfare through a secure continuous energy distribution and supply activity. Also actively participating in public education for issues of safe and rational use of energy, installing new, promising and efficient technologies, taking care of our customers, employees, communities and encouraging contractors and suppliers' responsibility. Our priorities are:

- Energy efficiency;
- Environmental impact reduction through saving energy;
- Fostering of safe and responsible use of electricity and gas;

Environmental protection

Landscape protection. In order to reduce the impact on the landscape, new cables are being laid in place of the old power lines in areas where the former aerial cables were thin and dangerously close to greenery; outdated infrastructure has led to many failures. Cable lines ensure a more reliable supply of electricity and are safer.

Save the environment. The company has over 1.6 million customers and encourages them to abandon paper bills and passbook, moving to remote service channels. 91% of ESO business customers are already moving to electronic invoicing. 89% of ESO electricity private customers and 96% business customers are informed with free SMS messages and e-mails during power disruptions and the expected duration of malfunctions.

Public initiatives

ESO is implementing large-scale long-term social responsibility projects for children, young people, and the general public, which bring together active community target groups, safety and energy efficiency ideas.

Information security campaign "Safe energy." In spring 2016 a large-scale campaign was launched, which aimed at the safe use of electricity and gas, theft prevention of ESO technological property, in addition providing useful advice to the public. In the media - television, radio, newspapers and the internet – implemented campaign included safety issues in the fieldwork, with emphasis on the underground electricity and gas network, as well as educational advice on safe behaviour during storms. Also the campaign largely focused on thefts, for which the power supply for clients is interrupted, prevention (educational material, videos, articles). Purposive meetings with the local police, community and media representatives were initiated in most deprived areas.

Energy efficiency "To the extent necessary"

Promoting rational use of energy is one of the priority directions of ESO social responsibility, contributing to the environment

and energy resources conservation and the country's obligations under the European Union's climate change program. The project is designed to create traditions of a rational living society – here they are looking for rational use of energy solutions, with a particular focus on corporate and industrial consumption.

Green Protocol. This is an agreement initiated by the company (in its sixth consecutive year), the purpose of which is that the signatory companies and organizations confirm that they accept and agree with environment-friendly ideas:

- The implementation of energy efficiency measures;
- To contribute to environmental protection and greenhouse gas (CO₂) emissions reduction;
- Encouraging employees, colleagues, relatives to contribute to the energy-saving society.

During nine months of 2016 new 25 companies have joined the initiative. Currently a total of 213 companies are members of this initiative.

The rational use of energy "Energy efficiency solutions - competitive business" conference

On 11 February 2016 ESO jointly with business newspaper Verslo Žinios organized sixth business conference. During the event more than 220 participants from different sectors shared their insights about sustainable energy. In the conference practical energy efficiency measures, specific electricity and gas infrastructure solutions by different companies, energy efficiency financing, implementation of European Union Energy Efficiency Directive and other relevant issues were discussed.

According to the survey of the event participants, compared with the previous year, the expectations of the participants of the conference were met better: the percentage increased by three points (from 93 to 96%).

Every year during the event "Green Protocol" members are awarded for the most rational use of energy. For last year's progress UAB Šiaulių Vandenys was awarded (ISO 5001 2011 energy efficiency standards installation and the other rational use of energy-enhancing tools), and the "Green Ambassador" title (given to rational consumption enthusiast employees) went to Rasa Pečiulaitė, Eika UAB development and energy project manager.

Cooperation with Lithuanian libraries. An agreement was signed in March 2015 with the Lithuanian National Martynas Mažvydas Library to collaborate implementing the "Libraries for Innovation 2" social project.

The national Sustainable School educational program. ESO together with partners, seeking to foster awareness of the school community and to contribute to a sustainable, energy efficient and environmentally friendly Lithuanian society, invited country's educational institutions to take part in educational program "Sustainable School", which runs throughout the year. In 2015 the project was awarded the Swedish Business Awards prize for the best 2014 social responsibility project, it is now ongoing (for more details - www.darnimokykla.lt). "Sustainable School" is implemented by VšĮ „Pakuočių tvarkymo organizacija“, „Schneider Electric Lietuva“, Mano būstas LT“ and Nacionalinė vartotojų federacija.

Market, customers, and investors

ESO seeks the maximum possible transparency in its relations with all market participants and compliance with the highest ethical standards and principles in its own activities. We make sure of the economic and social benefits of our own activities for the public.

Updated agreement with the Lithuanian National Consumer Federation (Lietuvos nacionaline vartotojų federacija).

A cooperation is being planned in disseminating knowledge about the rational use of energy and by organizing various related initiatives.

Investor relations. We strive to maintain a close relationship with our existing and potential investors, and to ensure that all their information is equally accessible – it is continuously updated and provided. In January, at the Nasdaq Baltic Market Awards 2015 event, we won three awards for Lietuvos Dujos and LESTO progress made in improving relations with investors.

Transparency, anti-corruption activities

ESO does not tolerate any manifestations of corruption and advocates fair business and transparent communication with public authorities. Zero tolerance corruption policy is valid throughout the entire group of Lietuvos Energija, UAB.

The integrated internal control mechanisms detect possible corruption risks to minimize the risk. Prevention of corruption is one of the company's Prevention Division functions. ESO carries out operational control continuously, improves business processes and takes action to correct detected irregularities, and remove threats to the good name of the company. Company employees are periodically educated about zero-tolerance policy towards corruption themes – meetings for directors are organized, lectures and discussions are initiated.

The company operates an anonymous trust line 1802. Employees and other persons can report about any ethics violations via email pasitikejimolinija@eso.lt or fill the form of confidence on ESO website.

Increased transparency in procurement

ESO is the contracting authority. In the group of Lietuvos Energija, UAB procurement function is centralized in UAB Verslo Aptarnavimo Centras (hereinafter – VAC). VAC carries purchases and provides goods, services or works procurement planning and execution services. Public procurement is centralized, procurement processes - standardized and focused on one online platform.

In order to ensure a transparent and open procurement process and open dialogue, VAC invites suppliers to information meetings, which are presented during the contracting authorities planned high-value purchases.

ESO publishes procurement, except for low-value purchases, technical specifications, via the Central Public Procurement Information System (CVPIIS). Additionally procurement information is being published on website, procurement reports and information about ongoing purchases are being also published.

Accountability

ESO is an active member of Lithuania Responsible Business Association LAVA and a participant of United Nations "Global Compact". In order to increase its accountability to the public, the company publishes annual social responsibility progress report, which is published on its website, investors and the "Global Compact" site profile (www.globalcompact.org).

The latest report of the organization was [published](#) 15 May 2016.

THE COMPANY AND ITS MANAGEMENT BODIES

The organizational structure of the company

Name of the company	Energijos Skirstymo operatorius AB
Company code	304151376
Authorized capital	EUR 259 442 796,57
Head Office Address	Aguonų St. 24, LT-03212 Vilnius
Phone	(8 5) 277 7524
Fax	(8 5) 277 7514
Email	info@eso.lt
Webpage	www.eso.lt
Legal-organizational form	Joint Stock Company
Date and place of registration	On 11 December 2015 at the Register of Legal Persons of the Republic of Lithuania
The Register in which the data about the company are collected and stored	Register of Legal Persons
Register manager	Public body Centre of Registers

ESO started its operation on 1 January 2016, by merging LESTO and Lietuvos Dujos. ESO is part of the state owned company group Lietuvos Energija, UAB, which is one of the largest energy company groups in the Baltic States. On 1 January 2016 ESO overtook the property of LESTO and Lietuvos Dujos, as well as the rights and duties, and also all the long-term and short-term property, long-term and short-term financial and other liabilities, amounts receivable and payable according to the contracts concluded by LESTO and Lietuvos Dujos and the obligations arising on other bases.

ESO owns 121.698 thousand kilometres of electricity lines: 78.7% of them consist of overhead power lines, and 21.3% electric cables. The company also operates the 8.4 thousand kilometres of gas distribution pipelines.

The main functions of ESO: power supply and distribution and distribution of natural gas, guarantee power and gas supply, installation of electricity and gas, operation of electricity and gas distribution network, maintenance, management and development, ensuring their safety and reliability. The geographic market of ESO is Lithuania.

The main information about related companies

On the day of signing the report ESO jointly with other companies managed UAB Verslo Aptarnavimo Centras and Technologijų ir Inovacijų Centras UAB.

	Technologijų ir Inovacijų Centras UAB	Verslo Aptarnavimo Centras UAB
Address	A. Juozapavičiaus St. 13, Vilnius	P. Lukšio St. 5B, Vilnius
Registration date	4 December 2013	30 July 2014
Company code	303200016	303359627
Phone	(8 5) 278 2272	(8 5) 259 4400
Fax	(8 5) 278 2299	(8 5) 259 4401
Email	info@etic.lt	vac@le.lt

During the reference period the management bodies of the company created proper conditions for the implementation of the rights of the shareholders of the Company.

During nine months of 2016 one (1) shareholders' meeting was held. In the general shareholders' meeting of 29 March 2016 Director-General of the Company Liudas Liutkevičius took part, as well as Director of Finance and Administration Service, board member Augustas Dragūnas and Chairman of ESO's Board of Supervisors Dalius Misiūnas. Extraordinary general meetings on 26th July and September 26th, 2016 were held in writing.

The Board of Supervisors

The Board of Supervisors of ESO is a collegial supervisory body.

The competence of the Board of Supervisors, the procedures of decision making and electing and recalling the members are laid down by laws, other legislation and the articles of the Company. The Board of Supervisors of ESO consists of three members that are elected in a general shareholders' meeting for a four year term of office. At least a third of the Board of Supervisors of ESO is made of independent members. The Board of Supervisors elect the chairman of the Board of Supervisors from its members.

During the reference period, the composition of the Board of Supervisors did not change. On the day of signing the report, the Board of Supervisors of the Company was made of the chairman of the Board of Supervisors Dalius Misiūnas, members of the Board of Supervisors – Ilona Daugėlaitė and Petras Povilas Čėsna (an independent member). The end of the term of office of the Board of Supervisors is 3 December 2019.

During the reference period there were ten meetings of the Board of Supervisors of ESO, all three members of the Board of Supervisors took part in them.



Dr. Dalius Misiūnas (born in 1978)
Chairman of the Board of Supervisors

In office from:
In this position from:
3 December 2015

End of term of office:
3 December 2019



Ilona Daugėlaitė (born in 1970)
Member of the Board of Supervisors

In office from:
In this position from:
3 December 2015

End of term of office:
3 December 2019



Petras Povilas Čėsna (born in 1945)
Independent member of the Board of Supervisors

In office from:
In this position from:
3 December 2015

End of term of office:
3 December 2019

Education

Lund University. Doctoral degree in technological sciences, Lund University, Master's degree in Industry Electrotechnics and Automatics, Kaunas University of Technology, Bachelor Degree in Electric Engineering

Vilnius University,
Master's Degree in Hydrogeology and Engineering

Vilnius University,
Qualified Economist

Main employer

Lietuvos Energija, UAB
Chairman of the Board, Director-General

Lietuvos Energija, UAB
Organization Development Director

Lithuanian Exhibition and Congress
Centre LITEXPO,
Chairman of the Board

Participation in the activities of companies and organizations, share of company capital and votes held is more than 5%

Name of company, body, organization, position	Share of capital and votes held, in percent	Name of company, body, organization, position	Share of capital and votes held, in percent	Name of company, body, organization, position	Share of capital and votes held, in percent
Chairman of the Board of Supervisors of ESO	-	Member of ESO Board of Supervisors	-	Independent member of ESO Board of Supervisors	-
Lietuvos Energija, UAB, Chairman of the Board, Director General	-	Lietuvos Energija, UAB Member of the Board, Director of Organizational Development	-	Lithuanian Exhibition and Congress Centre LITEXPO, Chairman of the Board	-
Lietuvos energijos paramos fondas, chairman of the Board	-	Technologijų ir Inovacijų Centras UAB, Chairman of the Board	-		-
Member of Higher Education Board	-	Elektroninių Mokėjimų Agentūra UAB member of the Supervisory board	-		
KTU Alumni Association, President	-				
Lithuanian National Energy Association, President	-	Verslo Aptarnavimo Centras UAB, Chairwoman of the Board			
Lithuanian Industrialists' Confederation, Vicepresident	-	My spouse holds 3,150 ordinary registered shares of "SOLUTIONLAB PRODUCTION" UAB (company code 300629188)	63		
Association "Eurelectric", member of the Board of Directors	-				
ISM University of Management and Economics, Member of the Board					

* ESO Articles provide for the following: "Contracts regarding the activities in the board of supervisors may be concluded with the members of the board of supervisors, the Articles shall lay down their rights, duties and liabilities. Independent members of the Board of Supervisors may be paid a remuneration for the activities in the Board of Supervisors by a decision of the general shareholders' meeting. The terms and conditions and the criteria of independence of the members of the Board of Supervisors shall be laid down by the general shareholders' meeting pursuant to the requirements of the legislation and the best practice of company management." The contracts regarding the activity of a member of the ESO Board of Supervisors were concluded with Dr. Dalius Misiūnas, Ilona Daugėlaite and an independent member of the Board of Supervisors Petras Povilas Čėsna on 3 December 2015. ESO has not transferred or granted the guarantees of property management to the members of the bodies. In nine months of 2016 the Company did not grant any loans to the members of the Board, guarantees or assurance, whereby the implementation of their obligations would be ensured."

Audit Committee

On 27 August 2013 the Board of Supervisors of Lietuvos Energija, UAB established an audit committee, which was delegated the powers to examine and submit the Board of Supervisors proposals regarding the issues within the competence of the Committee, as well as the issues for which the Board of Supervisors apply to the Committee. The activity of the Audit Committee is applied to Lietuvos Energija, UAB and the subsidiary companies directly or indirectly managed by them, including ESO, and legal persons of other legal form, in which Lietuvos Energija, UAB may have direct or indirect decisive influence.

The main functions of the Audit Committee:

- To monitor the process of preparing financial reports of Lietuvos Energija, UAB and the group of its companies;

- To monitor the efficiency of the internal control and risk management systems of Lietuvos Energija, UAB and the group of its companies, to carry out an analysis and review of the need of these systems and their suitability;
- To monitor how an attested auditor and audit company adhere to the principles of independence and objectivity, to provide related recommendations;
- To monitor the processes of auditing Lietuvos Energija, UAB and the group of its companies, to evaluate the efficiency of the audit and the reaction of the administration to the recommendations that the audit company submitted to the management;
- To monitor the efficiency of the internal audit function of Lietuvos Energija, UAB and the group of its companies, to analyze the need for this function and the suitability, to submit recommendations regarding the necessity for internal audit, for efficiency and on other issues related to internal audit.

On 5 January 2015 the function of internal audit was centralized in the group of companies of Lietuvos Energija, UAB. In this way, independence and objectivity of internal audit performance was ensured, and so were a single methodology and accountability ensured. Audit resources and competences are distributed in a more rational way.

Members of the Audit Committee of Lietuvos Energija, UAB at the end of the reference period

Name and surname	Participation in the authorized capital of the issuer (in percent)	Term of office	Employer
Rasa Noreikienė (Chairperson of the Committee)	0	August 2013 – August 2017	Ministry of Economy of the Republic of Lithuania
Aušra Vičkačkienė	0	August 2013 – August 2017	Property Management Department Under the Ministry of Finance
Danielius Merkinas (an independent member)	0	August 2013 – August 2017	“Nordnet” UAB
Gintaras Adžgauskas	0	August 2013 – August 2017	Lithuanian Committee at the World Energy Council
Irena Petruškevičienė (an independent member)	0	October 2014 – October 2018	Audit Development Committee of the European Commission

Board of the Company

ESO Board is a collegial management Body of the Company.

The competence of the Board, the procedures of decision making and selection and recalling of members are laid down by laws, other legislation and the articles of the Company. ESO management is made of five members of the Board that are elected by the Board of Supervisors for a four year term of office. The Board shall elect from its members the chairman of the Board.

On 1 January 2016 the Board of the Company consisted of the Chairman of the Board Liudas Liutkevičius and members of the board – Dalia Andrulionienė, Eglė Čiužaitė, Rytis Borkys and Dalius Svetulevičius. On 19 February 2016 ESO Board of Supervisors adopted a decision to recall Eglė Čiužaitė from the position of the members of the Board of ESO and from 19 February 2016 and until the end of the term of office of the operating ESO Board to elect Augustas Dragūnas to be the member of the Board to be in charge of finances and administration. On the day of signing the report the Board of the Company was made of the Chairman of the Board Liudas Liutkevičius and members of the Board – Dalia Andrulionienė, Augustas Dragūnas, Rytis Borkys and Dalius Svetulevičius*. The end of the term of office of the Board is 3 December 2019.

*On 4 November, 2016 the Board decided to withdraw Mr. Liudas Liutkevičius as Chief Executive Officer of the Company. On the same day the Board adopted a decision to elect Mrs. Dalia Andrulionienė as an acting Chief Executive Officer.

On 25 November, 2016 the Board of Directors of the Company held a meeting in which a member of the Board Mrs. Dalia Andrušionienė was elected as Chairman of the Board and Chief Executive Officer of the Company. The decision was adopted upon the Opinion by the Supervisory Board of the Company delivered on 25 November, 2016.

During the reference period there were 24 meetings of the ESO Board, all the members of the Board took part in the meetings.

					
Liudas Liutkevičius (born in 1980) Chairman of the Board Director General*	Dalia Andrušionienė (born in 1971) Member of the Board*	Augustas Dragūnas (born in 1981) Member of the Board	Rytis Borkys (born in 1969) Member of the Board	Dalius Svetulevičius (born in 1974) Member of the Board	
Chairman of the Board: from 31 December 2015	In office from: 3 December 2015	In office from: 19 February 2016	In office from: 3 December 2015	In office from: 3 December 2015	
End of term of office: 2 December 2019	End of term of office: 2 December 2019	End of term of office: 2 December 2019	End of term of office: 2 December 2019	End of term of office: 2 December 2019	
In Office of Director General: from 1 January 2016					
Education					
Vilnius University, Master Degree in International Business Finance	ISM University of Management and Economics, BI Norwegian Business School, Master Degree in Business Management. Vilnius University, Master Degree in Economics	Vilnius University, Master Degree in Business Management and Administration	Kaunas University of Technology, Higher Education University Degree in Engineering.	Kaunas University of Technology, Master Degree in Measurement Engineering. Vilnius University, Master Degree in Management and Business Administration	
The main employer					
CEO of ESO	Director of ESO Service Division	Director of ESO Finance and Administration Division	Director of ESO Network Development Division	Director of ESO Network Operations Division	
Participation in the activities of companies and organizations, including the share of other company's capital and votes larger than 5%					
Name of company, body, organization, position	Share of capital and votes held, in percent	Name of company, body, organization, position	Share of capital and votes held, in percent	Name of company, body, organization, position	Share of capital and votes held, in percent
ESO Chairman of the Board, CEO	-	Director of ESO Service Division	-	Director of ESO Network Development Division	0,0001
Lithuanian Energy Support Fund,	-	Verslo aptarnavimo centras UAB,	-	Technologijų ir inovacijų centras UAB,	-

Member of the Board.	Member of the Board	Member of the Board		
National Lithuanian Energy Association, Member of the Board.	-			
"Security Components" UAB, Director	-			
"Security Components" UAB, Director	-			
Member of KTU Mathematics and Natural Sciences Faculty Council	-			

*Since 1 January, 2016 till 4 November, 2016 4:00 pm Liudas Liutkevicius was a CEO of the Company. On 4th November, 2016 The Board of the Company decided to elect Mrs. Dalia Andrulionienė, member of the Board, as an acting Chief Executive Officer of the Company since 4 November, 2016 4:00 pm. On 25 November, 2016 the Board of Directors of the Company held a meeting in which a member of the Board Mrs. Dalia Andrulionienė was elected as Chairman of the Board and Chief Executive Officer of the Company. The decision was adopted upon the Opinion by the Supervisory Board of the Company delivered on 25 November, 2016.

Chief Executive Officer

Company manager – Chief Executive Officer – is a single person management body of the Company.

The competence of Director General, the procedures of electing and recalling the Director General shall be laid down by the laws, other legislation and the articles of the Company. The Director General shall be elected and recalled and dismissed from the office by the management of the Board. The Director General shall organize the activities of the Company, shall manage it, shall act on behalf of the Company and make single-sided transactions, except for the cases provided for in the articles of the Company and legislation.

Since 1 January 2016 till 4 November 2016 4:00 PM Liudas Liutkevičius was appointed to be the Director General of ESO.

Information about the amounts calculated for ESO CEO during the reference period*

Wages, EUR

CEO Liudas Liutkevičius

54 470

**ESO has not transferred or granted any guarantees of property management to members of the bodies. During January-September 2016 the Company did not grant any loans to the members of the management bodies, did not issue any guarantees or assurances, on the basis of which their implementation would be ensured.

Participation of the Director Generali in the activities of companies and organizations, as well as the share of company capital or votes larger than 5%.

Name and surname	Name of company, body, organization, position	Share of capital, in percent	Share of votes, in percent
Liudas Liutkevičius	See the information above	-	-

Agreements between the issuer and the members of the bodies or their employees, providing for compensation in the event they retire or are dismissed without a valid reason, or where their work is terminated due to the change of control of the issuer.

This kind of agreements between the issuer and the members of the bodies or employees have not been concluded.

Employees of the company

The Company's personnel policy focuses on employee professional skills development as well as organizational culture formation, ensuring greater value for customers, partners, and development of society. The number of employees as of September 30, 2016, was 2,671.

ESO staff structure by category:

Employee category	Number of employees 2016 09 30
Head of the company	1
Top level executives	7
Mid-level managers	155
Experts, professionals, labourers	2.508
All employees	2.671

ESO staff structure by education:

Education	Number of employees 2016 09 30
Higher	1.515
Advanced	925
High school or vocational	231

Remuneration system

On February 29, 2016, the ESO staff remuneration procedures were confirmed, the implementation of which has placed us among the country's other cutting-edge companies that compensate their employees for work done by the results achieved, the value created for the organization and team. Hay Group methodology was used creating the remuneration system, which provides objective job assessment according to the required education, problem complexity, and level of responsibility that falls on the position. This system enables the Company to effectively manage costs and ensure that ESO's strategic objectives and business management logic are reflected in the payroll system.

The employee remuneration package consists of financial, non-financial, and emotional remuneration. The financial remuneration system includes the constant monthly remuneration paid to the employee specified in the contract, as well as the variable part of the remuneration paid in accordance with the procedure laid down for results achieved at the company, as well as the Collective Bargaining Agreement and other internal statutory premiums (for overtime, night work, etc.). Non-financial rewards are indirect staff remuneration, which the Company draws on its staff's efforts, engagement, as well as loyalty, employee well-being, and enrichment of Company activities. These are the different Company events, greetings on special occasions, recognition and appreciation rewarding particularly well performing employees, health promotion, staff development, and training. Emotional remuneration is difficult to measure, but the important thing is staff involvement in the company's activities, a factor that includes the company's reputation, organizational culture and values, and career opportunities granted, and this is carried out through various internal communications programs – workers have the opportunity to share ideas, ask questions, get to know their colleagues through the internal website .

Average salary of ESO employee

Employee category	The average gross wage, EUR
	January-September 2016
Head of the Company	6.052
Top level executives	4.804
Mid-level managers	2.047
Experts, professionals	1.070
Labourers	871
All employees	1.090

Collective Bargaining Agreement

At the ESO staff conference on February 12, 2016, a new version of the collective agreement was confirmed, which will provide greater protection to ESO workers and many additional benefits not covered by the Labour Code of the Republic of Lithuania. The objective of the Collective Bargaining Agreement is to ensure effective Company operations and to represent all the Company's employees' right and legitimate interests. Employment, wage, social, economic, and professional conditions and guarantees are established in the contract, i.e. those that are not regulated by laws and other normative legal acts. There are also additional staff guarantees (premiums for accidents, sickness, bereavement cases, support for the birth of a child, additional days of paid leave after the birth of a child, marriage, death of a loved one as well as in other cases).

Trade unions

The Company supports staff joining voluntary trade unions and closely cooperates with them. Meetings to discuss Company strategic projects carried out are organized every quarter. Trade union representatives always participate in the working groups when issues related to employees are examined (employment offices, staff retraining, wages, and social issues).

Development of competences

ESO focuses on staff competence development. Educational plans are drawn up every year, taking into account the company's objectives and staff expertise compliance to achieve these objectives. Throughout training, much attention is paid to effective and high-quality assurance of electrical and gas distribution network maintenance, customer service, and work safety.

1168 participants attended the compulsory vocational training in January-September 2016, at the end of which certificates to perform special work were issued. Employees learned how to do the work of an emergency diesel power station operator, high-altitude working labourer, and lifting platform and equipment operator, as well as first aid and hygiene education and other programs.

2,498 participants attended the general training in nine months of 2016. General training sessions are organized both for individual employees sent to external supplier organized seminars and conferences (in Lithuania and abroad) and the formation of groups within the Company. The Company seeks to include internal staff in competence development programs – internal lecturers with specific knowledge, skills, and able to share them with others, as well as investing in the training of staff. 2,925 participants attended the internal training sessions during nine months of 2016. A large part of the internal training was dedicated to energy personnel development in order to increase safety as well as quality of customer service. In order to ensure the effectiveness of internal company processes, employees are introduced to the initiatives, which the Company is implementing as well as programs, such as operational excellence and employee performance management.

We work closely with training providers preparing training programs and we also perform ongoing training evaluation surveys. ESO also regularly works with manufacturers and equipment suppliers who share their knowledge with employees, presenting innovation in the energy field.

This year, ESO also partially funded 15 employees' studies at Lithuanian higher education institutions in order to raise the skills of workers as well as develop executives' competences. Employees have the opportunity to study programs related with the company's energetics as well as managerial studies.

Internship opportunities

ESO actively cooperates with educational institutions and allows university and college students to apply their theoretical knowledge and gain practical skills. 41 students completed ESO internships throughout Lithuania during nine months of 2016. It was not only students who carried out internships at the Company, for whom an internship is compulsory – the Company carried out a search and selection for motivated and enthusiastic students and gave them the opportunity to intern in the Company on a voluntary basis.

Other committees

At the Lietuvos Energija, UAB group, besides the Audit Committee, there are the Risk Management Supervision and the Nomination and Remuneration Committees.

The Risk Management Supervision Committee

The Risk Management Supervision Committee is responsible for findings and proposals for the operation of the Group's management and control system, the most important risk factors, and the implementation of risk management or preventive measures for the Supervisory Board.

These are the main functions of the committee:

- Observe how risks relevant to achievement of objectives at Lietuvos Energija, UAB and the group of companies are identified, evaluated, and managed
- Assess internal control procedures and the adequacy of the risk management measures for identified risks
- Assess the status of implementation of risk management measures
- Monitor risk management process execution
- Analyse financial opportunities risk management measures
- Assess risks to and the risk management plan of Lietuvos Energija, UAB and the corporate group
- Assess the periodic risk identification and assessment cycle
- Check whether preparation of risk registers takes place and analyse their data, and submit proposals
- Monitor preparation of internal documents related to risk management
- Perform other functions assigned to the competence of Lietuvos Energija, UAB and the Supervisory Board Committee.

Lietuvos Energija, UAB risk management supervisory committee members at the end of the reporting period

Full name	Participation in the Issuer's authorized capital (%)	Term of office	Affiliation
Antanas Danys (Committee Chairman)	0	2013 September – 2017 August	Grinvest PTE.LTD director, UAB „Kaštonų kalva“, development manager
Raimundas Petrauskas (independent member)	0	2013 September – 2017 August	Schmitz Cargobull Baltic, UAB
Donatas Kaubrys (independent member)	0	October 2013 – October 2017	Dovirma, UAB
Tomas Garasimavičius	0	2013 September – 2017 August	Government of the Republic of Lithuania

The Nomination and Remuneration Committee

The nomination and remuneration committee is responsible for conclusions or proposals for board member appointment, removal, or promotion to the supervisory board, as well as for delivery of relevant opinions to the members of the board and their performance assessment. The Committee's functions also include the general remuneration policy making the group of companies, establishment of remuneration size and composition, promotion principles, etc.

These are the main functions of the committee:

- Assess and make proposals on the long-term remuneration policy of Lietuvos Energija, UAB and its corporate group (fixed basic salary, performance-based remuneration, pension insurance, other guarantees and forms of remuneration, compensation, severance pay, and other remuneration package components), as well as personal development cost principles
- Assess and make proposals on the bonus policy of Lietuvos Energija, UAB and its corporate group
- Monitor the salary and bonus policy of Lietuvos Energija, UAB and its corporate group in compliance with international practice and good management practice and provide appropriate proposals for the improvement of salary and bonus policy
- Submit proposals on profit sharing, distribution of distributable profit (loss) of Lietuvos Energija, UAB and its corporate group for the financial year
- Assess the Company contracts and managerial contract conditions of Lietuvos Energija, UAB and its corporate group
- Assess candidates for Lietuvos Energija, UAB and its corporate group, their members and senior management search and selection procedures and qualification requirements
- Constantly assess Lietuvos Energija, UAB and its corporate group corporate governance and supervisory bodies' structure, size, composition, and performance
- Oversee how Lietuvos Energija, UAB and its corporate group executives and staff are informed about the possibilities for further training and regularly raises
- Monitor and assess Lietuvos Energija, UAB and its corporate group continuity of corporate management and supervisory body activity ensuring the implementation of measures
- Perform other functions assigned to the competence of Lietuvos Energija, UAB and the Supervisory Board Committee

Lietuvos Energija, UAB nomination and remuneration committee members at the end of the reporting period

Full name	Participation in the Issuer's authorized capital (%)	Term of office	Affiliation
Virginijus Lepeška (Committee Chairman)	0	2013 August - 2017 August	UAB „Organizacijų vystymo centras“
Tomas Garasimavičius	0	2013 August - 2017 August	Lietuvos Respublikos Vyriausybė
Agnė Bagočiutė	0	2016 June – 2017 August	Lietuvos Respublikos Vyriausybė

ESSENTIAL EVENTS IN THE COMPANY'S ACTIVITIES

Key events during the reporting period

ESO, in carrying out its duties according to the securities market legislation, publishes material events and other regulated information throughout the European Union. The information published is available on the Company's website (www.eso.lt) and the AB NASDAQ OMX Vilnius website (www.nasdaqomxbaltic.com).

Since 2016-01-01 ESO has announced this major event information

Date	Notification on material event
2016-01-11	ESO began stock trading in the NASDAQ Vilnius Exchange
2016-02-05	Concerning the court decision
2016-02-15	Preliminary unaudited 2015 LESTO results: EBITDA amounted to €125 mln. and EBITDA margin rose to 21.5%
2016-02-15	Preliminary unaudited 2015 Lietuvos Dujos results: EBITDA grew 18% to €24 mln.
2016-02-19	Concerning the decisions taken by the AB Energijos Skirstymo Operatorius Supervisory Board
2016-02-26	Lietuvos Dujos 2015 results: sales revenue grew 0.6% to €54.9 mln. and EBITDA 18.2% to €24 mln.
2016-02-26	LESTO 2015 results: EBITDA amounted to €124.8 mln. and investment grew 15.9% to €117.6 mln.
2016-03-03	Concerning the decision to terminate judicial proceedings
2016-03-04	Concerning the convening of the AB Energijos Skirstymo Operatorius Ordinary General Meeting of Shareholders
2016-03-09	Concerning AB Energijos Skirstymo Operatorius Supervisory Board decisions
2016-03-29	LESTO 2015 audited operating results have been confirmed
2016-03-29	Lietuvos Dujos 2015 audited operating results have been confirmed
2016-03-29	Concerning the decisions of the AB Energijos Skirstymo Operatorius Ordinary General Meeting of Shareholders

2016-03-31	<u>Concerning the decision to terminate judicial proceedings</u>
2016-04-22	<u>Regarding the decision by National Control Commission for Prices and Energy</u>
2016-05-16	<u>Preliminary ESO results for three months of 2016: revenue up by 3% to EUR 182 million</u>
2016-05-23	<u>Regarding the change of public electricity price cap for second half of 2016</u>
2016-05-25	<u>Regarding the Board decision to change electricity prices from the second half of 2016</u>
2016-05-30	<u>Regarding announced electricity prices from the second half of 2016</u>
2016-05-31	<u>ESO Q1 2016 results: bigger electricity and gas demand has increased the company's revenue</u>
2016-07-04	<u>Regarding the Extraordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB</u>
2016-07-15	<u>Regarding the supplemented draft decision of the Extraordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB</u>
2016-07-26	<u>The Extraordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB adopted decision on the election of the audit company</u>
2016-08-16	<u>Preliminary ESO results for six months of 2016: net profit up by 4.9% to EUR 53.2 million</u>
2016-09-01	<u>Regarding the Extraordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB</u>
2016-09-09	<u>Regarding the the resolutions of the Supervisory Board of Energijos Skirstymo Operatorius AB</u>
2016-09-26	<u>Regarding the resolutions of Extraordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB</u>

Key events after the reporting period

October 10th, 2016 ESO received a notification from Liudas Liutkevičius on his resignation from the position of the Chief Executive Officer and the Chairman of the Board. The last serving day of Chairman of the Board and Chief Executive Officer of ESO is 2016 November 4.

November 4th, 2016 The Board of the Company withdrew Mr. Liudas Liutkevičius from the Chairman of the Board and Chief Executive Officer of Energijos Skirstymo Operatorius AB since 4th November, 2016 4:00 pm and elected Mrs. Dalia Andrulionienė, Director of Service Division, as an acting Energijos Skirstymo Operatorius AB Chief Executive Officer since 4th November, 2016 4:00 pm. In accordance with the point 59.5 of the Articles of Association, the meetings of the Company's Board temporarily chaired by Mr. Rytis Borkys, a member of the Board.

November 25th, 2016 the Board of the Company held a meeting in which a member of the Board Mrs. Dalia Andrulionienė was elected as Chairman of the Board and Chief Executive Officer of the Company. The decision was adopted upon the Opinion by the Supervisory Board of the Company delivered on 25 November, 2016.