

2018-04-30 Nr. 30220-7144

CERTIFICATION STATEMENT

Referring to the provisions of the Article 24 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 Evelina Remeikienė Manager of Reporting of Verslo aptarnavimo centras UAB, hereby confirm that, to the best of our knowledge, AB Energijos skirstymo operatorius condensed interim financial information for three month period ended 31 March 2018 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 three-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
Manager of Reporting,
acting under Order No. IS17-80
(signed 2017 08 28)



Evelina Remeikienė

2018

ENERGIJOS SKIRSTYMO OPERATORIUS AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST QUARTER OF 2018 AND 3 MONTHS PERIOD ENDED 31 MARCH 2018, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



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Translation note:

This version of the accompanying documents 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 the accompanying documents takes precedence over this translation.


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Condensed interim financial information was approved on 30 April 2018 by Energijos Skirstymo Operatorius AB General Manager, Director of Finance and Administration Service and Manager of Reporting of Verslo Aptarnavimo Centras UAB (acting under Order No IS17-80 of 28 August 2017).


Dalia Andrulionienė
Energijos Skirstymo Operatorius AB
General Manager


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


Evelina Remeikienė
Manager of Reporting Verslo Aptarnavimo
Centras UAB (acting under Order No IS17-
80 of 28 August 2017)

31 March 2018

All amounts are in EUR thousand unless otherwise stated

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	At 31 March 2018	At 31 December 2017
ASSETS			
Non-current assets			
Property, plant, and equipment	3	1,171,379	1,188,748
Intangible assets	3	5,418	5,451
Prepayments for property, plant, equipment		3	3
Investments in associates		2,527	2,382
Other non-current financial assets		829	849
		1,180,156	1,197,433
Current assets			
Inventories		2,433	2,135
Trade and other receivables		61,946	64,386
Prepayments, deferred charges and accrued income		7,654	7,224
		1,302	174
Cash and cash equivalents		6,458	6,449
		79,793	80,368
Total assets		1,259,949	1,277,801
EQUITY AND LIABILITIES			
Equity			
Share capital	4	259,443	259,443
Revaluation reserve		43,643	44,680
Legal reserve		25,944	25,910
Retained earnings		204,619	277,611
Total equity		533,649	607,644
LIABILITIES			
Non-current liabilities			
Borrowings		291,585	239,648
Deferred income tax liability		1,090	11,368
Deferred income		143,716	113,202
Grants and subsidies		19,586	19,758
Non-current employee benefits		1,769	1,763
Other non-current liabilities		3	3
		457,749	385,742
Current liabilities			
Borrowings		127,711	133,040
Trade and other payables		97,563	116,529
Advance amounts received, accrued charges and deferred income		43,277	34,846
Income tax payable		-	-
		268,551	284,415
Total liabilities		726,300	670,157
Total equity and liabilities		1,259,949	1,277,801

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
31 March 2018

All amounts are in EUR thousand unless otherwise stated

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Q1 2018	Q1 2017
Revenue	6	166,236	167,639
Other income		1,140	847
Purchases of electricity and related services		(116,077)	(100,792)
Purchase (expenses) of natural gas and transmission services		(1,076)	(874)
Depreciation and amortisation		(13,527)	(12,223)
Employee benefits and related social security contributions		(10,989)	(10,563)
Repair and maintenance expenses		(2,337)	(2,730)
Transport costs		(1,150)	(1,050)
Telecommunications and IT services		(2,467)	(2,031)
Rent and utilities		(1,042)	(1,048)
Impairment and write-off expenses		(1,365)	749
Other expenses		(4,322)	(4,305)
Operating profit		13,024	33,619
Finance income		18	245
Finance costs		(1,130)	(416)
Finance costs – net		(1,112)	(171)
Share of profit of associates and joint ventures		145	-
Profit before income tax		12,057	33,448
Income tax		(719)	(4,942)
Net profit for the period		11,338	28,506
Other comprehensive income (expenses)			
Items that will not be reclassified to profit or loss:			
Impact of accounting policy changes adapting new IFRS's		(62,654)	-
Other comprehensive income (expenses)		(62,654)	-
Total comprehensive income for the period		(51,316)	28,506
Weighted average number of shares, in thousand		894.630	894,630
Basic and diluted earnings per share (in EUR) attributable to owners of the Company		0.013	0,032

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

31 March 2018

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 2017		259,443	49,864	25,910	287,978	623,195
Comprehensive income						
Net profit for the period		-	-	-	28,506	28,506
Total comprehensive income for the period		-	-	-	28,506	28,506
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(1,273)	-	1,273	-
Dividends	5	-	-	-	(51,764)	(51,764)
Balance at 31 March 2017		259,443	48,591	25,910	265,993	599,937
Balance at 1 January 2018		259,443	44,680	25,910	277,611	607,644
Comprehensive income						
Net profit for the period		-	-	-	11,338	11,338
Impact of accounting policy changes adapting new IFRS's		-	-	-	(62,654)	(62,654)
Total comprehensive income for the period		-	-	-	(51,316)	(51,316)
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(1,037)	-	1,037	-
Formation of reserves		-	-	34	(34)	-
Dividends	5	-	-	-	(22,679)	(22,679)
Balance at 31 March 2018		259,443	43,643	25,944	204,619	533,649

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

31 March 2018

All amounts are in EUR thousand unless otherwise stated

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Notes	At 31 March 2018	At 31 March 2017
Cash flows from operating activities			
Net profit		11,338	28,506
Adjustments for:			
Income tax expense		719	4,942
Depreciation and amortisation	3,7	13,795	12,491
Depreciation of grants		(268)	(268)
Share of (profit) of associates and joint ventures		(145)	-
(Gain)/loss on disposal and write-off of property, plant and equipment		1,236	718
Finance (income)		(18)	(245)
Finance costs		1,130	416
Changes in working capital:			
Trade and other receivables		(3,441)	2,907
Inventories, prepayments, deferred expenses and accrued income		(727)	(259)
Trade and other payables, advance amounts received, accrued expenses and deferred income		(32,497)	(8,793)
Cash generated from operating activities		(8,878)	40,415
Income tax paid		(1,128)	(1)
Net cash generated from operating activities		(10,006)	40,414
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(41,081)	(38,256)
Disposal of subsidiaries		5,560	-
Grants received		103	98
Loans (granted)		-	(2,919)
Loan repayments received		9	3,580
Interest received		27	27
Net cash used in investing activities		(35,391)	(37,470)
Cash flows from financing activities			
Proceeds from borrowings		103,522	-
Repayments of borrowings		(62,655)	(14,357)
Dividends paid to the Company's shareholders		(5)	(3)
Interest paid		(268)	(416)
Net cash used in financing activities		40,594	(14,776)
(Decrease) increase in cash and cash equivalents		(4,803)	(11,832)
Cash and cash equivalents at the beginning of the year (including overdraft balance)		6,449	10,662
Cash and cash equivalents at the end of the period (including overdraft balance)		1,646	(1,170)

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

As at 31 March 2018 and 31 December 2017, the Company's shareholder structure was as follows:

	At 31 March 2018		At 31 December 2017	
	Number of shares held	Ownership interest	Number of shares held	Ownership interest
Lietuvos Energija UAB	849,743,761	94.98%	849,743,761	94.98%
Other shareholders	44,886,572	5.02%	44,886,572	5.02%
Total	894,630,333	100%	894,630,333	100%

As at 31 March 2018 and 31 December 2017, the parent of the Company was Lietuvos Energija UAB. The Government of the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania owns 100% of shares of Lietuvos Energija UAB.

All the shares of the Company with the nominal value of EUR 0.29 each are ordinary registered shares.

As at 31 March 2018 and 31 December 2017 Company's investments in associates comprised of the following:

Associate	Country	Year of acquisition	Company's ownership interest (%)		Profile of activities
			31 March 2018	31 December 2017	
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%	Customer service, public procurement organisation and performance, accounting and personnel administration services.

2 Accounting principles

Company's condensed interim financial information for the three-month period ended 31 March 2018 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 2017, 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 for the year ended 31 December 2017.

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 31 March 2018		
Net book value at the beginning of the period	5,451	1,188,748
Additions	820	40,328
Sales	-	(59)
Write-offs	-	(1,184)
Impairment	-	(43,512)
Amortisation /depreciation	(853)	(12,942)
Net book value at 31 March 2018	5,418	1,171,379

4 Share capital

As at 31 March 2018 and at 31 December 2017, 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

Approved dividends per share

	At 31 March 2018	At 31 March 2017
Approved dividends (thousands)	22,679	51,764
Weighted average number of shares (thousands)	894,630	894,630
Approved dividends per share (in EUR)	0.025	0.0579

The ordinary general meeting of shareholders of Energijos Skirstymo Operatorius AB was held on 30 March 2018 where it was decided to approve the profit appropriation for July–December 2017 and to allocate EUR 0.02535 per share in dividends, in total EUR 22,679 thousand in dividends.

The ordinary general meeting of shareholders of Energijos Skirstymo Operatorius AB was held on 24 March 2017 where it was decided to approve the profit appropriation for July–December 2016 and to allocate EUR 0.05786 per share in dividends, in total EUR 51,764 thousand in dividends.

6 Revenue

	I Q 2018	I Q 2017
Electricity sales and distribution	145,812	144,734
Natural gas distribution	17,338	19,712
Revenue from connection of new customers	3,085	3,193
Total	166,236	167,639

7 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 three-month period ended 31 March 2018 is presented below:

2018	Electricity supply and distribution	Gas distribution	Total
Revenue	148,641	18,735	167,376
Expenses	(133,323)	(6,137)	(139,460)
EBITDA	15,318	12,598	27,916
Depreciation and amortisation	(11,662)	(1,865)	(13,527)
Impairment and write-off expenses	(1,336)	(29)	(1,365)
Operating profit	2,320	10,704	13,024
Finance income	15	3	18
Finance (costs)	(939)	(191)	(1,130)
Share of (profit) of associates	121	24	145
Profit before income tax	1,517	10,540	12,057
Income tax	(601)	(118)	(719)
Net profit for the period	916	10,422	11,338

ENERGIJOS SKIRSTYMO OPERATORIUS AB, company code 304151376 Agonų str. 24, Vilnius, Lithuania
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the three-month period ended 31 March 2018

All amounts are in EUR thousand unless otherwise stated

Company's information about operating segments for the three-month period ended 31 March 2017 is presented below:

2017	Electricity supply and distribution	Gas distribution	Total
Revenue	148,416	20,070	168,486
Expenses	(117,527)	(5,866)	(123,393)
EBITDA	30,889	14,204	45,093
Depreciation and amortisation	(10,357)	(1,866)	(12,223)
Impairment and write-off expenses	771	(22)	749
Operating profit	21,303	12,316	33,619
Finance income	144	101	245
Finance (costs)	(347)	(69)	(416)
Profit before income tax	21,100	12,348	33,448
Income tax	(4,205)	(737)	(4,942)
Net profit for the period	16,895	11,611	28,506

8 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 March of 2018 and the balances arising on these transactions as at 31 March 2018 are as follows:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Parent company Lietuvos energija, UAB	422,715	-	1,494	-
Associates	3,603	-	5,542	-
Lietuvos energija, UAB group companies	20,048	6,683	26,503	13,893
EPSO-G UAB group companies	28,079	6,338	55,748	105
Total	474,445	13,021	89,287	13,998

The Company's transactions with related parties between January and March of 2017 and the balances arising on these transactions as at 31 December 2017 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Purchases	Sales
Parent company Lietuvos energija, UAB	235	5,823	452	110
Associates	2,565	3	4,353	-
Lietuvos energija, UAB group companies	7,797	9,027	20,053	17,914
EPSO-G UAB group companies	29,484	4,099	55,650	212
Total	40,081	18,952	80,508	18,236

Compensation to key management personnel

Company	2018 Q I	2017 Q I
Wages and salaries and other short-term benefits to management personnel	109	148
Whereof: termination benefits	-	56
Number of key management personnel	6	7

Management includes heads of administration and their deputies.

9 Events after the reporting period

2018

ENERGIJOS SKIRSTYMO
OPERATORIUS AB
INTERIM REPORT

REPORT FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018



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The reference period covered by the report

The report covers the period between January-March 2018.

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 April 2018.

MAIN OPERATIONAL AND FINANCIAL FIGURES AND RATIOS

Main activity indicators of ESO

		2018	2017	Change	
		Q1	Q1	+/-	%
Activity indicators					
Distributed electricity in medium and low voltage grids	TWh	2,53	2,46	0,08	3,16
Public and guaranteed supply	TWh	0,87	0,88	-0,01	-0,25
Distributed natural gas amount	TWh	3,22	2,82	0,41	14,48
Network quality indicators					
<i>ELECTRICITY</i>					
SAIDI, min. (with „force majeure“)		10,10	22,52	-12,42	
SAIFI, times. (with „force majeure“)		0,16	0,23	-0,07	
<i>GAS</i>					
SAIDI, min. (with „force majeure“)		0,095	0,087	0,008	
SAIFI, times (with „force majeure“)		0,001	0,001	-	

Main financial indicators of ESO

		2018	2017	Change	
		Q1	Q1	+/-	%
Sales revenue	thousand EUR	167.376	168.486	-1.110	-0,66
Purchases of electricity and gas, other related services	thousand EUR	117.153	101.666	15.487	15,23
Operating costs (1)	thousand EUR	22.307	21.727	580	2,67
EBITDA (2)	thousand EUR	27.916	45.093	-17.177	-38,09
EBITDA margin (3)	%	16,68	26,76		
Adjusted EBITDA (4)		49.087	46.920	2.167	4,62
Net profit (loss)	thousand EUR	11.338	28.506	-17.168	-60,23
		2018 m.	2017 m.	Change	
		Q1	Q1	+/-	%
Total assets	thousand EUR	1.259.949	1.277.801	-17.852	-1,40
Equity	thousand EUR	533.649	607.644	-73.995	-12,18
Financial debt	thousand EUR	419.297	372.688	46.609	12,51
Net financial debt (4)	thousand EUR	412.839	366.238	46.601	12,72
Return on equity (ROE) (5)	%	10,58	12,60		
Return on assets (ROA) (6)	%	4,76	6,49		
Equity level (7)	%	42,35	47,55		
Net financial debts / EBITDA of 12 months	times	3,36	2,61		
Net financial debts / Equity	%	77,36	60,27		

(1) Operating expenses (OPEX) = operating expenses excluding costs attributable to the purchase of electricity and related services, depreciation and amortisation, impairment and write-off expenses;

(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) Adjusted EBITDA is calculated by adding the impact of the recalculation of regulated activities revenue generated in prior periods (as established by respective resolutions of the Commission) and by eliminating the difference that arose during the reporting period between the return on investments permitted by the Commission and the return of investments calculated by the management. The management estimates that the adjusted EBITDA indicator more accurately reflects the Company's performance and allows to better compare results between the periods, as it presents the actual amount of revenue earned by the Company during the reporting period, as well as by eliminating the differences arising between the return on investments permitted by

the Commission and the actual return on investments of prior periods which might have both a positive and negative effect on the results of the reporting period. The adjusted EBITDA indicator is not calculated using data presented in the financial statements.

(5) 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;

(6) Return on equity (ROE) = 12 months net profit (loss) / equity capital in the end of the reporting period;

(7) Return on assets (ROA) = 12 months net profit (loss) / total assets in the end of the reporting period;

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

CEO LETTER

Dear All,

We have finished the first quarter of 2018 with a continuously increasing and record high investments. We have invested into renewal and development of electricity and gas distribution networks 76.2 percent more than last year.

During the three months of this year, the company's investments in electricity and natural gas distribution networks amounted to EUR 40.831 million. During the same period last year we have invested EUR 23.175 million. The largest share of investments – EUR 18.172 million – went to renewal and modernisation of electricity distribution network. This amount was 46 percent higher than last year. For our customers, this is a good news, because more modern networks mean, first of all, safer and more reliable energy for residential homes and businesses.



This year we continued to develop smart grid solutions – e.g., we started testing the self-healing network. This advanced power grid automation technology allows to identify and autonomously disconnect the power grid without the dispatcher's actions. In the event of a power failure, the system determines the exact location of the fault itself and does not cause any inconvenience to the majority of the customers.

In cooperation with business, we opened the networks for innovators at the beginning of the year – the Sandbox project was launched. Innovative developers can experiment with technological solutions and equipment in real time and free of charge, and apply proven innovations to a wider scale.

By continually shortening the terms for connection to distribution networks, we continued to track increasing numbers of new customers. In the first quarter of the year, we comprised 5.53 thousand new contracts to join electricity distribution network – 10% more than during the same time last year when there were 5.05 thousand of them. 3.22 thousand new customers signed contracts to join gas network and this is 62% more than during same period last year, when this figure amounted to 1.99 thousand. In 2018, for all new gas customers. In January-March, ESO built 116.6 km of gas distribution pipeline, more than double, compared to last year's 47.6 km.

We have further improved the quality and service provided to our clients. We hope this will contribute to even better customer experience with our company.

Chairman of the Board and CEO of ESO
Dalia Andrulionienė

SIGNIFICANT EVENTS TO THE COMPANY DURING THE REPORTING PERIOD

Regarding resignation from the Board of Energijos skirstymo operatorius AB

Company informed that on 10 January, 2018 the Company received Mr. Rytis Borkys's notification of resignation from the member of the Company's Board position. Pursuant to the Republic of Lithuania Law on Companies, the last day of term of office of Mr. Rytis Borkys as the member of the Company's Board will be 24 January, 2018. Mr. Rytis Borkys was elected to the Company's Board on 3 December 2015 upon decision of the Company's Supervisory Board.

Regarding a Proportional Transfer Agreement of the issue of Lietuvos Energija Green Bonds Transfer

On the 28th of February, 2018 Company signed a Proportional Transfer Agreement for Green Bonds (hereinafter referred to as the Agreement) on 13 October, 2017 with Lietuvos Energija, UAB (hereinafter referred to as Lietuvos Energija) for EUR 100 million of the issue of Green Bonds transfer to the Company. This amendment increases the amount of the loan granted to the Company from EUR 100 million to EUR 166.288 million. Other terms of the contract are not subject to change. Additional funds will be allocated to ESO's long-term investment in the upgrade of distribution networks in accordance with the Lietuvos Energija Green Bond framework.

Regarding the Ordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB

The General Meeting of Shareholders of AB "Energijos skirstymo operatorius" was held on 30 March, 2018 at 09.00 at the registered office premises located at Aguonų str. 24, Vilnius.

Regarding Court Decision

On the 13 March, 2018 Supreme Administrative Court of Lithuania (hereinafter – SACL) partially complied with the Company's appeal against Vilnius Regional Administrative Court decision dated 22 December, 2015 by which Vilnius Regional Administrative Court dismissed the Company's complaint asking to repeal part of the Resolution No. O3-841 of the National Commission for Energy Control and Prices of 17.10.2014 that extended regulatory period for 2015 year, and the Commission's Resolution No. O3-845 of 17.10.2014 which recalculated upper price limits for 2015 year. The SACL decision was final and is not subject to appeal.

Member of the Board of Energijos Skirstymo Operatorius AB has been elected

The Company informed that on 14 March, 2018 the Supervisory Board of the Company adopted a decision to elect Ovidijus Martinonis as the new member of the Board in charge of the area of network development from the end of the meeting of the Supervisory Board of the Company that elected him until the end of the term of office of the current Board of Directors. Till now Ovidijus Martinonis led Company's metering management department.

Regarding forthcoming transfer of public electricity supply activities

On 21st March 2018 the Company received a letter from "Lietuvos Energija", UAB, which holds 94.98 percent of Company's shares, about forthcoming changes. The letter states that the Project Management Committee of "Lietuvos energija" decided to separate the public electricity supply activities carried out by the subsidiary AB "Energijos skirstymo operatorius" (ESO) from the electricity distribution business and for a fee (through the sale of the business part) transfer it to another company of the "Lietuvos energija" group – UAB "Lietuvos dujų tiekimas".

Regarding the investment plan of 2017 alignment

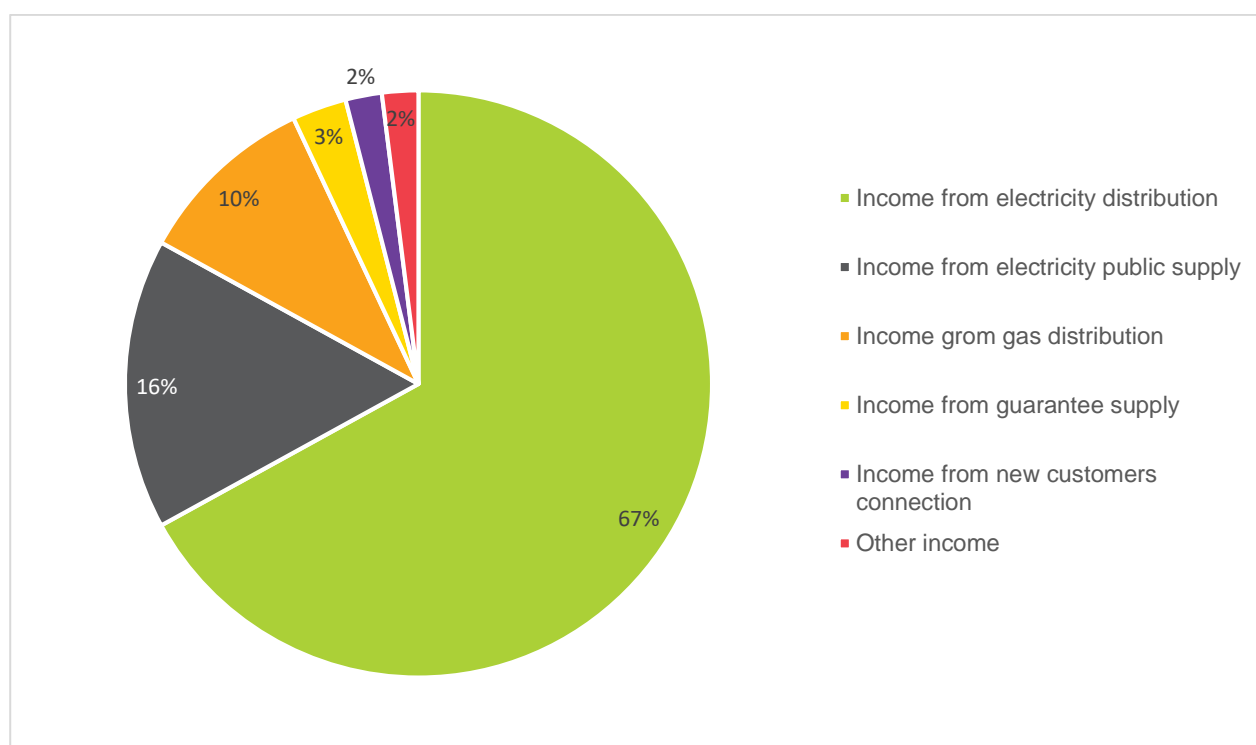
On 22nd March 2018 the National Commission for Energy Control and Prices and has approved the Company's 2017 investment projects submitted for a commonly agreed list of investments, the total value of which is over EUR 137.8 million (EUR 129.023 thousand – for electricity sector, – EUR 8.782.73 – natural gas sector).

ESO audited financial results of 2017 has been approved

On 30th March, 2018 during the Ordinary General Meeting of ESO Shareholders the Company's audited Annual Financial Statements and Annual report has been approved. Electricity and gas distribution company Energijos Skirstymo Operatorius (ESO), which is a part of the largest Lithuania's energy group Lietuvos Energija, during the second year of operation has significantly increased – up to 51.6 percent – investments into gas and electricity distribution network modernisation and development. Continuously reduced costs and more efficient activity has contributed to reduced prices for customers – natural gas distribution and electricity prices has declined for a several years in a row.

ANALYSIS OF PERFORMANCE RESULTS

ESO income structure



During the three months of 2018 ESO revenue reached EUR 167 million. Compared to the January-March of 2017 ESO revenue decreased by 0.7 %. Revenues have decreased due to lower prices for electricity and natural gas for the Company's customers. The main source of Company's income is income from electricity distribution.

During the three months of 2018 income from electricity distribution made up 67% of total company's income. Income from electricity public supply service consisted 16%, income from gas distribution – 10% from total revenue.

EBITDA ratio

	2018.03.31	2017.03.31
EBITDA, thousand. EUR	27.916	45.093
EBITDA ratio, proc.	16,68	26,76
Adjusted EBITDA**, thousand. EUR	49.087	46.920

*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

**Adjusted EBITDA is calculated by adding the impact of the recalculation of regulated activities revenue generated in prior periods (as established by respective resolutions of the Commission) and by eliminating the difference that arose during the reporting period between the return on investments permitted by the Commission and the return of investments calculated by the management. The management estimates that the adjusted EBITDA indicator more accurately reflects the Company's performance and allows to better compare results between the periods, as it presents the actual amount of revenue earned by the Company during the reporting period, as well as by eliminating the differences arising between the return on investments permitted by the Commission and the actual return on investments of prior periods which might have both a positive and negative effect on the results of the reporting period. The adjusted EBITDA indicator is not calculated using data presented in the financial statements.

During the three months of 2018 ESO EBITDA amounted EUR 27,9 million, and compared to the same period in 2017, EBITDA decreased by 38%. This was mainly due to the increased costs of purchasing electricity, natural gas and related services. Adjusted EBITDA increased by 4.6%. due to more efficient operation of the company and more investments in modernisation and development of networks.

Costs

During three months of 2018 electricity, natural gas purchase and related services costs made up EUR 117.2 million and, compared to the same period of 2017, increased by 15.2%. The greatest impact was on increased electricity transmission, increased electricity acquisition price. During the reporting period electricity, natural gas purchase and related services costs amounted to EUR 130.7 million, which made up 84.7% of total ESO costs.

Operating expenses¹ amounted to EUR 22.3 million. Compared with three months of 2017 operating expenses increased by 2.7%. Telecommunications and IT costs and transport costs increased the most, respectively 21.5 and 9.5 percent.

ESO operating expenses in thousand EUR

	2018.03.31	2017.03.31
Employee benefits and related social security contributions	10 989	10 563
Repair and maintenance expenses	2 337	2 730
Other expenses	4 322	4 305
Telecommunications and IT service	2 467	2 031
Transport	1 150	1 050
Rent and utilities	1 042	1 048
Operating expenses	22 307	21 727

Profit, loss and profitability ratios

During three months of 2018 ESO net profit amounted to EUR 11.3 million and compared to the same period in 2017 it decreased by 60.2%. The decrease in net profit was determined by the increased costs of purchasing electricity, natural gas and related services.

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

ESO profitability ratios

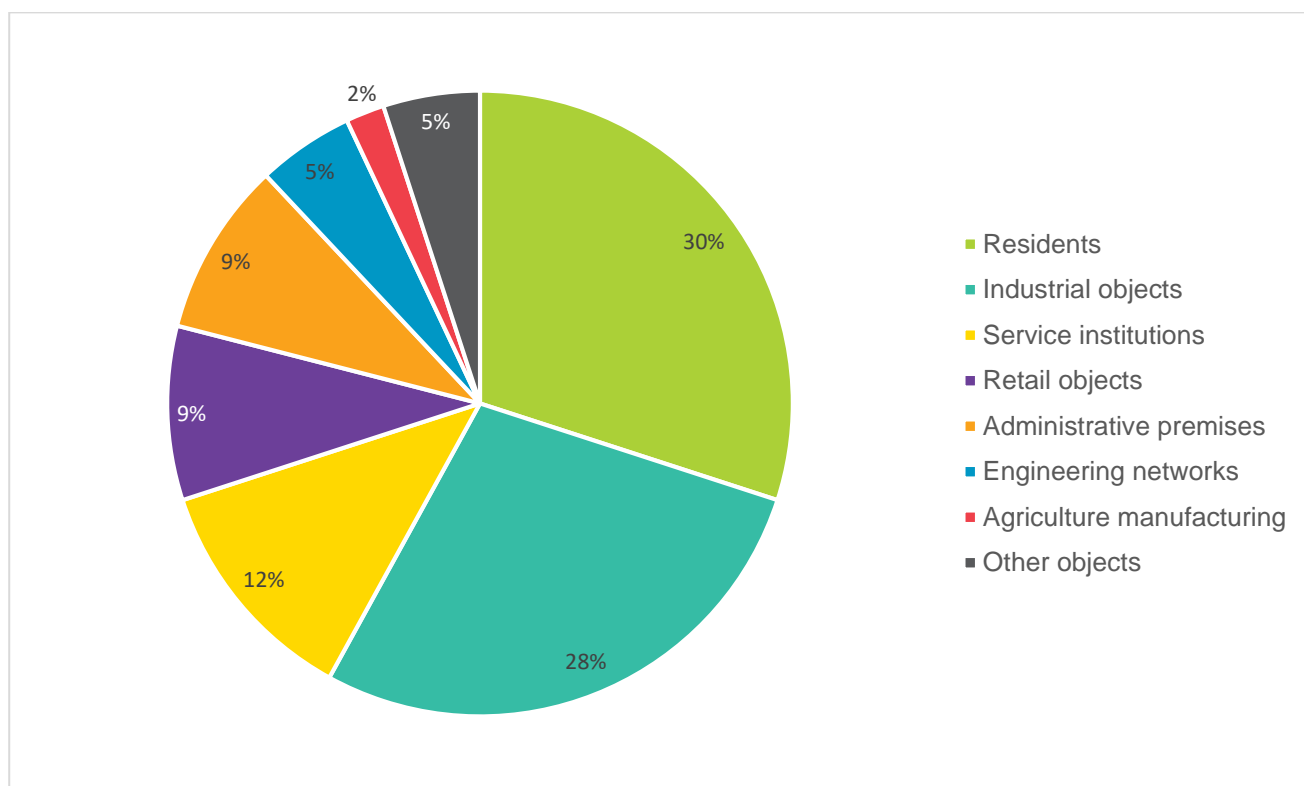
	2018.03.31	2017.03.31
Net profit, %	6.77%	16.92%
Operating profit margin, %	7.78%	19.95%

Electricity distribution

During three months of 2018 the amount of ESO distributed electricity reached 2533 million kWh. Electricity sales made up 34.3% of this amount. To the rest customers ESO granted only network distribution service. Compared to the same period in 2017, the volume of electricity sold decreased by 0.3%, while the amount of transmitted electricity increased by 3.2%. Technological losses in distribution equipment in 2018 for three months amounted to 238 million kWh or 8.59% from the amount of electricity received. Compared to the same period of 2017, these costs amounted to 6.18%.

Structure of network service volumes by objects

30 % of ESO electricity network service volume was allocated to residents. Industrial and service institutions consumed 28% and 12% respectively. Compared to three months of 2017 data, the structure of electricity network service almost has not changed.

**Natural gas distribution**

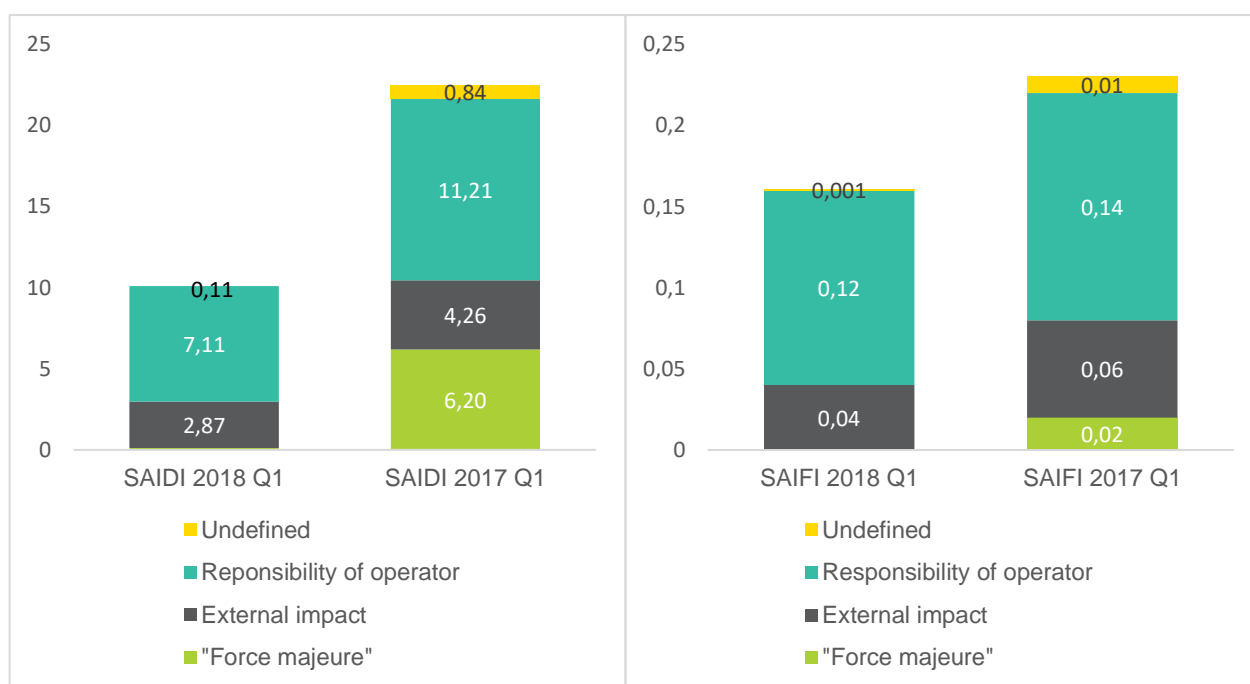
During three months of 2018 ESO via its distribution pipelines transported 3,22 billion kWh of natural gas - about 14% more than in 2017 in the same period.

During three months of 2018 distribution volumes increased mainly due to colder weather during the heating season resulted in increased gas consumption demand in heat and power generation plants.

Electricity distribution network reliability indexes

During three months of 2018 with the influence of natural disasters ("force majeure") the system average interruption duration index (SAIDI) per customer amounted to 10.10 minutes. This is 12.42 minutes less compared to the same period in 2017, when it amounted 22.52 minutes. The system average interruption frequency index (SAIFI) with the influence of natural disasters per customer reached from 0.16 – 0.07 times less compared to 2017 January-March, when it was 0.23 times.

Quality of electricity supply (SAIDI, SAIFI) 2018 January-March and 2017 January-March



Investments

During three months of 2018 ESO investments in the electricity and gas distribution networks amounted to EUR 40,831 million – 76.2% more than during first quarter of 2017.

ESO investments, million. EUR

	2018 Q1	2017 Q1
Electricity distribution network upgrade	18,172	12,412
Electricity distribution network expansion	13,710	6,996
Construction and reconstruction of Gas systems	7,375	3,276
Other (IT, management systems, etc.)	1,574	0,492
Total investments	40,831	23,175

During three months of 2018 ESO investment in electricity distribution network upgrade amounted to EUR 18,172 million – 46,4% more compared to the same period of 2017. Investment in IT and management systems amounted to EUR 1.6 million - 3.2 times more than in 2017 January-March.

During three months of 2018 ESO has signed 5.53 thousand contracts to join electricity distribution network – 10% more than at the same period last year, when this number amounted to 5.05 thousand. During three months of 2018 ESO has connected 7.72 thousand new customers, 42% more than in the same period of 2017 when it had 5.44 thousand new customers connected. The permissible power for new customers during the three months of 2018 was equal to 100.004 thousand kW, which was 38% more than during January-March 2017, when the permissible power was 72.599 thousand kW.

During the first quarter of 2018 ESO investment in gas systems for construction and reconstruction reached EUR 7.4 million or 2.3 times more compared to the same period in 2017. During three months of 2018 for new customers connection company has built 116.6 km of distribution pipeline (2017 January-March – 47.6 km) and signed 3.22 thousand contracts to join gas distribution network. It is 62% more than during the same period last year when this number was 1.99 thousand. During January-March of 2018 1922 new customers were connected the gas distribution network – 20% times more compared to the same period in 2017 (1604 consumers).*

*Since May 1 of 2017 changes in Law on Natural gas has been accepted and small and medium pressure pipelines were assigned to movable assets, the methodology of counting new customers had been changed. According new methodology procedures of completion of construction works were eliminated. The number of customers connected during 1st quarter of 2017 was recalculated by eliminating new customers that completed gas distribution network in 2016 but did not receive documents certifying the completion of construction works.

Financial ratio analysis

The Company's assets at the end of the reporting period amounted to 1.26 billion. EUR: 93.7% total assets comprised fixed assets. The liquid assets - cash and cash equivalents - amounted to 6.5 mln. Euro, or 8.1% of total current assets.

ESO financial leverage ratios

	2018.03.31	2017.03.31
Indebtedness ratio	0,58	0,46
Debt to assets ratio	0,33	0,19
Debt to equity ratio	1,36	0,86
Total liabilities to equity	0,79	0,35
Debt to equity ratio, thousand EUR	412,8	205,9
Net financial debt to equity ratio	0,77	0,34
Long-term debt to equity ratio	0,55	0,25
General solvency ratio	0,73	1,17
Equity to assets ratio	0,42	0,54
Price-earnings ratio*	69,28	28,97
Capitalisation, million EUR*	785,5	825,7

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

As of 31 March 2018 ESO financial debt amounted to EUR 419.3 million. EUR, or it amounted 58% all the liabilities. Longterm loans amounted to EUR 291.6 million, 69.5% of total loans. At the end of the reporting period, ESO current liabilities totaled EUR 268,6 million.

ESO liquidity ratios

	2018.03.31	2017.03.31
Current liquidity ratio	0,30	0,32
Acid test ratio	0,29	0,31
Cash liquidity ratio	0,02	0,02
Working capital ratio EUR thousand	-188.758	-150.638
Working capital to total assets ratio	-0,15	-0,14

ESO current liabilities exceeded current assets by EUR 189 million. Current liquidity ratio - 0.30. Acid ratio is not significantly different from the current liquidity, since reserves amount to only 3% of total current assets. Financial debt, reduced by short-term investments and cash and cash equivalents in size, amounts EUR 413 million. The company's net financial debt consists of 77 % equity.

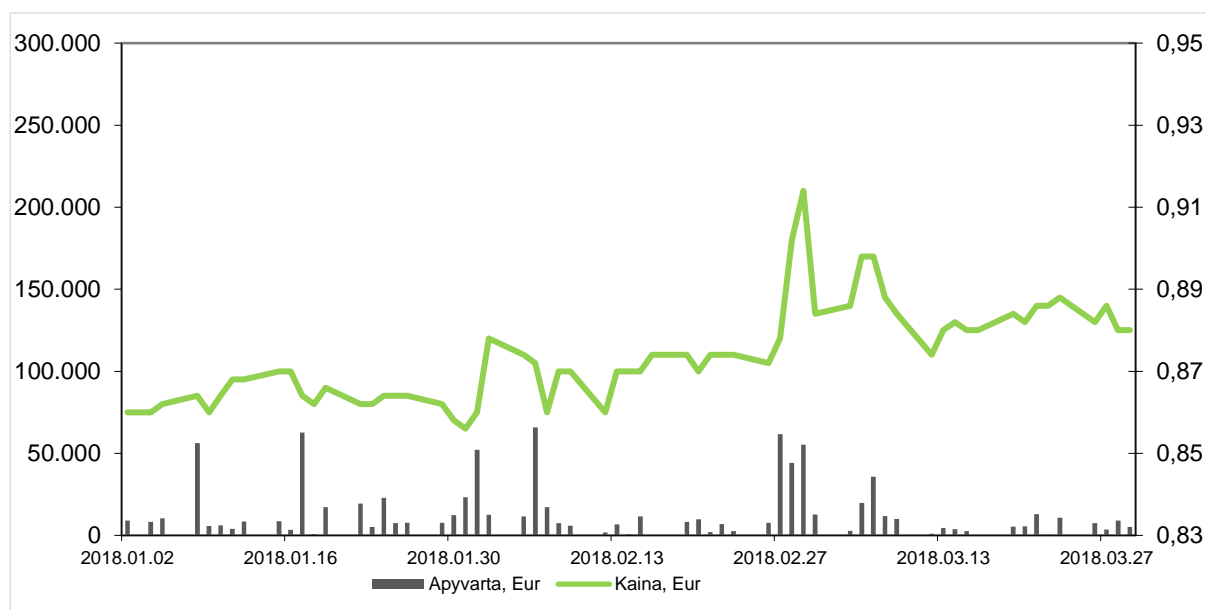
References and additional explanations of disclosures in the annual financial statements

Other information is presented in ESO financial statements: interim financial information for the three months period ended 31 March 2018.

INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL AND SECURITIES

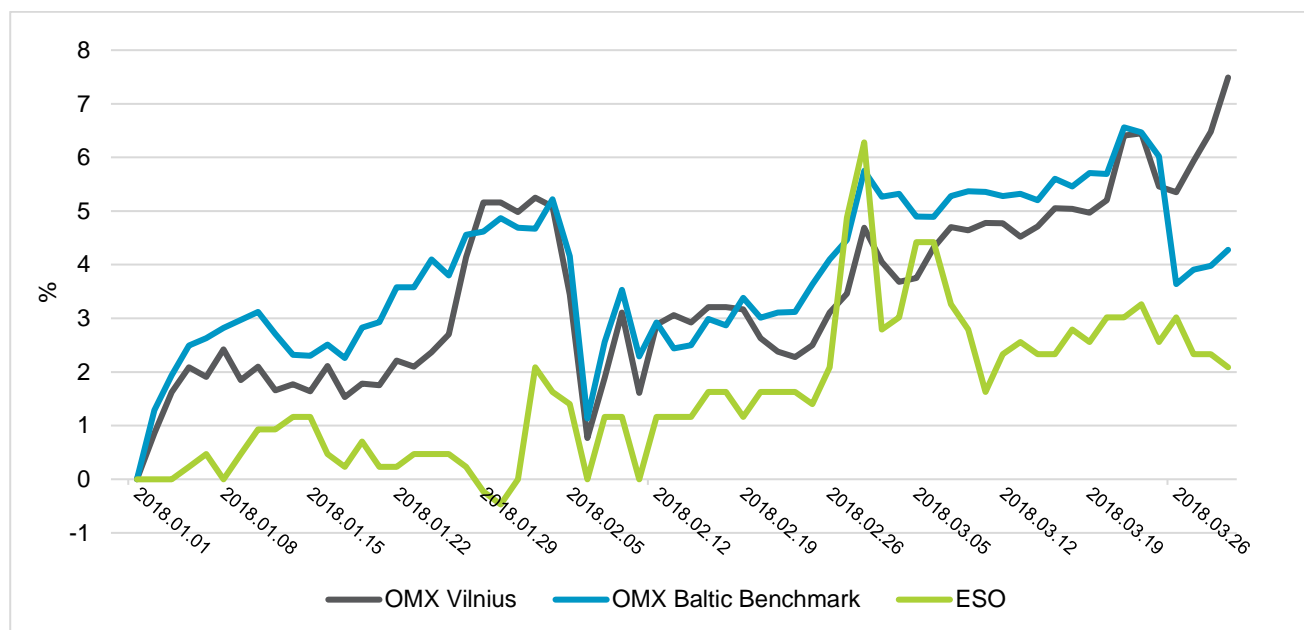
The stock price dynamics and turnover

ESO stock price dynamics and turnover, 2018-01-01 – 2018-03-29



ESO - the largest company by market capitalization in the NASDAQ Baltic Exchange. As of 29 March 2018 ESO capitalization amounted to EUR 785.5 million. During three months of 2018 ESO shares increased 2.1%. The weighted average of ESO's share price for three months of 2018 was EUR 0.874.

ESO share prices OMX Vilnius and OMX Baltic Benchmark index dynamics, 2018-01-01 – 2018-03-29



Since the beginning of 2018 until 29 March, the OMX Vilnius index rose 7.49%, the OMX Baltic Benchmark index rose 4.82%, and in the meantime ESO's share price during the three months of 2018 rose by 2.1% 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	894 630 333	100,00

The company's authorized capital amounted to EUR 259 442 796,57 on 31 March, 2018. 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 31 March 2018, the total number of Company shareholders was 8,843. 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.

Shareholders who owned more than 5% of the issuer's authorized capital as of March 31 2018

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 30, 2018, General Meeting of Shareholders of the Company decided to pay dividends to shareholders for the period from July 1, 2017, to December 31. Profit share for dividend pay-out amounted to EUR 22.7 million. Dividends for the six-month period from 2017 July 1 to December 31 amounted to EUR 0,02535 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.

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". Over the first two quarters of 2017, the Company conducted the large-scale campaign on safe use of electricity and gas, theft prevention of ESO's technological property, and provision of useful advice to the general public. The campaign was launched in spring 2016. In mass media – television, radio, newspapers and the internet – the campaign was aimed at raising public awareness of safety issues related to fieldworks, with emphasis placed on the underground electricity and gas network, as well as educational advice on safe behaviour during storms. The campaign also focused on thefts that cause electricity supply interruptions as well as prevention (educational material, videos, articles).

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.

Support. ESO provides coordinated support to the projects and programmes of public interest through the Support Foundation of the Lietuvos Energija Group of companies. The budget of the foundation consists of the contributions of all group companies amounting to up to 1% of the consolidated net profit of the Group. Applications to the Support Foundation are submitted once a year following the established procedure and deadlines. The support for the projects of 2018 was announced in November 2017. Support was granted to 41 projects.

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.

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.

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 28 April 2017.

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 2018-01-01 ESO has announced this major event information

Date	Notification on material event
2018-01-11	Regarding resignation from the Board of Energijos skirstymo operatorius AB
2018-01-31	Preliminary ESO results for 12 months of 2017: revenue reached EUR 612.3 million, adjusted EBITDA – EUR 151 million
2018-02-13	CORRECTION: Regarding Investor Calendar for 2018
2018-02-28	Preliminary ESO results for 1 month of 2018: revenue reached EUR 57.2 million, adjusted EBITDA – EUR 18.7 million
2018-02-28	CORRECTION: Regarding Investor Calendar for 2018
2018-02-28	ESO 2017 results: 51.6 percent higher investments and decreased prices for customers
2018-02-28	Regarding a Proportional Transfer Agreement of the issue of Lietuvos Energija Green Bonds Transfer
2018-03-01	CORRECTION: Regarding Investor Calendar for 2018
2018-03-06	Regarding the Ordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB
2018-03-13	Regarding Court Decision
2018-03-14	Regarding the resolutions of Energijos Skirstymo Operatorius AB Supervisory Board

2018-03-14	<u>Member of the Board of Energijos Skirstymo Operatorius AB has been elected</u>
2018-03-21	<u>Regarding forthcoming transfer of public electricity supply activities</u>
2018-03-22	<u>Regarding the investment plan of 2017 alignment</u>
2018-03-30	<u>ESO audited financial results of 2017 has been approved</u>
2018-03-30	<u>Regarding the resolutions of Ordinary General Meeting of Energijos Skirstymo Operatorius AB Shareholders</u>
2018-03-30	<u>Preliminary ESO results for 2 months of 2018: revenue reached EUR 111.2 million, adjusted EBITDA – EUR 34.3 million</u>