

CONFIRMATION OF RESPONSIBLE PERSONS

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, the undersigned Mindaugas Keizeris, Chief Executive Officer of AB Energijos skirstymo operatorius, Augustas Dragūnas, Director of Finance and Administration, and Giedruolė Guobienė, Head of Accounting Services Center of Verslo Aptarnavimo Centras UAB acting under Order No IS19-102 of 29 August 2019, hereby confirm that, to the best of our knowledge, AB „Energijos skirstymo operatorius“ condensed interim financial information for nine month period ended 30 September 2019 are 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 activities business development as well as the condition of AB „Energijos skirstymo operatorius“ and with the description of the principle risk and uncertainties it faces.

AB Energijos skirstymo operatorius
Chief Executive Officer

Mindaugas Keizeris

AB Energijos skirstymo operatorius
Director of Finance and
Administration

Augustas Dragūnas

Verslo Aptarnavimo Centras UAB
Head of Accounting Services Center,
acting under Order No IS19-102 of 29
August 2019

Giedruolė Guobienė

Customer Service

Customer Service tel. 1802 or +370 697 61 852*

Free Electricity Power Cuts 1852

Free Gas Emergency Service 1804

Self-Service www.eso.lt

* this is based on telephone operator's plan and an additional tariff

Company Requisites

AB „Energijos skirstymo operatorius“

Aguonų str. 24, 03212 Vilnius, Lithuania

E-mail info@eso.lt

Company Code 304151376

PVM Code LT100009860612

Data collected and stored in the Register of Legal Entities

2019

ENERGIJOS SKIRSTYMO OPERATORIUS AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THIRD QUARTER OF 2019 AND NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2019, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



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www.eso.lt

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Aguonų str. 24, LT-03212 Vilnius, Lithuania
E-mail info@eso.lt
Company code 304151376



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.

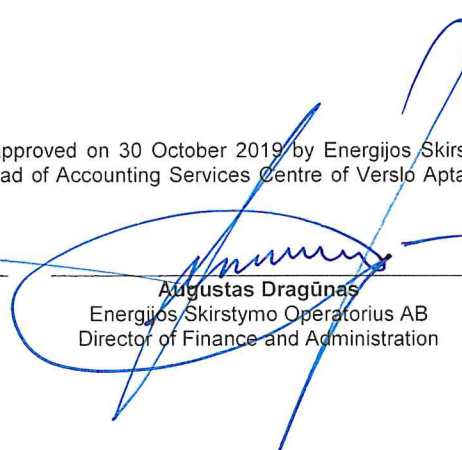
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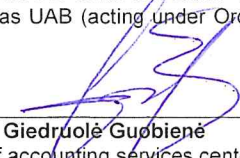
CONDENSED INTERIM FINANCIAL INFORMATION

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Condensed interim financial information was approved on 30 October 2019 by Energijos Skirstymo Operatorius AB Chief Executive Officer, Director of Finance and Administration and Head of Accounting Services Centre of Verslo Aptarnavimo Centras UAB (acting under Order No IS19-102 of 29 August 2019):


Mindaugas Keizeris
Energijos Skirstymo Operatorius AB
Chief Executive Officer


Augustas Dragūnas
Energijos Skirstymo Operatorius AB
Director of Finance and Administration


Giedrūolė Guobienė
Head of accounting services center of
Verslo aptarnavimo centras UAB,
acting under Order No IS-19-102 of 29
August 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

All amounts are presented in EUR thousand unless otherwise stated

| | Notes | 2019-09-30 | 2018-12-31 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 1,509,753 | 1,428,529 |
| Intangible assets | 3 | 35,056 | 35,751 |
| Right-of-use asset | | 3 | 3 |
| Prepayments for non-current assets | | 2,808 | 2,459 |
| Investments in associates | | 282 | 210 |
| Other non-current financial assets | 4 | 20,468 | - |
| Total non-current assets | | 1,568,370 | 1,466,952 |
| Current assets | | | |
| Inventories | | 1,945 | 1,992 |
| Trade and other receivables | | 57,778 | 115,427 |
| Prepayments, deferred expenses and assets under contracts with customers | | 969 | 2,226 |
| Prepaid income tax | | 3,434 | 2,779 |
| Cash and cash equivalents | | 2,893 | 2,266 |
| Total current assets | | 67,019 | 124,690 |
| TOTAL ASSETS | | 1,635,389 | 1,591,642 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Authorised share capital | 5 | 259,443 | 259,443 |
| Revaluation reserve | | 144,133 | 154,834 |
| Legal reserve | | 25,944 | 25,944 |
| Retained earnings | | 252,038 | 199,813 |
| Total equity | | 681,558 | 640,034 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 471,983 | 448,534 |
| Finance lease liabilities | 4 | 15,460 | - |
| Deferred income tax liabilities | | 14,089 | 10,276 |
| Liabilities under contracts with customers | | 134,204 | 140,139 |
| Grants and subsidies | | 15,269 | 13,052 |
| Long-term employee benefits | | 2,004 | 1,710 |
| Other non-current liabilities | | 3 | 3 |
| Provisions | | 27,180 | 27,982 |
| Total non-current liabilities | | 680,192 | 641,696 |
| Current liabilities | | | |
| Borrowings | | 171,119 | 182,930 |
| Current portion of finance lease liabilities | 4 | 5,091 | - |
| Trade and other payables | | 58,773 | 77,044 |
| Accrued expenses and contract liabilities | | 38,656 | 49,937 |
| Total current liabilities | | 273,639 | 309,911 |
| Total liabilities | | 953,830 | 951,608 |
| TOTAL EQUITY AND LIABILITIES | | 1,635,389 | 1,591,642 |

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

All amounts are presented in EUR thousand unless otherwise stated

| | Notes | Q1-3 2019 | Q3 2019 | Q1-3 2018 | Q3 2018 |
|---|-------|----------------|----------------|----------------|----------------|
| Revenue from contracts with customers | 7 | 381,260 | 120,483 | 448,788 | 143,223 |
| Other income | | 4,118 | 1,664 | 6,793 | 3,317 |
| Purchases of electricity and related services | | (196,005) | (62,492) | (323,446) | (111,968) |
| Purchase (expenses) of natural gas and transmission services | | (4,045) | (1,128) | (3,067) | (1,098) |
| Depreciation and amortisation | | (58,422) | (19,862) | (41,559) | (14,176) |
| Employee benefits and related social security contributions | | (32,348) | (10,226) | (31,370) | (9,816) |
| Repair and maintenance expenses | | (16,463) | (4,975) | (10,575) | (4,919) |
| Transport | | (2,903) | (895) | (3,581) | (1,222) |
| Telecommunications and IT services | | (6,833) | (2,412) | (6,972) | (2,428) |
| Rent and utilities | | (1,403) | (425) | (3,054) | (1,018) |
| Impairment and write-off expenses | | (3,842) | (1,532) | (3,614) | (1,011) |
| Other expenses | | (10,990) | (3,988) | (12,921) | (4,394) |
| Operating profit | | 52,124 | 14,212 | 15,422 | (5,510) |
| Finance income | | 19 | 6 | 64 | 17 |
| Finance costs | | (7,114) | (2,389) | (4,317) | (1,635) |
| Finance costs – net | | (7,095) | (2,383) | (4,253) | (1,618) |
| Share of profit of associates and joint ventures | | 472 | 229 | 268 | 155 |
| Profit before income tax | | 45,501 | 12,058 | 11,437 | (6,973) |
| Income tax | | (3,813) | 988 | (608) | (33) |
| Net profit for the period | | 41,688 | 13,046 | 10,829 | (7,006) |
| Other comprehensive income/(loss) | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Recalculation of the defined benefit plan obligation, net of deferred income tax | | (164) | - | (116) | - |
| Total comprehensive income for the period | | 41,524 | 13,046 | 10,713 | (7,006) |
| Weighted average number of shares (thousands) | | 894.630 | 894.630 | 894.630 | 894.630 |
| Basic and diluted earnings per share (in EUR) attributable to owners of the Company | | 0,047 | 0,015 | 0,012 | (0,008) |

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

All amounts are presented in EUR thousand unless otherwise stated

| | Notes | Authorised share capital | Revaluation reserve | Legal reserve | Retained earnings | Total equity |
|---|-------|--------------------------------|------------------------|---------------|----------------------|----------------|
| Balance at 1 January 2018 | | 259,443 | 44,680 | 25,910 | 277,611 | 607,644 |
| Effect of change in accounting policies following the adoption of new IFRS | | - | - | - | (62,654) | (62,654) |
| Restated balance at 1 January 2018 | | 259,443 | 44,680 | 25,910 | 214,957 | 544,990 |
| Net profit for the period | | - | - | - | 10,829 | 10,829 |
| Recalculation of the defined benefit plan obligation, net of deferred income tax | | - | - | - | (116) | (116) |
| Total comprehensive income for the period | | - | - | - | 10,713 | 10,713 |
| Transfers to retained earnings (transfer of depreciation, net of deferred income tax) | | - | (3,381) | - | 3,381 | - |
| Transfers to legal reserve | | - | - | 34 | (34) | - |
| Dividends | 6 | - | - | - | (35,204) | (35,204) |
| Balance at 30 September 2018 | | 259,443 | 41,299 | 25,944 | 193,813 | 520,499 |
| Balance at 1 January 2019 | | 259,443 | 154,834 | 25,944 | 199,813 | 640,034 |
| Comprehensive income | | | | | | |
| Net profit for the period | | - | - | - | 41,688 | 41,688 |
| Recalculation of the defined benefit plan obligation, net of deferred income tax | | - | - | - | (164) | (164) |
| Total comprehensive income for the period | | - | - | - | 41,524 | 41,524 |
| Transfers to retained earnings (transfer of depreciation, net of deferred income tax) | | - | (10,701) | - | 10,701 | - |
| Balance at 30 September 2019 | | 259,443 | 144,133 | 25,944 | 252,038 | 681,558 |

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS

All amounts are presented in EUR thousand unless otherwise stated

| | Notes | At 30 September 2019 | At 30 September 2018 |
|--|-------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Net profit | | 41,688 | 10,829 |
| Adjustments for: | | | |
| Income tax expense | | 3,813 | 608 |
| Depreciation and amortisation | 3,4,8 | 59,187 | 42,384 |
| Depreciation of grants | | (765) | (825) |
| Share of (profit) of associates and joint ventures | | (472) | (268) |
| (Gain)/loss on disposal and write-off of property, plant and equipment | | 3,346 | 3,319 |
| Finance (income) | | (19) | (64) |
| Finance costs | | 7,114 | 4,317 |
| Changes in working capital: | | | |
| Trade and other receivables | | 57,839 | 491 |
| Inventories, prepayments, deferred expenses and accrued income | | 1,142 | (1,486) |
| Trade and other payables, advance amounts received, accrued expenses and deferred income | | (22,888) | 12,558 |
| Cash generated from operating activities | | 148,919 | 71,863 |
| Income tax paid | | - | (1,128) |
| Net cash generated from operating activities | | 148,919 | 70,735 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment and intangible assets | | (153,536) | (208,165) |
| Disposal of subsidiaries | | 454 | 112 |
| Grants received | | 2,982 | 2,435 |
| Dividends received | | 123 | 102 |
| Interest received | | 19 | 64 |
| Net cash used in investing activities | | (149,958) | (205,452) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 56,473 | 252,701 |
| Repayments of borrowings | | (43,051) | (80,702) |
| Lease payments | | (3,071) | - |
| Dividends paid to the Company's shareholders | | (20) | (22,626) |
| Interest paid | | (8,565) | (4,395) |
| Other increase (decrease) of cash flows from financing activities | | (100) | - |
| Net cash used in financing activities | | 1,666 | 144,978 |
| (Decrease) increase in cash and cash equivalents | | 627 | 10,261 |
| Cash and cash equivalents at the beginning of the year (including overdraft balance) | | 2,266 | (4,206) |
| Cash and cash equivalents at the end of the period (including overdraft balance) | | 2,893 | 6,055 |

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1 General information

Energijos skirstymo operatorius, AB ("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 started its activities with effect from 1 January 2016. The shares of the Company have been listed on the main list of NASDAQ OMX Vilnius Stock Exchange since 11 January 2016. The address of the Company's registered office is as follows:

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

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

As at 30 September 2019 and 31 December 2018, the Company's shareholder structure was as follows:

| | At 30 September 2019 | | At 31 December 2018 | |
|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Number of shares held | Ownership interest | Number of shares held | Ownership interest |
| Ignitis grupė 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 30 September 2019 and 31 December 2018, the parent of the Company was Ignitis grupė UAB. The Government of the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania owns 100% of shares of Ignitis grupė UAB.

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

As at 30 September 2019 and 31 December 2018 Company's investments in associates comprised of the following:

| Associate | Country | Year of acquisition | Year of acquisition | | Profile of activities |
|--------------------------------------|-----------|---------------------|---------------------|------------------|--|
| | | | 30 September 2019 | 31 December 2018 | |
| Ignitis grupės paslaugų centras, UAB | Lithuania | 2013 m. | 29,012% | 29,012% | Information technology and telecommunication, and other services provided to the shareholders |
| Verslo aptarnavimo centras, UAB | Lithuania | 2014 m. | 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 nine-month period ended 30 September 2019 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 2018, 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 2018.

a) New and amended standards, and interpretations

During nine – month reporting period ended 30 September 2019 the Company for the first time adopted IFRS 16 „Leases“, that had material impact on Company's financial statements.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The value of assets being transferred under the lease agreement and related lease liabilities must be stated in the Company's statement of financial position.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

The Company applied IFRS 16 *Leases* starting from 1 January 2019 using the modified retrospective approach for the first time application of IFRS 16.

The Company performed the calculation of assets transferred according to the lease agreement and related liabilities under IFRS 16. At 1 January 2019, the Company recognised assets and liabilities managed under the right of use, which indicates the impact of the first-time adoption of IFRS 16 on the Company's financial statements. The management of the Company is assessing whether the lease of state-owned land is in compliance with the criteria of IFRS 16.

b) *Impact of new standards' adoption on the the items in the statement of financial position*

The impact of the first-time adoption of IFRS 16 on the items of the Company's statement of financial position is shown in the table below:

| | At 31 December 2018 | IFRS 16 | EUR thousands At 1 January 2019 |
|--|------------------------|---------|---------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use asset | - | 30,771 | 30,771 |
| EQUITY AND LIABILITIES | | | |
| Non-current liabilities | | | |
| Finance lease liabilities | - | 23,481 | 23,481 |
| Current liabilities | | | |
| Current portion of finance lease liabilities | - | 7,290 | 7,290 |

Elected practical expedients on transition where the Company is a lessee

Where the Company is a lessee the following practical expedients are applied on transition on a lease-by-lease basis. The Company:

1. applies a single discount rate to a portfolio of leases with similar characteristics (such as leases with similar maturity, class of leased asset and economic environment);
2. does apply transitional period adjustments to leases of low value (less than or equal to EUR 4,000).
3. excludes initial direct costs from leases which previously were classified as operating leases by applying the standard at the commencement date to determine the value of the right-of-use assets;
4. uses prior period information, for example, in determining the lease term if the contract provides an option to extend or terminate the lease. Consistently with the IAS 8, prior period information is used only for accounting estimates and judgments and is therefore not applicable to areas such as changes in indices or rates.

IFRS 16 does not specify how a lessee should distinguish and allocate the lease and non-lease components in the contract during the transitional period when the retrospective method is applied. The Company has chosen to apply a practical measure by accounting for each lease component and any related non-lease component as a single lease component consistently with accounting policy of the Company.

- *IFRS 9: Prepayment features with negative compensation (Amendment)*
The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management assessed that adoption of new standard amendment for the first time had no significant effect on financial statements of the Company.
- *IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)*
The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. Management assessed that adoption of new standard amendment for the first time had no significant effect on financial statements of the Company.
- *IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that adoption of interpretation for the first time had no significant effect on financial statements of the Company.
- *IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)*
The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management assessed that adoption of new standard amendment for the first time had no significant effect on financial statements of the Company.

The IASB has issued the *Annual Improvements to IFRSs 2015 – 2017 Cycle*, which is a collection of amendments to IFRSs. Management assessed that adoption of improvements for the first time had no significant effect on financial statements of the Company.

- *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

- *IAS 12 Income Taxes:* The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- *IAS 23 Borrowing Costs:* The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

c) *Standards issued but not yet effective and not early adopted*

- *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that adoption of new standard will have no significant effect on financial statements of the Company.
- *Conceptual Framework in IFRS standards*
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.
- *IFRS 3: Business Combinations (Amendments)*
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. At the moment Management is assessing the effect of new standard amendment on financial statements of the Company.
- *IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)*
The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. At the moment Management is assessing the effect of new standard amendment on financial statements of the Company.

The management of the Company does not believe that other new and amended standards and their interpretations which the Company is required to apply from 1 January 2019 will have a material effect on financial statements of the Company.

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 2019 | | |
| Net book value at the beginning of the period | 35,751 | 1,428,529 |
| Additions | 2,728 | 136,224 |
| Sales | - | (241) |
| Write-offs | - | (3,559) |
| Reversal of impairment | - | 1,066 |
| Amortisation /depreciation | (3,423) | (52,266) |
| Net book value at 30 September 2019 | 35,056 | 1,509,753 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

4 Right-of-use asset

Movements in the Company's account of the right-of-use asset are presented below:

| Company | Right-of-use asset |
|---|--------------------|
| The period ended at 30 September 2019 | |
| Net book value at the beginning of the period | - |
| Additions | 23,966 |
| Amortisation /depreciation | (3,498) |
| Net book value at 30 September 2019 | 20,468 |

5 Share capital

As at 30 September 2019 and at 31 December 2018, 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.

6 Dividends

Approved dividends per share

| | As at 30 September 2019 | As at 30 September 2018 |
|---|-------------------------|-------------------------|
| Approved dividends (thousands) | - | 35,204 |
| Weighted average number of shares (thousands) | 894,630 | 894,630 |
| Approved dividends per share (in EUR) | 0.000 | 0.039 |

The ordinary general meeting of shareholders of Energijos Skirstymo Operatorius AB was held on 28 September 2018 where it was decided to approve the profit appropriation for January–June 2018 and to allocate EUR 0.014 per share in dividends, in total EUR 12,525 thousand in dividends.

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.

7 Revenue from contracts with customers

| | At 30 September 2019 | At 30 September 2018 |
|--|----------------------|----------------------|
| Electricity supply and distribution | 333,088 | 409,863 |
| Natural gas distribution | 24,434 | 28,151 |
| Revenue from connection of new customers | 23,738 | 10,774 |
| Total | 381,260 | 448,788 |

8 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 2019 is presented below:

| 2019 | Electricity supply and distribution | Gas distribution | Total |
|--|-------------------------------------|------------------|----------------|
| Revenue under contracts with customers | 351,871 | 29,389 | 381,260 |
| Other income | 1,729 | 2,389 | 4,118 |
| Expenses | (251,762) | (19,228) | (270,990) |
| EBITDA | 101,838 | 12,550 | 114,388 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

| | | | |
|-----------------------------------|---------------|--------------|---------------|
| Depreciation and amortisation | (51,025) | (7,397) | (58,422) |
| Impairment and write-off expenses | (3,724) | (118) | (3,842) |
| Operating profit | 47,089 | 5,035 | 52,124 |
| Finance income | 17 | 2 | 19 |
| Finance (costs) | (5,823) | (1,291) | (7,114) |
| Share of (profit) of associates | 425 | 47 | 472 |
| Profit before income tax | 41,708 | 3,793 | 45,501 |
| Income tax | (5,162) | 1,349 | (3,813) |
| Net profit for the period | 36,546 | 5,142 | 41,688 |

Company's information about operating segments for the nine-month period ended 30 September 2018 is presented below:

| 2018 | Electricity supply and distribution | Gas distribution | Total |
|--|-------------------------------------|------------------|---------------|
| Revenue under contracts with customers | 415,656 | 33,132 | 448,788 |
| Other income | 5,936 | 857 | 6,793 |
| Expenses | (376,903) | (18,083) | (394,986) |
| EBITDA | 44,689 | 15,906 | 60,595 |
| Depreciation and amortisation | (35,870) | (5,689) | (41,559) |
| Impairment and write-off expenses | (3,574) | (40) | (3,614) |
| Operating profit | 5,245 | 10,177 | 15,422 |
| Finance income | 53 | 11 | 64 |
| Finance (costs) | (3,563) | (754) | (4,317) |
| Share of (profit) of associates | 223 | 45 | 268 |
| Profit before income tax | 1,958 | 9,479 | 11,437 |
| Income tax | (507) | (101) | (608) |
| Net profit for the period | 1,451 | 9,378 | 10,829 |

9 Related-party transactions

The Company's related parties are:

- Ignitis grupė, 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 2019 and the balances arising on these transactions as at 30 September 2019 are as follows:

| Related parties | Payables and accrued expenses | Receivables and unbilled revenue | Right-of-use asset | Purchases | Sales |
|------------------------------------|-------------------------------|----------------------------------|--------------------|----------------|----------------|
| Parent company | | | | | |
| Ignitis grupė, UAB | 614,511 | - | 65 | 8,092 | - |
| Associates | 3,146 | - | - | 11,641 | - |
| Ignitis grupė, UAB group companies | 30,878 | 17,223 | 13,212 | 25,141 | 133,457 |
| EPSO-G UAB group companies | 22,253 | 8,142 | - | 116,971 | 1,017 |
| Total | 670,788 | 25,365 | 13,277 | 161,845 | 134,474 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

The Company's transactions with related parties between January and September of 2018 and the balances arising on these transactions as at 31 December 2018 are presented below:

| Related parties | Payables and accrued expenses | Receivables and unbilled revenue | Purchases | Sales |
|------------------------------------|-------------------------------|----------------------------------|----------------|---------------|
| Parent company | | | | |
| Ignitis grupė, UAB | 586,561 | - | 5,288 | - |
| Associates | 3,251 | 98 | 15,859 | - |
| Ignitis grupė, UAB group companies | 47,537 | 66,032 | 74,571 | 24,745 |
| EPSO-G UAB group companies | 33,800 | 3,107 | 142,786 | 4,002 |
| Total | 671,149 | 69,237 | 238,504 | 28,747 |

Compensation to key management personnel

| Company | As at 30 September 2019 | As at 30 September 2018 |
|--|-------------------------|-------------------------|
| Wages and salaries and other short-term benefits to management personnel | 442 | 350 |
| Whereof: termination benefits | - | 24 |
| Number of key management personnel | 6 | 5 |

Management includes heads of administration.

10 Events after the reporting period

On the 21st of October 2019, the General Meetings of Shareholders of Verslo aptarnavimo centras, UAB (hereinafter – VAC) and Ignitis grupės paslaugų centras, UAB (hereinafter – GPC), of which the Company is a shareholder, have approved the initiation of reorganisation of VAC and GPC by merging VAC to GPC and obligated the boards of both companies to draw up their reorganisation terms. The reorganisation of the companies is scheduled to be completed by the end of 2019. VAC and GPC provide services for the companies of Ignitis Group therefore the reorganisation of VAC and GPC will enable creation and development of higher quality services, and provision of them to customers faster and more efficiently.

2019

ENERGIJOS SKIRSTYMO OPERATORIUS AB INTERIM REPORT

REPORT FOR A NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019



eso

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INTERIM REPORT

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Reporting period covered by the Interim Report

The Interim Report provides information to shareholders, creditors, and other stakeholders of Energijos Skirstymo Operatorius AB ('ESO', 'the Company') about the Company's operations during the period from January to September 2019.

Legal basis for preparation of the Interim Report

The Interim Report of the Company has been prepared by the Company's Administration in accordance with the Lithuanian Law on Securities, the Law on Companies, the effective version of the Rules on the Disclosure of Information and the Guidelines on the Disclosure of Information approved by the Board of the Bank of Lithuania, as well as the Description of the Guidelines for Ensuring the Transparency of Activities of the State-owned Enterprises approved by the Government of the Republic of Lithuania and other legal acts.

Individuals responsible for information contained in the Interim Report

| Job title | Full name | Telephone number |
|---|--------------------|------------------|
| Chief Executive Officer | Mindaugas Keizeris | (8 5) 277 7524 |
| Finance and Administration Service Director | Augustas Dragūnas | (8 5) 277 7524 |
| Director of Finance Department | Artūras Paipolas | (8 5) 277 7524 |

Information on the availability of the report and the documents used in preparing the report, and on means of mass media in which the company's public reports are published

The report and the documents, on the basis of which it was prepared, are available at the head office of the Company (Aguonų g. 24, Vilnius), on working days from Mondays through Thursdays 7:30–16:30, on Fridays 7:30–15:15.

The report is also available on the website of the Company at www.eso.lt and the website of NASDAQ Vilnius stock exchange at www.nasdaqbaltic.com.

All public announcements, which are required to be published by ESO according to the effective legal acts of the Republic of Lithuania, are published on the Company's website (www.eso.lt) and the website of NASDAQ OMX Vilnius stock exchange (www.nasdaqbaltic.com).

KEY OPERATING AND FINANCIAL INDICATORS OF THE COMPANY

Table 1. Key operating and financial indicators

| Key operating indicators of ESO | | | | | |
|---|------------------------------------|-----------------------|-----------------------|---------------|-------|
| | | 1–9 months of 2019 | 1–9 months of 2018 | Change +/- | % |
| Operating indicators | | | | | |
| Distributed electricity via medium and low voltage networks | TWh | 7.07 | 7.04 | 0.03 | 0.43 |
| Guaranteed supply of electricity* | TWh | 0.35 | 0.36 | -0.01 | -2.78 |
| Distributed volume of natural gas | TWh | 4.70 | 5.09 | -0.39 | -7.66 |
| Supply quality indicators of the network | | | | | |
| Electricity | SAIDI (with <i>force majeure</i>) | min. | 73.58 | 66.98 | 6.6 |
| | SAIFI (with <i>force majeure</i>) | times | 1.05 | 0.91 | 0.14 |
| Gas | SAIDI (with <i>force majeure</i>) | min. | 1.018 | 0.384 | 0.634 |
| | SAIFI (with <i>force majeure</i>) | times | 0.007 | 0.005 | 0.002 |
| Key financial indicators of ESO ¹ | | | | | |
| | | 1–9 months of 2019 | 1–9 months of 2018 | Change +/- | % |
| Revenue | EUR '000 | 385,378 | 455,581 | -70,203 | -15.4 |
| Purchase of electricity, gas and related services | EUR '000 | 200,050 | 326,513 | -126,463 | -38.7 |
| Operating expenses | EUR '000 | 70,940 | 68,473 | 2,467 | 3.6 |
| EBITDA | EUR '000 | 114,388 | 60,595 | 53,793 | 88.8 |
| EBITDA margin | % | 29.68 | 13.30 | | |
| Adjusted EBITDA** | EUR '000 | 135,243 | 121,405 | 13,839 | 11.4 |
| Net profit (loss)*** | EUR '000 | 41,688 | 10,829 | 30,859 | 285.0 |
| | | At 30/09/2019 | At 31/12/2018 | Change +/- | % |
| Total assets | EUR '000 | 1,635,389 | 1,591,642 | 43,308 | 2.7 |
| Equity | EUR '000 | 681,558 | 640,034 | 41,524 | 6.5 |
| Borrowings | EUR '000 | 643,102 | 631,464 | 11,638 | 1.8 |
| Borrowings, net | EUR '000 | 640,209 | 629,198 | 11,011 | 1.8 |
| Return on equity ratio (ROE) | % | 7.04 | 2.51 | | |
| Return on assets (ROA) | % | 2.88 | 1.09 | | |
| Turnover of assets | times | 0.23 | 0.28 | | |
| Equity ratio | % | 41.68 | 40.21 | | |
| Borrowings, net / 12-month EBITDA | times | 3.63 | 5.14 | | |
| Borrowings, net / Adjusted EBITDA | times | 3.50 | 3.75 | | |
| Borrowings, net / Equity | % | 93.93 | 98.31 | | |

¹ Alternative performance measures used by the Company can be found here <http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWJ5cmk4dTVIZG4xbW81dGpzMm1yamVmNWl=>

* ESO discontinued electricity public supply activity with effect from 1 October 2018. Without a business segment of public electricity supply during 9 months of 2018 revenues were 382.0 million EUR. Purchases of electricity, natural gas and related services for 9 months were 224.3 million EUR.

** The Company adjusted EBITDA by the difference between the actual profit earned during the reporting and earlier periods and the allowable return on investments for respective periods as established by the National Commission for Energy Control and Prices ('the NCC') and eliminated the impact of other atypical operating, one-off factors or factors that are not directly related to the current operating period. The difference resulted from the improvement of the Company's operational efficiency as well as other factors.

*** Increase in the Company's net profit was caused by significantly lower costs of electricity, gas and related services due to discontinued electricity public supply activity with effect from 1 October 2018 for the year 2019.

CEO'S FOREWORD

Dear All,

In the implementation of the ESO strategy till July 2030 approved in January 2019, we announced an updated 10-year investment plan. It provides for ESO's investments of EUR 1.83 billion in three main directions in 2019-2028 - network reliability, smart network solutions, customer experience and market empowerment. These investments will aim to significantly improve the resilience of the network to force majeure, its intelligence and efficiency, and to enhance network security.

As a part of the implementation of the smart meter installation programme, following public discussions, the National Energy Regulatory Council (VERT) approved investments of EUR 147 million, which ESO plans to make in the smart meter project. The Council's statement indicates that the conducted ESO cost-benefit analysis was positive. The installation of smart meters is a major transformation in the Lithuanian energy sector, which will bring benefits to residents and the economy of the country, and will contribute to a more efficient management of the distribution network. The optimal plan for the installation of smart meters, planning to have 1.2 million smart meters installed by the end of 2023, which would account for about 90 percent of electricity consumed in the ESO network, was chosen.



In the implementation of the smart meter programme, documents of tenderers in the procurement procedure announced in QII of 2019 were received. The number of tenderers shows a great interest and competition of potential suppliers. A complaint from one tenderer, which temporarily suspended the procurement procedure, was received. The court dismissed the claim in the post-reporting period having ruled that ESO had acted in a transparent and fair manner in the procurement procedure. The procurement procedure was resumed in October 2019.

In the continuation of refining of the Company's activities, ESO customer self-service system was updated in September 2019, focusing on the infrastructure activities and services of the operator. Actions to facilitate the connection of generating and remote generating customers to the distribution network were implemented.

Financial ESO indicators have remained stable: in January - September 2019, ESO revenue was EUR 385.4 million, which is 15.4 % less than in the same period of 2018, however, comparative revenue has remained stable: (after the elimination of the effects of public supply since October 2018) in 9 months of 2019, it increased by 0.9 % (and totalled EUR 382.0 million exclusive of the public supply activity in the 9 months of 2018). Increased electricity transmission volumes and the revenue generated by an increasing number of new customers are the main source of ESO revenue: more than 29.5 thousand customers were connected to the electricity distribution network and 9.13 thousand - to the gas network, which is 19.3 % more than in the same period of 2018.

In January - September 2019, ESO earned EUR 135.2 million in adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA), which is 11.4 % more than a year ago, when this indicator totalled EUR 121.4 million. This change in the indicator value came as a result of a growing base of regulated assets, higher income from the connection of new customers due to the changed application of International Financial Reporting Standards and increased efficiency of the Company's operations.

A higher scope of force majeure events, which affect the network reliability level, have remained an important challenge: in January - September 2019, the average outage duration for each customer served (SAIDI) was 73.58 minutes, and, compared to the same period of 2018, it was 6.6 minutes longer (in January - September 2018, SAIDI was 66.98 minutes). Outages caused by force majeure lasted for 15.16 minutes in January - September 2019 compared to 7.73 minutes in the respective period of 2018. Unfavourable weather conditions in the first months of 2019 had a material impact on the deterioration of the indicator. In QIII 2019, after the VERT published a report on network reliability indicators, we have pursued a uniform interpretation of different legal acts governing the capturing of reliability indicators with the regulator.

Other important post-reporting period events (October):

The general meeting of shareholders of ESO approved the initiative of the major shareholder UAB Ignitis grupė to include in the Supervisory Board of the Company an employee or a trade union representative, which is a practice common in Europe and in the West in general. Accordingly, both a representative of employees and one independent member joined the ESO Supervisory Board. We believe that this change will bring new competencies and an additional - broader perspective. Transparency International Lithuanian branch (TILS) rated ESO's transparency at 100% and recognized it as one of the most transparent Lithuanian companies (compared to the same TILS rating of 2017, ESO's rating improved by more than 20%).

Lithuania ranked 11th in the World Bank's Doing Business 2020 survey. The greatest progress has been made in the field of electricity connection, which makes the country more attractive to investment in production: not only has the number of procedures and costs decreased, but also the time for connection to electricity networks has become shorter. Lithuania climbed 11 positions up to the 15th place in terms of the getting electricity indicator.

Yours sincerely,
Mindaugas Keizeris
CEO and Chairman of the Board of ESO

MOST SIGNIFICANT EVENTS AT THE COMPANY DURING THE REPORTING PERIOD

Regarding the approval of the strategy of ESO till 2030

On 18 January 2019 The Supervisory Board approved the ESO's strategy, which was updated in light of the long-term goals and strategic directions of the Lietuvos Energija Group presented in May 2018. The approved ESO strategy covers the period till 2030.

Regarding the convocation of the Extraordinary General Meeting of Shareholders of ESO

By decision of the Board of the Company of 31 January 2019 the extraordinary general meeting of shareholders of the Company was convened on 22 February 2019 during which the issues of approval of the remuneration of the independent member of the Supervisory Board and of the agreement with the external auditor on audit of financial statements of the Company were deliberated.

Regarding the agreement on the investment plan for 2018

On 14 February 2019, the National Commission for Energy Control and Prices agreed on the Company's investment projects for 2018, submitted for a commonly agreed list of investments, the total value of which does not exceed EUR 240.1 million (EUR 226.2 million – for the electricity sector, EUR 13.9 million – for the natural gas sector).

Regarding the decisions of the Extraordinary General Meeting of Shareholders of ESO

The Extraordinary General Meeting of Shareholders of ESO, held on 22 February 2019, adopted the following decisions: to define an hourly pay (before taxes) in the amount of EUR 54.43 for an independent member of the Supervisory Board of the Company for the actual activity as an independent member of the Supervisory Board; to elect Ernst & Young Baltic UAB as the audit firm for the audits of the financial statements of the Company for the period of 2019–2021; and to establish a fee for the audit services of the financial statements for 2019–2021 not in excess of EUR 246,350.00 (VAT excl.).

Preliminary results of ESO for 2018: record-high investments and crystallisation of activities

On 28 February 2019, electricity and gas distribution company ESO controlled by the group of energy companies Lietuvos Energija made further investments into reliability enhancement of the distribution grid. ESO's investments into the electricity and distribution grids have exceeded EUR 271 million. The growth of investments resulted from a significant rise in prices of contract works and a one-sixth increase in the number of new customers using electricity or natural gas. ESO will further focus on the assurance of the grid's reliability, investments in the grid's modernisation, automation, implementation of a big scale project on smart metering. ESO will continue to work towards ensuring the best distribution price in the region by maintaining a rational level of costs.

Regarding the ruling passed by the court

ESO informs that on 6 March 2019 the Supreme Administrative Court of Lithuania passed the ruling whereby it rejected the Company's appeal against Resolution No O3-351 of the NCC of 4 June 2015 *Regarding violation of terms and conditions of the regulated activity by LESTO AB*, under which the fine was imposed on the Company. The appeal was filed with a request to amend the ruling of Vilnius Regional Administrative Court of 7 July 2015, based on which a fine of EUR 300,000 was imposed on ESO. It was requested to reduce the fine to a reasonable amount, i.e. EUR 41,075.36. It was also requested to revoke the obligation stipulated in paragraph 3.2.2 of the NCC's resolution requiring ESO to correct reports on regulated expenses for 2011–2013. ESO notes that the ruling of the Supreme Administrative Court of Lithuania will have no impact on the Company's financial performance for 2019, because the effect of the fine has been already reflected in the company's financial statements of the previous reporting periods.

Regarding the refusal of commercial services of ESO

In 27 March 2019, the Board of Energijos Skirstymo Operatorius AB made a decision to refuse the provision of the following commercial services as from 1 June 2019, including, the sale of heat pumps and solar power plants, the installation of electric car charging stations, gas cylinder terminals, as well as the provision of services of electricians and gas specialists on call. New orders for these services will no longer be accepted as from 1 June of this year, however, contracts with suppliers for orders received before the said date will be completed within the deadlines set in the contracts. This decision continues the refinement of the activities of the Company as a distribution network operator. According to the Company's estimates, the refusal of the commercial services will have no significant impact on the Company's financial results.

Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of ESO

The Management Board of the Company convenes the Ordinary General Meeting of Shareholders, to be held on 30 April 2019. The agenda and the proposed draft resolution of the Ordinary General Meeting of Shareholders of the Company: regarding the approval of the Annual Report, approval of the audited Annual Financial Statements, allocation of profit (loss) of ESO for the year 2018.

Regarding a decision to refuse the appeal filed with the administrative court regarding the decision of the National Commission for Energy Control and Prices on the setting of electricity distribution price caps for 2019

On 19 November 2018, the Company filed an appeal with the Vilnius Regional Administrative Court regarding the repeal of clauses 1 and 1.7.3 of Resolution No. O3E-334 of the National Commission for Energy Control and Prices (hereinafter – NCC) of 17 October 2018 "On the Recalculation of Price Caps of Services of Distribution via Medium and Low Voltage Networks of AB Energijos Skirstymo Operatorius for 2019" (hereinafter – Resolution) and the NCC's obligation to take action. Given the facts that during the period from the filing of the appeal with the court, the NCC provided an explanation that the LRAIC accounting model (long run average incremental costs) has been applied and will be applied in the future (regulatory

environment has not changed), that the correction adapted during the setting of electricity distribution price caps for 2019 will be evaluated in near future regulatory period, and that an independent auditor's report was received on the Company's financial statements for 2018, the Board of the Company has adopted the decision to refuse the appeal.

Regarding the supplement of the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of ESO

The Management Board of the Company convenes the Ordinary General Meeting of Shareholders, to be held on 30 April 2019. The agenda and the proposed draft resolution of the Ordinary General Meeting of Shareholders of the Company: Regarding the approval of the Annual Report, audited Annual Financial Statements, allocation of profit (loss) of ESO for the year 2018. Regarding the approval of the new version of the Articles of Association of ESO.

Regarding the resolutions of Ordinary General Meeting of ESO Shareholders

The Ordinary General Meeting of Shareholders of Energijos Skirstymo Operatorius AB, held on 30 April 2019, adopted the following resolutions: approve the Annual Report of ESO, approve the audited Annual Financial Statements of ESO, to allocate the profit (loss) of ESO for the year 2018, approve a new version of the Articles of Association of ESO.

Results of ESO of Q1 2019: a stable increase in investments and a steady flow of new customers

The electricity and gas distribution company ESO owned by the largest energy group Lietuvos Energija, UAB, ended the first quarter of 2019 with continuously growing investments in the development and renovation of electricity and gas networks, which were 13.5 percent higher than last year. The growth of investments in the construction and reconstruction of gas distribution systems, which was nearly 90 percent compared to the same period of 2018, is noteworthy in particular. The Company also recorded the continuously increasing number of new customers connecting to the distribution networks.

Regarding the ESO Annual Information 2018

On 30 April 2019, the Ordinary General Meeting of Shareholders of the ESO approved the Annual Report of the Company for the year 2018 and the Annual Financial Statements of the Company for the year 2018, audited by PricewaterhouseCoopers, UAB, the Company's auditor.

The updated Investment Plan of Energijos Skirstymo Operatorius for the following 10 years has been approved

The Company informs that on 31 July 2019 the Supervisory Board of the Company approved the updated Investment Plan of ESO for the following 10 years (hereinafter – the 10YIP). The 10YIP provides that over 2019-2028 ESO plans to invest EUR 1.83 billion in the reliability and safety of the network, technological and smart solutions, customer experience management, development of the electricity market through open and neutral platform solutions, and the promotion of the creation of a service market, which provides the same operating conditions for all market participants.

Approved ESO investment projects 2020-2023

The Company informs, that on 2 of August 2019 the National Energy Regulatory Council (hereinafter – the Council) has approved the Company's investment projects, the total value of which is EUR 30.486 million. It is planned, that up to 50 percent (EUR 15,243 million) of the sum required for the implementation of the investments will be financed from the EU structural funds (under the program "Modernization and development of electricity distribution networks by implementing smart solutions" (Stage III)). The remaining part will be financed by the Company's own funds. During the implementation of the projects, 13 transformer substations will be renewed, also 27 electricity distribution points will be renewed.

Regarding the nomination of the members of Supervisory Board of ESO

The Company announces that on the 6th of August, 2019, it received a letter from Lietuvos Energija, UAB informing that after the approval of the Supervisory Board of Lietuvos Energija, UAB, Dalia Jakutavice and Zaneta Kovaliova have been nominated for the positions of the member of Supervisory Board of ESO. Jakutavice was nominated as a representative of ESO trade unions. Kovalev was nominated as an independent member of Supervisory board. The election of the members of the Supervisory Board will be decided by the ESO General Meeting of Shareholders.

ESO's unaudited results of 6 months of 2019: growing number of new customers and improving connection times

Results of Half 1 of 2019 of reflect the steadily growing activity of the Company, while electricity distribution remains the main source of ESO's income. Excluding one-off factors of regulated activity, the Company's profitability ratios increased, even though investments in increasing the reliability of the distribution network decreased. Profitability was affected by the diminished difference of electricity acquisition price set by the regulator as part of regulated service cost and actual electricity acquisition price.

Regarding the investment in smart meter project by Energijos Skirstymo Operatorius AB approved by the National Energy Regulatory Council

On 19 September 2019, the National Energy Regulatory Council (VERT) approved the investment of Energijos Skirstymo Operatorius (ESO) "Implementation of smart electricity metering in Lithuania". The Council states in its statement that the project's cost-benefit analysis conducted by ESO was positive and this is the basis for approval of the ESO's EUR 147 million investment. Company plans to make substantial investments in 2020 – 2023. The VERT also obligated the company to develop a benefit monitoring system, which would ensure monitoring over the effectiveness of the smart metering project being implemented.

Regarding non-routine inspection of AB Energijos Skirstymo Operatorius to be carried out by the National Energy Regulatory Council

On 19 September 2019, the National Energy Regulatory Council (hereinafter - the Council) made a decision on non-routine inspection of the Company's regulated activities whereby it approved the report on non-routine inspection of regulated activities of AB Energijos Skirstymo Operatorius of 23 August 2019 drawn up by the Inspection Commission brought together by the Council, and the conclusions laid down therein. The inspection report states that ESO failed to comply with legislative requirements in registering distribution reliability indicators, and that the ESO's procedure governing the qualification of power outages needs to be revised. ESO disagrees with the conclusions of the inspection report, which were drawn due to a different application of legal acts and will consider appealing the inspection report to court in accordance with the procedure established by laws.

Regarding the Extraordinary General Meeting of Shareholders of ESO

An Extraordinary General Meeting of Shareholders of ESO is to be convened on the initiative and by the decision of the Board of the Company on 23 September 2019. The following draft decisions proposed: 1. Regarding the approval of the new version of the Articles of Association of ESO; 2. Regarding the election of the independent member of the Supervisory board of ESO; 3. Regarding the terms and conditions of the activities of the independent member of the Supervisory Board.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

Regarding the investment plan in the natural gas sector of 2019 alignment

On 3 of October 2019 the National Energy Regulatory Council has approved the Company's 2019 investment projects in the natural gas sector submitted for a commonly agreed list of investments, with a total value of up to EUR 7.2 million. In 2019 most of the investments in the natural gas sector are for the installing and upgrading of gas pipelines, measuring instruments, software.

Regarding the resolutions of Extraordinary General Meeting of Shareholders of ESO

The Extraordinary General Meeting of Shareholders of the Company, held on 15 October 2019. Approved a new version of the Articles of Association of ESO, to elect as independent member of the Supervisory board of ESO Ms. Žaneta Kovaliova and as representative of the employees of the Company in the Supervisory board of ESO Ms. Dalia Jakutavičė. Approved the terms and conditions of the contract, established the pay rate for an new members.

Regarding the price-setting for electricity distribution price caps for 2020

On 17 October, 2019 the National Energy Regulatory Council established electricity distribution price caps for 2020: in medium - voltage networks 1.076 EUR ct/kWh (change 0.214 ct/kWh); in low - voltage networks 2.092 EUR ct/kWh (change 0.221 ct/kWh). An increase in the electricity distribution service price cap was determined by provisions of the Law on Special Conditions of Land Use, which will take effect as from 1 January 2020. The distribution service price cap is also affected by expenses of payment and administration of one-time compensations for land easements approved by the Government on 25 July 2018. Price caps have also been increasing due to the growing regulatory asset base, the increase of which has been significantly affected by increasing investments of connection of new customers in recent years and the model of financing of investments in network renovation applied by the regulator, as well as changes in macroeconomic indicators, which are assessed by setting allowed operating costs of the Company each year.

Regarding the initiation of reorganisation of Verslo aptarnavimo centras, UAB and Ignitis grupės paslaugų centras, UAB

The company informs that on the 21st of October 2019, the General Meetings of Shareholders of Verslo aptarnavimo centras, UAB (hereinafter – VAC) and Ignitis grupės paslaugų centras, UAB (hereinafter – GPC), of which the Company is a shareholder, have approved the initiation of reorganisation of VAC and GPC by merging VAC to GPC and obligated the boards of both companies to draw up their reorganisation terms. The reorganisation of the companies is scheduled to be completed by the end of 2019.

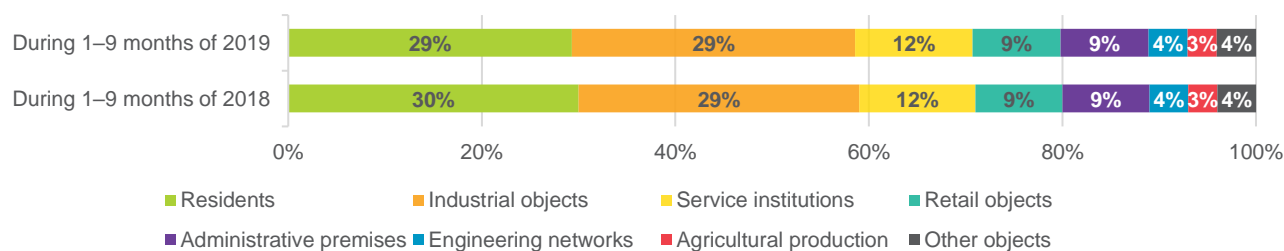
ANALYSIS OF THE OPERATING AND FINANCIAL INDICATORS

Electricity distribution

ESO owns and operates more than 125.385 thousand kilometres of electricity lines: 68.9% of them consist of overhead electricity lines, and 31.1% of electricity cables. During January–September 2019, the Company distributed to customers 7.07 billion kWh of electricity (January–September 2018: 7.04 billion kWh). Guaranteed supply of electricity made up 5% of this amount. The remaining customers of the Company were provided only with the distribution service. The amount of supplied electricity decreased by 85.7% due to transferred public supply activity to Lietuvos Energijos Tiekimas UAB (now – UAB „Ignitis“). The volume of electricity distributed increased by 0.4% compared to the same period of 2018. Technological costs in distribution equipment incurred by the Company during January–September 2019 amounted to 432.26 million kWh or 5.76% of the amount of electricity received. During the same period of 2018, technological costs totalled 6.09% (456.32 million kWh).

Around 29.4% of the electricity distributed by ESO during January–September 2019 were consumed by residents. Industrial objects and service institutions consumed 29.8% and 11.7%, respectively, of electricity distributed. There were no significant changes in the structure of electricity distribution volume by object as compared to the data of January–September 2018.

Figure 1. Electricity distribution volume by object

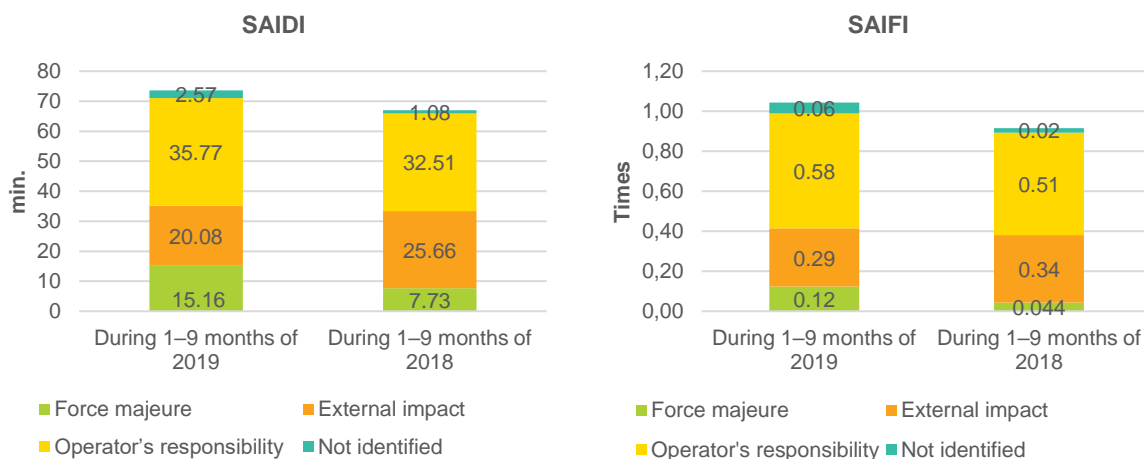


Electricity supply quality indices (SAIDI, SAIFI)

In January–September 2019, the average duration of unscheduled interruptions of electrical energy distribution (System Average Interruption Duration Index (SAIDI)), including effects of natural phenomena (force majeure) per customer, was 73.58 minutes and compared with the same period of 2018 increased by 6.6 minutes (in January–September 2018, SAIDI was 66.98 minutes). Such significant worsening of the indicator was mainly affected by considerably larger extent of force majeure network failure volumes which in January–September 2019 was 15.16 minutes, and in January–September 2018 – 7.73 minutes. The duration of interruptions due to reasons attributable to the operator's responsibility in January–September 2019 amounted to 35.77 minutes, whilst in January–September 2018 it was 32.51 minutes. In January–September 2019, the average failure resolution duration was 1 hour 28 minutes. Compared with the indicator of January–September 2018 (1 hour 24 minutes) the essential effect on the worsening of the indicator was made by unfavourable weather conditions during the first months of 2019.

In January–September 2019, the average number of unscheduled long interruptions per customer (System Average Interruption Frequency Index (SAIFI)), including effects of natural phenomena (force majeure) per customer, reached 1.05 times and was by 0.14 times larger than in January–September 2018 when this indicator amounted to 0.91 times. The negative change of this indicator was caused by unfavourable weather conditions during the first months of 2019 which caused overhead line failures in medium voltage network and supply disruptions due to fallen trees.

Figure 2. Electricity supply reliability indices



Natural gas distribution

The Company operates more than 9,370 km distribution gas pipelines. In January–September 2019, the network of gas pipelines increased by almost 419 km and January–September 2018 – by 412 km. During January–September 2019, ESO transported 4.7 billion kWh of natural gas via gas distribution pipelines, which is 7.7% less than in the same period in 2018.

Gas distribution volumes decreased during January–September 2019 mostly due to lower gas consumption during February–March as a result of a higher average weather temperature than in 2018.

Natural gas supply quality indices (SAIDI, SAIFI)

During 2019 January–September the quality of natural gas supply has changed slightly, compared to 2018 the same period. During January–September 2019, the system average interruption duration index (SAIDI with *force majeure*) for the gas network per customer reached 1.02 minutes (damage cases done by third parties was 0.83 minutes), which is 0.64 minute more compared to the same period in 2018 (January–September 2018: SAIDI was 0.38 minutes, damage cases done by third parties – 0.23 minutes). During January–September 2019, the system average interruption frequency index (SAIFI with *force majeure*) per customer reached 0.007 time (January–September 2018: 0.005 time). The main reason of deteriorating ratios

is supply disruptions for a larger number of customers (2.6 thousand customers) due to natural gas pipeline damage cases done by third parties comparing with the same period of 2019 (1.1 thousand customers) though the number of cases has not increased.

Revenue

Table 2. Revenue structure of ESO by activity area, %

| | During 1–9 months of 2019 | During 1–9 months of 2018 | During 1–9 months of 2017 |
|---|------------------------------|------------------------------|------------------------------|
| Revenue from electricity distribution | 79 | 68 | 67 |
| Revenue from public electricity supply services | 0 | 16 | 18 |
| Revenue from gas distribution | 6 | 6 | 8 |
| Revenue from guaranteed electricity supply | 5 | 4 | 3 |
| Connection of new customers | 5 | 2 | 2 |
| Other income | 4 | 3 | 2 |

During January–September 2019, ESO's revenue totalled EUR 385.4 million, which is 15.4% less than in the same period in 2018. Revenue decreased due to the transfer of the public energy supply business. Electric power distribution is the main source of the Company's revenue.

During January–September 2019, electricity distribution revenue comprised 79.1% of the Company's total revenue. Revenue from natural gas distribution made up 6.3% of the Company's total revenue.

Expenses

In January–September 2019, the costs of purchase of electricity, natural gas or related services amounted to EUR 200.05 million. Compared with the same period of 2018, they reduced by 38.7 %. This was mainly influenced by activities of public supply of electrical energy sold since 1 October 2018. During the reporting period, the costs of purchase of electricity, natural gas or related services and depreciation and amortisation costs accounted for EUR 258.5 million or for 77.6 % of total costs incurred by ESO.

Operating costs totalled EUR 70.9 million – were by 3.6 % more than during the same period of 2018. The major increase of 55.7 % was observed in repair and technical costs. Main of repair and maintenance works which were scheduled in 2018 IVth quarter were finished in the first half of 2019 which caused the increase in repair and maintenance expenses. Transport and rent expenses decreased due to changed application in 16 International Financial Reporting Standard (IFRS) when lease shall be classified as assets rather than operating expenses. More information on the application of the standard is available in section 2 of the condensed interim financial statements of ESO.

Table 3. ESO's operating expenses, EUR '000

| | During 1–9 months of 2019 | During 1–9 months of 2018 | Change 2018/2019 | During 1–9 months of 2018 |
|---|------------------------------|------------------------------|---------------------|------------------------------|
| Employee benefits and related social security contributions | 32,348 | 31,370 | 3.1% | 30,556 |
| Other expenses | 10,990 | 12,921 | -14.9% | 13,279 |
| Repair and maintenance expenses | 16,463 | 10,575 | 55.7% | 11,161 |
| Telecommunications and IT services | 6,833 | 6,972 | -2.0% | 6,757 |
| Transport | 2,903 | 3,581 | -18.9% | 3,314 |
| Rent and utilities | 1,403 | 3,054 | -54.1% | 3,049 |
| Total operating expenses | 70,940 | 68,473 | 3.6% | 68,116 |

EBITDA

Table 4. EBITDA indicator¹

| | During 1–9 months of 2019 | During 1–9 months of 2018 |
|--|------------------------------|------------------------------|
| EBITDA, EUR '000 | 114,388 | 60,595 |
| Forecasted recalculation of regulated income of the current period (will be implemented in the future periods) (1) | -21,619 | 6,543 |
| Recalculation of regulated income from previous periods (will be implemented in the current years) (2) | 45,089 | 54,267 |
| Other corrections (3) | -2,613 | |
| Adjusted EBITDA, EUR '000 | 135,243 | 121,405 |
| EBITDA margin, % | 29.68 | 13.30 |
| Adjusted EBITDA margin, % | 35.09 | 26.65 |

¹ Alternative performance measures used by the Company can be found here <http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVlZG4xbW81dGpzMm1yamVmNWl=>

- (1) Forecasted recalculation of regulated income of the current period for the adjustment of excess profit that may form according to estimates of the management. Assessment of the difference between forecasted values of key income level components (OPEX, costs of purchase of electricity for own needs and consumption thereof in technological equipment, return on investment, depreciation and other income) and values of price components approved by the regulator. Annual values of the price components approved by the regulator are published on the regulator's website (www.vert.it), in the price approval statements. Income components of regulated activity in 9 months are calculated in proportion to the Company's planned monthly amounts;
- (2) Recalculation of regulated income from previous periods, which is implemented in the current year's prices, is set by the regulator when approving regulated prices. Annual values of recalculations of income of the previous periods set by the regulator are published on the regulator's website (www.vert.it), in the price approval statements. The components of income from regulated activity of 9 months are calculated in proportion to the Company's planned monthly amounts;
- (3) A one-off cost adjustment due to a compensation received from AB Litgrid for transmission (system) services (in January and February of 2016) is eliminated.
- Regulator's statements based on which the recalculation of regulated income of 2019 was done:
- "Regarding the Recalculation of Price Caps of Services of Distribution on Medium and Low Voltage Networks of AB Energijos Skirstymo Operatorius for 2019" No. O5E-264 of 17 October 2018 (https://www.regula.lt/SiteAssets/posedziai/2018-10-17/1_eso_pazyma.pdf)
 - "Regarding the setting of natural gas distribution price cap of AB Energijos Skirstymo Operatorius for 2019-2023" No. O5E-279 of 25 October 2018 (https://www.regula.lt/SiteAssets/posedziai/2018-10-26/1_eso_kvr_pazyma.pdf)
 - "Regarding the Amendment of the Resolution of the National Commission for Energy Control and Prices No. O3E-395 of 21 November 2018 "Regarding the Approval of Natural Gas Distribution Prices of the Private Limited Liability Company Energijos Skirstymo Operatorius" No. O5E-343 of 30 November 2018 (https://www.regula.lt/SiteAssets/posedziai/2018-11-30/1_eso_pazyma_1.pdf)

During January–September 2019, the Company's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 114.388 million, which is 88.8% more than in January–September 2018. Such dynamics of the index was caused by lower costs of purchase of electricity, natural gas or related services due to transferred public supply business segment from 1 October 2018 and higher new customer income due to applied IFRS after transfer of public supply business. Adjusted EBITDA increased by 11.4 %.

Such dynamics of the index was influenced by the efficiency activities of the Company and by the growing value of regulated assets and higher new customer income due to different application of IFRS.

Profit (loss) and profitability ratios

During January–September 2019, ESO's net profit totalled EUR 41.7 million, which is 285% more than in the same period in 2018. Increase in net profit was caused by the same reasons as the growth of EBITDA. The increase of depreciation and amortization made negative impact for net profit due to higher non-current assets and the impact of the adoption of IFRS 16.

Table 5. ESO's profitability ratios¹, %

| | During 1– 9 months of 2019 | During 1–9 months of 2018 | During 1–9 months of 2017 |
|-------------------------|----------------------------|---------------------------|---------------------------|
| Net profit margin | 10.82 | 2.38 | 12.70 |
| Operating profit margin | 13.53 | 3.39 | 14.16 |

¹ Alternative performance measures used by the Company can be found here <http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVlZG4xbW81dGpzMm1yamVmNWl=>

Investments

During January–September 2019, ESO's investments in the electricity and gas distribution networks amounted to EUR 140.977 million, which is 26.4% less than during January–September 2018, when investments totalled EUR 191.579 million.

Table 6. ESO's investments¹, EUR '000

| | During 1–9 months of 2019 | During 1–9 months of 2018 | During 1–9 months of 2017 |
|---|---------------------------|---------------------------|---------------------------|
| Renewal of the electricity distribution network | 33,816 | 88,585 | 72,696 |
| Expansion of the electricity distribution network | 62,529 | 60,999 | 35,671 |
| Construction of gas systems | 37,683 | 30,489 | 21,329 |
| Reconstruction of gas systems | 4,733 | 6,276 | |
| Other (IT, management systems, etc.) | 2,216 | 5,230 | 5,875 |
| Total investments | 140,977 | 191,579 | 135,571 |

¹ Alternative performance measures used by the Company can be found here <http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVlZG4xbW81dGpzMm1yamVmNWl=>

During January–September 2019, ESO's investments allocated for the renewal of the electricity distribution network amounted to EUR 33.816 million, which is 61.8% less compared to January–September 2018. During January–September 2019, investments in the expansion of the electricity distribution network amounted to EUR 62.5 million, which is 2.5% more than in the same period of 2018. The main reason for increase in investment was higher number of new customers. The increasing need for new customers investment in 2018 significantly increased the Company's level of investment. In order to balance cash flows and to retain a stable financial position of the Company without increasing the Company's level of indebtedness, investments in the renovation of the electricity distribution network in 2019 January–September were lower. The overall level of investment in 2019 reaches the average investment level planned in the 10-year investment plan.

During January–September 2019, ESO connected 29,515 new customers to the electricity distribution network, which is 27.99% more than in January–September 2018, when 23,060 new customers were connected. During January–September 2019, the admissible electric power of objects of newly connected customers was equal to 279.1 thousand kW, which is 5.6% less than during January–September 2018, when the admissible power was equal to 295.6 thousand kW.

During January–September 2019, ESO's investments in the construction and reconstruction of gas systems amounted to EUR 37.683 million, which is 23.6% more compared to January–September 2018, when investments totalled EUR 30.489 million. ESO invested EUR 4.7 million in the reconstruction of gas systems, which is 24.6 % less than in the same period of 2018. During January–September 2019, ESO constructed 418.1 km of the gas distribution pipeline (412.0 km in the respective period of 2018). During January–September 2019, ESO connected 9,127 new customers to the natural gas distribution network, which is 4.3% more than in the same period of 2018, when 8,753 customers were connected.

Analysis of financial indicators

At the end of the reporting period, the Company's assets amounted to EUR 1.64 billion. Non-current assets accounted for 95.9% of the total assets. Cash and cash equivalents, i.e. the most liquid assets, amounted to EUR 2.9 million or 4.3% of the total current assets.

Table 7. ESO's financial leverage ratios¹

| | At 30 September 2019 | At 31 December 2018 |
|--------------------------------|----------------------|---------------------|
| Net borrowings, EUR million | 640.21 | 629.20 |
| Net borrowings to equity ratio | 0.94 | 0.98 |
| Share price to earnings ratio | 14.94 | 36.89 |
| Capitalisation, EUR million | 622.66 | 579.72 |

¹ Alternative performance measures used by the Company can be found here <http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVlZG4xbW81dGpzMm1yamVmNWl=>

At the end of September 2019, ESO's borrowings amounted to EUR 643.1 million and accounted for 67.4% of total liabilities. Non-current borrowings amounted to EUR 472 million or 73.4% of total borrowings. At the end of the reporting period, ESO's current liabilities totalled EUR 273.6 million.

Table 8. ESO's liquidity ratios¹

| | At 30 September 2018 | At 31 December 2018 |
|---------------------------------------|----------------------|---------------------|
| Current ratio | 0.24 | 0.40 |
| Working capital, EUR '000 | -206,620 | -185,222 |
| Working capital to total assets ratio | -0.13 | -0.12 |

¹ Alternative performance measures used by the Company can be found here <http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVlZG4xbW81dGpzMm1yamVmNWl=>

ESO's current liabilities exceeded its current assets by EUR 206.6 million. The current ratio is equal to 0.24 Borrowings, as reduced by the amount of short-term investments and cash and cash equivalents, are equal to EUR 640,21 million. The Company's net borrowings account for 93.9% of its equity.

References and additional explanations of disclosures in the financial statements and other significant events and their impact on the interim financial statements

Other information is presented in the condensed interim financial statements of ESO for January–September 2019.

FACTORS AFFECTING THE COMPANY'S FINANCIAL INDICATORS

Operating environment

In January – September 2019, there were no changes in the Company's operating environment that would have a material impact on the Company's results, thus the presentation of the Company's operating environment in the interim report for 6 months of 2019 should be followed.

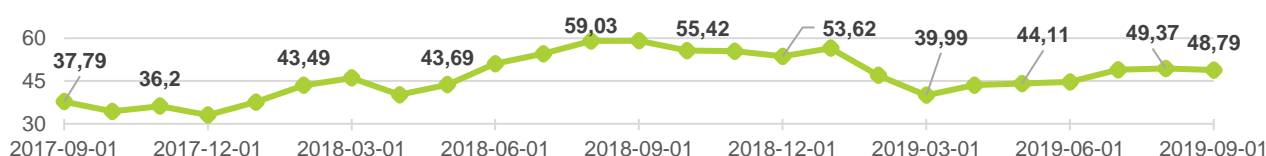
Situation in the electricity market

In January–September of 2019, the average price of electrical energy on Nord Pool electricity exchange in the Price Area of Lithuania was somewhat higher than in the 9 months of 2018. In January–September 2019, the average price was EUR 45.95 per MWh – a bit higher than in January–September 2018 (EUR 43.67 per MWh).¹ Having unbundled the public supply activity, the fluctuations in the price of electricity purchase have a lesser impact on the Company's results and affect the amount of technological losses and the result of guarantee supply.

Table 9. Sensitivity analysis of the purchase price of electricity energy

| | During 1–9 months of 2019 | | | During 1–9 months of 2018 | | |
|--|---------------------------|-----------|-----------|---------------------------|-----------|-----------|
| | Actual | -1 ct/kwh | +1 ct/kwh | Actual | -1 ct/kwh | +1 ct/kwh |
| Impact (thousand EUR) | 0 | -7,837 | 7,837 | 0 | -29,070 | 29,070 |
| Average purchase price of electricity (ct/kWh) | 5.16 | 4.16 | 6.16 | 4.95 | 3.95 | 5.95 |

Figure 3. The average price of electricity in the Lithuanian trading zone on the Nord Pool power exchange



The Company's strategy and objectives

Given the fact that on 23 May 2018, the parent company Lietuvos Energija (currently UAB Ignitis grupė) announced a renewed strategy LE2030, ESO strategy was reviewed at the end of 2019 and updated on 18 January 2019. Download ESO strategy.

In January–September 2019, the Company continued the implementation of most of its projects and investments described in the annual report of 2018 ([link](#)) ([link2](#)), as planned.

In January–September 2019, there were no factors observed, which would allow believing that the Company's objectives will not be reached. There were no changes in the reporting period (July – September 2019) in the projects listed in the interim report for 6 months of 2019 ([link](#)).

Investment plan: modernization of electricity and gas distribution network

Given the updated strategy of the Company (ESO 2030), on 31 July 2019, ESO published the updated plan of investments made and planned in the electricity and gas distribution network ([10 MIP](#)) for 2019–2028, establishing that ESO will invest EUR 1.83 billion in developing the reliability, security and intelligence of the network and improving customer experiences in the upcoming 10 years. The document is available here: [10 MIP](#).

¹ Source of data: <https://www.nordpoolgroup.com/Market-data1/Dayahead/Area-Prices/ALL1/Monthly/?view=table>

Risks, contingencies and their management

Just like each year, in the assessment of risks of ESO carried out in 2018, the areas where the Company will focus and coordinate the key risk management instruments and initiatives were defined for 2019. The assessment of the risk and its factors, which the Company conducted in 2019, analysed the impact of risk not only on financial and occupational health and security results, but also on network reliability indicators, thus ensuring the Company's risk management related to strategic planning and implementation of the new ESO 2030 strategy. The list of risk factors and management directions for 2019 is presented in the interim report for 6 months of 2019 ([link](#)).

In January – September 2019, no cases of manifestation of risk factors were registered. A detailed description of the Company's risks for 2019 is presented in the interim report for 6 months of 2019 ([link](#)).

INFORMATION ON THE COMPANY'S AUTHORISED SHARE CAPITAL AND SECURITIES

Authorised share capital and securities

As at 30 September 2019, the Company's authorised share capital amounted to EUR 259,442,796.57. All the shares issued by the Company are fully paid.

Table 10. Structure of the authorised share capital

| Type of shares | Number of shares, items | Nominal value, in EUR | Total nominal value, in EUR | Percentage of share capital |
|----------------------------|-------------------------|-----------------------|-----------------------------|-----------------------------|
| Ordinary registered shares | 894,630,333 | 0.29 | 259,442,796.57 | 100.00 |

With effect from 11 January 2016, the shares of ESO have been listed on the main list of NASDAQ Vilnius AB stock exchange. The Company's shares are not traded in other regulated markets.

Table 11. Information on the Issuer's securities

| ISIN code | Trading list | Securities' abbreviation | Number of shares, items | Nominal value per share, in EUR | Industry under the ICB standard | Supersector under the ICB standard |
|--------------|------------------|--------------------------|-------------------------|---------------------------------|---------------------------------|------------------------------------|
| LT0000130023 | BALTIC MAIN LIST | ESO1L | 894,630,333 | 0.29 | 7000 Utilities | 7500 Utilities |

The Company did not acquire its own shares until the end of the reporting period and neither acquired nor disposed of its own shares during the reporting period.

Dynamics of the price of Company's shares and turnover in shares

Figure 4. Dynamics of the price of ESO's shares and turnover in shares during the reporting period



During the reporting period the price of the Company's shares increased by 8.39%.

Figure 5. Dynamics of the price of ESO's shares and turnover in shares between the beginning of trading and the end of the reporting period

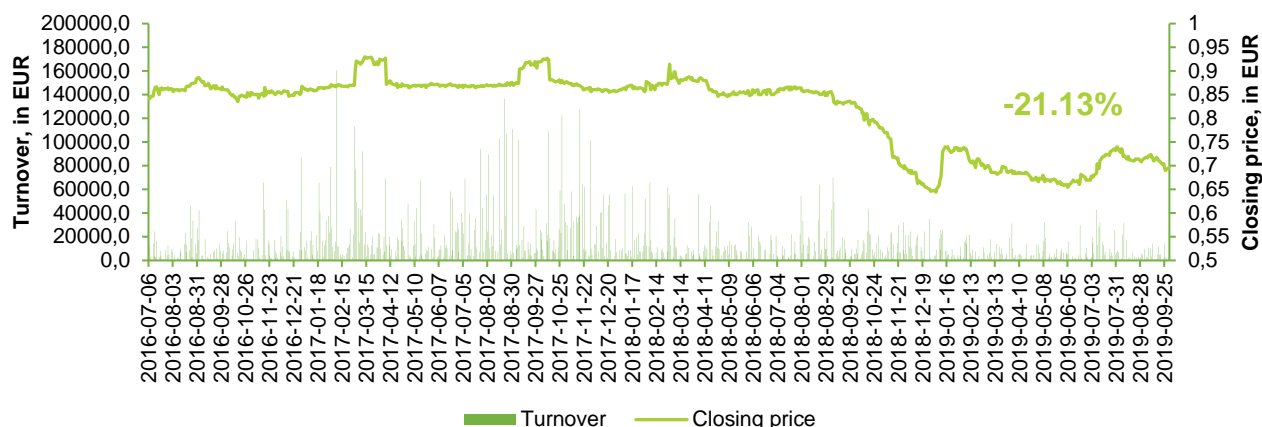
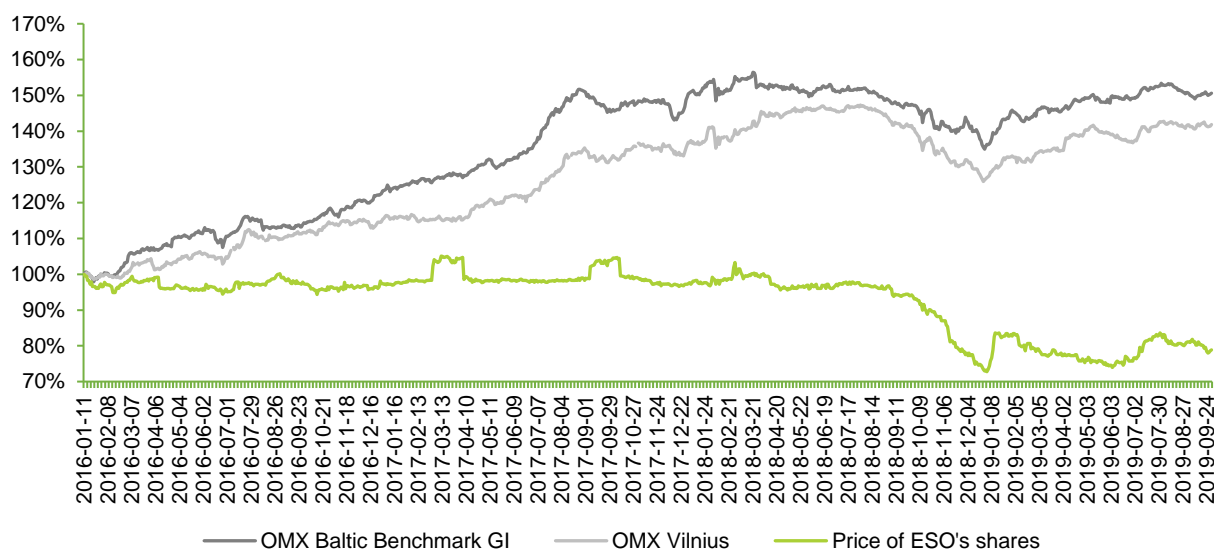


Figure 6. Dynamics of the price of ESO's shares and OMX Vilnius and OMX Baltic Benchmark indices since the beginning of trade

Since the beginning of trading the price of ESO's shares dropped by 21.13%



Between the beginning of trading in ESO's shares and the end of September of 2019, the OMX Vilnius index increased by 41.81 %, the OMX Baltic Benchmark index increased by 50.59 %, and the price of ESO's shares decreased by 21.13 % from its initial value.

Ownership structure

All the persons who owned the shares of LESTO AB and Lietuvos Dujos AB on 11 December 2015, became shareholders of ESO, which took over all the assets, rights and obligations of LESTO AB and Lietuvos Dujos AB upon their reorganisation.

The number of the Company's shareholders on the shareholders' registration day (8 October 2019) for the Extraordinary General Meeting of Shareholders, which was held on 15 October 2019, was 9,027.

Table 12. Shareholders owning more than 5% of ESO's authorised share capital as at 30 September 2019

| Shareholder's name (company name, legal form, registered office address, code) | Number of ordinary registered shares owned by the shareholder, units | Ownership interest in the authorised capital, % | Percentage of voting rights conferred by shares owned |
|---|--|---|---|
| UAB Ignitis grupė*, Žvejų g. 14, LT-09310 Vilnius, Company code 301844044 | 849,743,761 | 94.98 | 94.98 |

*2019 September 6 the updated Articles of Association of Lietuvos Energija, UAB were registered and a new name, UAB Ignitis grupė, was introduced.

Rights attached to shares, rights and obligations granted by shares

Ordinary registered shares confer equal rights. Property and non-property rights conferred by shares are defined by laws, other legal acts and the Company's Articles of Association. None of the shareholders of the Company had any special control rights. There were no restrictions regarding voting rights.

Restrictions on transfer of securities

According to the data of 30 September 2019, no restrictions on the transfer of securities were imposed during the reporting period.

Information on agreements with intermediaries of public trading in securities

The authorised manager of securities accounts of ESO is SEB Bankas AB.

The contact details of SEB Bankas AB are as follows: Gedimino pr. 12, LT-01103 Vilnius; T: 1528 or +370 5 268 2800.

Dividends

The dividend policy of the UAB Ignitis grupė companies, which was approved in 2016 and also applies to the Company, is published on the Company's website at www.eso.lt. The policy establishes uniform net profit appropriation principles applicable to all group companies.

During the Ordinary General Meeting of Shareholders of the Company held on 30 March 2018, the Company's profit (loss) appropriation for 2017 was approved. It was decided to pay out dividends in the amount of EUR 22.7 million for the six-month period ended 31 December 2017. Dividends per share for this period amounted to EUR 0.02535. Dividends were received by those persons who were the Company's shareholders at the end of the tenth work day following the decision to pay out dividends made at the General Meeting of Shareholders, i.e. at the end of 16 April 2018.

Dividends were also paid out based on the decision made at the Extraordinary General Meeting of Shareholders held on 29 September 2017 regarding the pay-out of dividends to the Company's shareholders for the period shorter than the financial year. Dividends allocated per share for the six-month period ended 31 December 2017 amounted to EUR 0.046 (EUR 41.2 million in total).

In 2017, the Company's net profit from continuing operations totalled EUR 77.6 million. The dividend/net profit ratio for this period was 0.82.

During the Extraordinary General Meeting of Shareholders held on 28 September 2018, a decision was made to allocate dividends for the period shorter than the financial year. Dividends allocated per share to the Company's shareholders for the nine-month period ended 30 September 2018 amounted to EUR 0.014 (EUR 11.9 million in total). Dividends were received by those persons who were the Company's shareholders at the end of the record day of the rights of the Company's shareholders, i.e. at the end of 12 October 2018.

During January–September 2018, the Company's net profit from continuing operations totalled EUR 17.8 million. The dividend/net profit ratio for this period was 0.67.

By decision of the Board of the Company of 30 April 2019 the annual general meeting of the Company's shareholders was convened during which it was decided that dividends for the reporting period of six months – from 1 July 2018 until 31 December 2018 – will not be allocated.

CUSTOMER SERVICE, SERVICE ASSESSMENT

Number of customers being serviced

In 9 months of 2019, ESO had 17,804 contracts on purchase and sale of electricity concluded with private customers and 4,744 contracts on electricity supply or distribution services concluded with commercial customers. During that same period, ESO connected 18,675 private customers and 10,840 commercial customers to the electricity distribution network.

In 9 months of 2019, 5,100 private customers and 853 commercial customers were connected to ESO's natural gas distribution network for whom the provision of a distribution service was ensured. During the same period, 8,843 private and 284 commercial customers were connected to ESO's gas distribution network ensuring a distribution service for them.

Operation and development of electricity and gas metering devices

During January–September of 2019, ESO replaced 43,900 metering devices the term of metrological inspection of which has expired, of which – 28,300 electricity meters and 15,600 natural gas meters. The Company installed almost 18,200 electricity meters and 6,500 natural gas meters.

As part of continuous renewal of operated accounting meters the Company and its authorised persons also checked more than 513,000 electricity meters and more than 83,000 natural gas meters during the 9 months of 2019.

By investing into upgrading and automaton of electricity meters ESO connected 3,200 electricity meters to automated data reading systems during the 9 months of 2019. This way the number of electricity metering devices with automated reading of data operated by the Company reached almost 43,000. The number of natural gas metering devices with automated reading of data remained unchanged, i.e. 1,200. Automation of metering devices facilitates automatic issuance of invoices for consumed electricity to business clients and allows determining the precise amount of natural gas consumed by business clients.

In order to improve the quality of its services, to create preconditions for customers to accurately track their energy use, to receive accurate bills and to save energy through its rational use, the Company has been implementing the programme for installation of smart metering system in Lithuania. An investment project for replacing the current electricity meters with smart ones was approved with the VERT in September. The plan is to have smart meters installed for electricity customers with intense electricity consumption (from about 1000 kWh / year) in the first stage by the end of 2023. A decision on the installation of smart meters for natural gas has not yet been made. A scenario under consideration is to have smart meters installed for customers, who use more than 300 m³ of gas per year. Usually these are customers, who use natural gas for heating.

The procurement of smart metering infrastructure was announced in the first half of 2019, planning to procure smart electricity meters (about 1.1-1.2 million pcs.) and IT system for meter management and secure data collection.

Court decision regarding the application of a tenderer in the smart meter procurement procedure

After the reporting period, on 14 October 2019, the Vilnius Regional Court ruled that Energijos Skirstymo Operatorius (ESO) had reasonably rejected a tender of one of the suppliers in the procurement of smart meters, which had been submitted belatedly. Having assessed the factual circumstances of the submission of the Supplier's application, the court decided to dismiss the claim, to end the case and to repeal the interim measures - suspension of the procurement procedure.

Development of service channels

In order to improve customer service, ESO has increased the efficiency of its information processes, and has been promptly informing its customers in the event of faults and routine disconnections, which has reduced the need of customers to contact customer service channels and improved customer experience. In January – September 2019, information was provided to 379 542 ESO customers having called short customer service number 1802 (as from 07 09, ESO has served its customers calling the toll-free service line 1852) compared to 417 155 customers served in January – September 2018 (exclusive of public supply-related issues, which Lietuvos Energijos Tiekimas, UAB (currently UAB Ignitis) took over from the Company on 1 October 2018). Since 9 September 2019, ESO used solely the service line 1852 to serve its customers. Customers can also call toll-free gas emergency service line 1804.

Management of customer settlements

According to the calculations made at the end of September 2019, ESO has about 60,000 customers who are provided with distribution and warranty supply service. An average of 53,500 bills are generated per month, 94% of which, or about 50,000, are sent by electronic means (self-service + e-bills in banks). An average of about 7,300 electronic bills, or 14%, which customers receive in their online banking, are generated per month, and about 6% of bills (3,500 pcs. per month) are sent by regular mail.

Market liberalisation

As at 30 September 2019, independent suppliers supplied electricity to 64,300 (57 %) objects of commercial customers. The guaranteed provider ESO continued to supply electricity to the remaining objects.

Customer satisfaction

In August-September 2019, the market research company Synopticom conducted an ESO customer satisfaction survey. Customers were asked about their overall satisfaction with the Company and how likely they were to recommend ESO. 2,600 private and 400 business customers participated in the survey. The results of the ESO customer satisfaction survey revealed that currently the overall net promoter score (NPS) is 79%. The vast majority (8 out of 10) of customers are satisfied with the Company's services and service and would recommend ESO to other customers.

SOCIAL RESPONSIBILITY OF THE COMPANY

ESO's social responsibility is to contribute to public wellbeing primarily through conducting safe uninterrupted energy distribution and guarantee supply activities, active participation in educating the public about safe and rational use of energy, introducing new, viable and environmentally friendly technologies, caring for customers, employees, communities and encouraging responsibility of contractors and suppliers. ESO's priorities:

- Promotion of energy efficiency;
- Reduction of environmental impact through energy conservation;
- Strengthening of safe work habits of employees;
- Fostering of safe and responsible use of electricity and gas.

Activities of corporate social responsibility (CSR) are based on the Company's values and define the Company's attitude towards its activities, inclusion of social, environmental and transparent operation principles in the Company's internal processes and its relationships with stakeholders.

In conducting responsible activities, the Company follows the Social Responsibility Policy approved by the Lietuvos Energija Group (now – UAB Ignitis grupė). This document defines general directions and provisions of responsible activities, on the basis of which the business culture and practice of a socially responsible and sustainably developed group of companies is developed.

The Company sticks to the Ten Principles of the Global Compact which defines responsibility of business in the areas of human rights, labour, environment and anti-corruption and aims at reducing the impact of its activities on environment, community, other businesses and at participating through common effort in decision making when it comes to economic, social and environmental issues, at contributing to the development of society and economic growth. These universally accepted and declared guidelines of responsible behaviour is a clear and strong approach for the Company in developing activities of a socially responsible business.

About the Global Compact

The UN Global Compact is the world's largest corporate sustainability initiative with corporate participants and other stakeholders – organisations, trade-unions, public sector and civil society organisations from all over the world.

The aim of this international agreement is to help organisations adopt the agreement's policies in their operational strategies, encourage communication and partnership among different sectors, within a state and beyond its borders in pursuance of universal global development goals.

The Global Compact is based on the principles in the areas of human rights, labour, the environment entrenched in the following international documents:

- Universal Declaration of Human Rights;
- International Labour Organisation Declaration on Fundamental Principles and Rights at Work;
- Rio Declaration on Environment and Development;
- United Nations Convention Against Corruption.

Principles of the Global Compact:

Human rights

- Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights;
- Principle 2. Make sure that they are not complicit in human rights abuses.

Employee rights

- Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4. The elimination of all forms of forced and compulsory labour.
- Principle 5. The effective abolition of child labour; and
- Principle 6. The elimination of discrimination in respect of employment and occupation.

Environmental protection

- Principle 7. Businesses should support a precautionary approach to environmental challenges;
- Principle 8. Undertake initiatives to promote greater environmental responsibility; and
- Principle 9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Human rights

In carrying out its activities and providing services and acting in different communities, the Company follows the principles of human rights protection, supports and respects the international human rights protection within the area of its responsibility and makes sure that it does not contribute to any human rights violations and speaks against any infringements on human rights.

Durin 9 months of 2019, no violations in relation to discrimination or any other incidents in connection with human rights violations were identified in the Company.

Occupational health and safety at work

Regulation. The Company acts in compliance with the provisions of the Occupational Safety and Health Policy of the UAB Ignitis grupė which defines the general rules and principles of the occupational safety and health and the main guidelines of their implementation, as well as with all requirements of legal acts of the RL pertaining to the occupational safety and health.

Potentially dangerous working environment. In their daily activities, the Company's employees and contractors carry out dangerous works when they operate installations of the electricity distribution network and the natural gas distribution system. In addition, employees are exposed to potential risks of injury when they carry out such works as height works or works in excavations with potentially dangerous equipment, sources of open fire – all this poses the risk of failure to ensure the safety and health of employees as well as of contractors and residents.

Prevention of accidents. The greatest attention in the Company is devoted to the prevention of accidents:

- For the purpose of ensuring safety and health the OHSAS 18001:2007 certificate is continuously maintained;
- On an ongoing basis, workstations and the quality of work organisation of the Company's employees and contractors are checked and complex inspections of the Company's subdivisions are carried out;
- The Company continuously implements new and innovative measures to enhance the culture of security, increasing the involvement of the Company's employees and managers in occupational safety (conducting an analysis of violations found during inspections, making proposals for preventive measures, appointing responsible persons for their implementation, strengthening of the anti-sobriety system, which covers not only inspections of employees, but also healthy lifestyle education, enabling operational managers to use the smart workplace screening app on mobile phones to check workplaces).

Development of employees. In order to improve knowledge of employees, to grow their competences and responsibility for safe performance of works great attention is also paid to the development of employees:

- New training programmes have been offered at the practical training centre, hiring competent lecturers therefor;
- Fire evacuation exercises have been held in regional administrative buildings;
- Virtual reality headsets have been used for employee and occupational safety trainings.

Health of employees. All employees, who must pass a medical check-up, can receive it for free. Employees working outdoors receive vaccines for tick-borne encephalitis at the Company's expense. Every year, all willing employees are vaccinated for flu at the workplace. Willing employees are covered by supplementary health insurance, which allows the insured employees to receive services provided by both public and private health care facilities, including treatment at selected clinics, visits to specialists, have various tests performed, purchase medication and use other wellness services. In the wake of the outbreak of measles, employees were offered a possibility to have their immunity to the disease tested at a lower price and, if necessary, were vaccinated for measles. In order to ensure first aid to employees, regional administrative buildings were supplied with defibrillators.

Occupational health and safety indicators (during 9 months of 2019):

| | |
|---|--|
| Employee incidents and accidents (minor, serious or lethal) | 98 incidents of which 59 – car accidents. 10 minor accidents: 3 of them on the way to/from work, 7 of them – during performance of work functions. The main causes of accidents and incidents – careless behaviour of employees at the workplace, careless driving. All accidents were investigated. |
| Violations of occupational safety and health of contractors' employees occurring in the Company's objects, their type and accidents | 2,320 workplaces of contractors were checked and 776 violations were established. Works were stopped 21 times due to complex or serious violations. Type: incorrect documentation of works, absence of protective equipment, inappropriate workplace installation. During the 9 months, contractors' employees were involved in 2 minor accidents. |

More information about the Company's employees and communication with them is provided further in this report.

Environmental protection

In its activities, the Company seeks to preserve the environment, to use natural resources in an economic manner, to implement modern, effective and environmentally safe technologies in its production activity. The Company observes the requirements of legislation and standards which govern environmental protection and apply professional preventive measures which help reduce negative impact on the environment.

The most relevant environment-related issues: safe use of facilities, safe use of hazardous materials (from ecological perspective), management of resulting waste.

The Company complies with all environmental requirements and takes care of construction of new facilities and restoration of the old ones on its own initiative so that the Company's activities cause as little impact on the environment as possible. The Company organises environment management campaigns. Meetings of employees of different units are held using video

conferences so as to reduce costs on transport and cause less emissions. The Company promotes the use of electronic devices, spare sheets of paper, sorting. The Company's employees tend to use less paper in their work activities, manage documents in an electronic way via the special document management system.

Supporting the Environmental Management Standard. The Company supports the Environmental Management Standard ISO 14001. The globally recognised certificate demonstrates that the company observes the requirements for identification, monitoring, management and improvement of the most important environmental aspects.

Landscape protection. To reduce the impact on landscape, new cables are being installed in place of old electricity overhead lines in areas where wires of existing overhead lines are thin and dangerously close to green spaces, outdated infrastructure has caused many breakdowns. Cable lines ensure a more reliable supply of electricity and are safer.

Saving of resources. The Company has about 60,000 clients and encourages them to give up paper invoices and pay-books and start using remote servicing channels and payment of invoices via the internet. E-invoices are used already by almost 95 % of clients of ESO.

During the 9 months of 2019, 1,989.691 t of waste were generated in the course of activities of ESO and transferred for management.

Public initiatives

ESO implements large-scale long-term social responsibility projects, which focus on active engagement of target groups of society and ideas on safe and efficient use of electricity.

Through means of mass media – television, radio, newspapers and the internet – the Company aims to inform the society about the safety principles that are to be observed when fieldworks are carried out. A particular attention is focused on reminding about the underground electricity and gas network, as well as dissemination of advice on safe behaviour during storms. Emphasis is also placed on the prevention of thefts that cause electricity supply interruptions and development of civic qualities.

Improvement of energy efficiency through the initiative 'As Much as Needed'. Promotion of reasonable use of energy is one of the priority directions of social responsibility of ESO contributing to preservation of environment and saving of resources and the country's commitments in implementing the climate change programmes of the European Union. The project is aimed at creating traditions of the society living reasonable life – looking for solutions of reasonable consumption of electrical energy with special attention devoted to consumption of business and industry. In 2018, we devoted special attention to individual recommendations during direct meetings; in autumn, the cycle of conferences for representatives of industry was held ('As Much as Needed by Industry 2018').

Provision of support

Until 2017, the Company provided support through UAB Ignitis grupė Support Foundation established in 2014. The Foundation combined and coordinated support provided by all companies of the Group for significant projects, programmes and activities. At present, the Company does not provide support.

Transparency, anti-corruption activities

ESO does not tolerate any manifestations of corruption and advocates fair business and transparent communication with public authorities by promoting a Anticorruption policy against corruption, which is implemented across the entire UAB Ignitis grupė (earlier group of Lietuvos Energija).

The Company pays all taxes in a transparent manner, ensures the transparency of procurements organised by it and requires that the potential and existing suppliers act by observing the principles of transparency and integrity. The Company trades in electricity on the electricity exchange by respecting the transparency principle, it does not take part in any transactions involving bribes or non-transparent behaviour. The Company provides to responsible institutions observations and proposals regarding new or amended relevant legal acts, assesses their transparency.

Risks are minimised by integrated internal control mechanisms intended to detect possible corruption risk factors. Prevention of corruption is one of the functions of the Company's Prevention Division. ESO carries out continuous operational control, improves business processes and takes measures to correct detected irregularities, and remove threats to the Company's reputation. The issues on the zero-tolerance policy against corruption are regularly communicated to the Company's employees – meetings of executive personnel are held, lectures and discussions are initiated for employees.

The Company operates an anonymous trust line 1852. Both the employees of ESO and other persons can report any noted violations of ethics via email pasitikejimolinija@eso.lt or by filling in the trust line form available on the ESO's website under the contacts section (in Lithuanian language).

After the end of the reporting period, 16 October 2019 having conducted a research, Transparency International Lithuanian branch (TILS) declared ESO one of the most transparent companies in Lithuania. Transparency International evaluated three

key criteria – anti-corruption measures of the company, transparency of the organization and financial disclosure. Data were evaluated by comparing domestic companies both nationally and in the context of international standards. According to TILS, ESO received the maximum score of 100%, and compared to similar assessments carried out before, the company improved the indicator by more than 20%.

Transparent public procurements

Promotion of transparency in public procurements. ESO is the contracting authority. At the UAB Igtis grupė of companies, the centralised procurement function is carried out by Verslo Aptarnavimo Centras UAB (VAC). VAC carries out purchases and provides the services of the organisation and performance of public procurement of goods, services or works. The function of public procurement is centralised, procurement processes are standardised and concentrated on a single on-line platform.

In order to ensure transparent and open public procurement process and open dialogue, VAC invites suppliers to information meetings during which it informs them about high-value procurements planned by the contracting authorities.

ESO also publishes technical specification projects of all its procurements, except for low-value procurements, via the Central Public Procurement Information System (CVPIIS) tools, additionally informs about respective publications in its webpages, and provides reports on procurement procedures and information on on-going procurements.

In 9 months of 2019, as many as 918 purchases were initiated by the Company. During the 9 months, 177 claims with regard to procurements conducted by the Company were received, only 38 of them were recognised to be substantiated and were satisfied.

Accountability

ESO is an active member of the Association for Responsible Business of Lithuania (LAVA) and a participant of the Global Compact, a United Nations initiative. In order to increase its accountability to the society, the Company publishes annual social corporate responsibility progress reports, which are presented on its website under the section for investors and the Global Compact website profile (www.globalcompact.org).

The latest report of the organisation (ESO Progress Report on Corporate Social Responsibility 2017) was announced on 24 August 2018.

A detailed integrated report of the Lietuvos Energija Group on social responsibility for 2018 which will present the Company's progress in this area will be drawn up and announced separately.

A World bank ranking - „Doing Business 2020“

At the end of the reporting period, in 24 October of 2019, in the Doing Business 2020 ranking published by the World Bank, Lithuania rose from the 26th to the 15th place in terms of the connection to electricity networks, which is 11 positions higher than in 2019 (ranking 33rd in 2017 and 55th in 2016). Getting electricity is one of the 10 criteria being evaluated in determining the country's progress in the overall Doing Business ranking. This year, the number of procedures for getting electricity declined from 4 to 3, having waived the requirement to provide a certificate issued by the National Energy Regulatory Council on the inspection of internal electricity networks of customers, replacing it with contractor's certificate. ESO has also initiated other proposals, which would help to further simplify the process for getting an electricity connection. One of the proposals is to waive the requirement for those seeking to connect to electricity distribution networks to complete an application. Having summed up all the indicators evaluated by the World Bank, this year, Lithuania rose 3 positions up, and currently ranks 11 out of 190 countries of the world

THE COMPANY AND ITS MANAGEMENT BODIES

Table 13. Information about the Company and its contact details

| | |
|--|---|
| Company name | Energijos Skirstymo Operatorius AB |
| Company code | 304151376 |
| Authorised share capital | EUR 259,442,796.57 |
| Registered office address | Aguonų g. 24, LT-03212 Vilnius |
| Telephone | (8 5) 277 7524 |
| Fax | (8 5) 277 7514 |
| E-mail | info@eso.lt |
| Website | www.eso.lt |
| Legal-organisational form | Public limited liability company |
| Date and place of registration | 11 December 2015, the Lithuanian Register of Legal Entities |
| Register accumulating and storing data about the Company | Register of Legal Entities |
| Registrar | State enterprise Centre of Registers |

ESO started its operations on 1 January 2016 after the merger of LESTO AB and Lietuvos Dujos AB. ESO took over from LESTO and Lietuvos Dujos all their assets, rights and obligations as well as all non-current and current assets, non-current and current financial and other obligations, amounts receivable and payable under the agreements signed by LESTO and Lietuvos Dujos, including any other otherwise arising obligations.

The main functions of ESO include electricity and natural gas distribution, guaranteed electricity and gas supply, connection to electricity and gas networks, ensurance of safe and reliable operation of electricity and gas distribution networks, their operation, maintenance, management and development.

The geographical market of ESO is the entire territory of Lithuania.

Information on the Company's branches and representative offices

The Company has no branches or representative offices.

Subsidiaries and related companies

ESO is part of UAB Ignitis grupė, a state-owned group of companies, which is one of the largest energy company groups in the Baltic countries. UAB Ignitis grupė, the parent company, controls 94.98% of the Company's shares.

As at 30 September 2019, ESO had no subsidiaries.

At the date of signing of the report, ESO, jointly with other companies, controlled Verslo Aptarnavimo Centras UAB and Technologijų ir Inovacijų Centras UAB.

Table 14. Main information about related companies

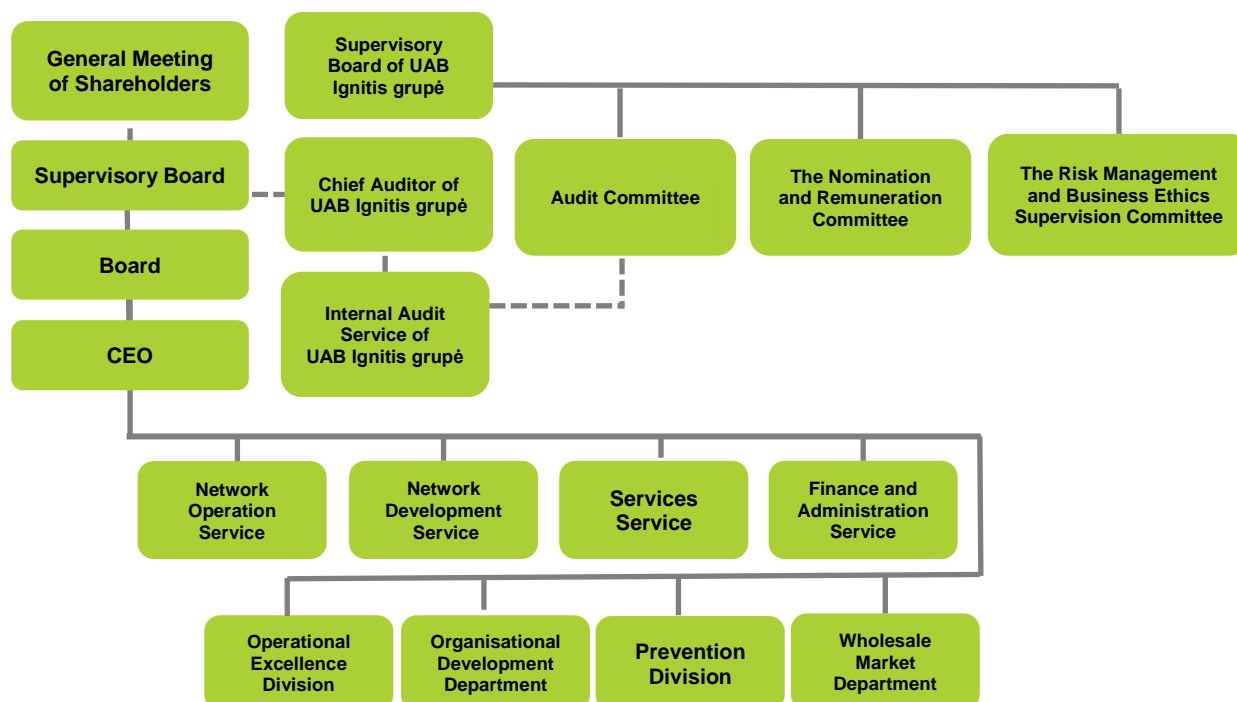
| | Technologijų ir Inovacijų Centras UAB | Verslo Aptarnavimo Centras UAB |
|---|---|---|
| Address | A. Juozapavičiaus g. 13, Vilnius | P. Lukšio g. 5B, Vilnius |
| Registration date | 4 December 2013 | 30 July 2014 |
| Company code | 303200016 | 303359627 |
| Telephone | (8 5) 278 2272 | (8 5) 259 4400 |
| Fax | (8 5) 278 2299 | (8 5) 259 4401 |
| E-mail | gpc@ignitis.lt | vac@ignitis.lt |
| Website | www.ignitisgrupe.lt | www.ignitisgrupe.lt |
| Ownership interest held by ESO (at 31 December 2018) | 26.84% | 22.25% |
| Principal activities | Provision of information technology and telecommunication services for the companies in the energy sector | Provision of services of organisation and performance of public procurements, accounting, administration of employment relationships, customer service, administration of human resources, legal services, communication services, consultations and trainings on operational efficiency. |

Information about significant related-party transactions

Information on related-party transactions is presented in the explanatory notes to the interim financial statements for January–September 2019.

Corporate governance

Figure 7. The Company's organisational structure (as at 30 September 2019)



At the date of signing of the report, the Company's Articles of Association stipulated that the Company's management bodies include the following:

- the General Meeting of Shareholders;
- a collegiate supervisory body – the Supervisory Board;
- a collegial management body – the Board;
- a single-person management body – the Chief Executive Officer.

The Lietuvos Energija group of companies abides by the equal opportunity policy of Lietuvos Energija UAB which regulates the principles of the implementation of equal opportunities and supervision of their performance, as well as the implementing measures of these principles at the Lietuvos Energija group of companies. The principles of equal opportunities defined in this policy apply not only to the selection of all employees without distinction, but also to the selection of members of corporate management and supervisory bodies.

Amendment procedure of the Articles of Association

The General Meeting of Shareholders has the right to amend the Articles of Association of ESO.

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Company.

The competence of the General Meeting of Shareholders, the procedure of its convocation and decision-making are established by laws, other legal acts, and the Company's Articles of Association. During the reporting period, the Company's shareholders had equal rights (both property and non-property) established by laws, other legal acts, and the Company's Articles of Association. None of the shareholders of the Company had any special control rights; all shareholders have equal rights.

During the reporting period, the management bodies of the Company created proper conditions for the implementation of the rights of the Company's shareholders.

During the reporting period, one annual and one extraordinary general meeting of shareholders were held. 2 shareholders registered directly for participation at the annual general meeting of shareholders held on 30 April 2019, and no shareholders of the Company registered for participation at the extraordinary general meeting of shareholders of 22 February 2019.

The Company's CEO (Board Chairman) and the Director of the Finance and Administration Service (Board member) participated at the annual general meeting of shareholders of the Company held on 30 April 2019.

Information about voting results of shareholders in these and earlier general meetings of shareholders is provided in the section 'For Investors' of the Company's website.

The Company's Supervisory Board

The Supervisory Board of ESO is a collegial supervisory body.

The competence of the Supervisory Board, the procedure of taking decisions and election and recall of members is established by laws, other legal acts and articles of association of the Company. After registration of new articles of association of ESO, on 3 June 2019, the Supervisory Board consisted of five members elected at the general meetings of shareholders for a term of four years.

At the beginning of the reporting period, Darius Maikštėnas, Darius Kašauskas and Kęstutis Betingis worked in the Supervisory Board of the Company.

At the reporting date, the prospective term of office of the current Supervisory Board is 30 March 2022.

During the reporting period, 10 sittings of the Supervisory Board of ESO were held and all of them were attended by all then elected members of the Supervisory Board.

Table 15. The composition of the Supervisory Board of ESO (as at 30 September 2019)*

| | | |
|---|--|--|
|  |  |  |
| Darius Maikštėnas Chairman | Darius Kašauskas Member | Kęstutis Betingis Independent member |
| Elected from: 30 March 2018 | Elected from: 30 March 2018 | Elected from: 28 May 2018 |
| End of term of office: 30 March 2022 | End of term of office: 30 March 2022 | End of term of office: 30 March 2022 |
| Education | | |
| Harvard Business School, General Management Program; Baltic Management Institute, Master's degree in Business Administration; Kaunas University of Technology, Bachelor's degree in Business Management | ISM University of Management and Economics, Doctoral studies of Social Sciences in the field of Economics; ISM University of Management and Economics, BI Norwegian Business School, Master's degree in Management; Vilnius University, Master's degree in Economics | Vilnius University, Master's degree in Law; Lithuanian Institute of Public Administration, the Organisation Leaders Training Programme for Heads of Public Prosecutors (OLYMP-38) |
| Principal workplace and position held | | |
| Lietuvos Energija UAB, Chairman of the Board, Chief Executive Officer | Lietuvos Energija, UAB, Member of the Board, Finance and Treasury Director | Betingis and Ragaišis law firm, lawyer |
| Participation in the activities of other companies and organisations | | |
| Name of a company, body, organisation, position held | Name of a company, body, organisation, position held | Name of a company, body, organisation, position held |
| „Wider communications incorporated“, Delaware Corporation, USA, shareholder, member of the board (till 2019-05-21); „Wider Communications Limited“, private limited company, UK Member of the Board (till 2019-05-21). | Duomenų Logistikos Centras UAB, Chairman of the Board; Lietuvos Energija Support Fund, Member of the Board; Member of the Commission of the 288th Vingis Community Flat Owners revision; Energetikos Paslaugų ir Rangos Organizacija UAB, Chairman of the Board. | — |
| Percentage of share capital and voting rights of other companies held in excess of 5% | | |
| — | — | — |
| Compensations calculated during January–December 2018, in EUR** (for activities in the Supervisory Board) | | |
| — | — | 8,475.92 |

*The Extraordinary General Meeting of Shareholders of the Company, held on 15 October 2019, to elect as independent member of the Supervisory board of ESO, Ms. Žaneta Kovaliova and as representative of the employees of the Company in the Supervisory board of ESO, Ms. Dalia Jakutavičė. New members of the Supervisory board of ESO started their duties after the Extraordinary General Meeting of Shareholders who elected them.

*** According to the ESO's Articles of Association, agreements may be concluded with the members of the Supervisory Board regarding the activity related to the Supervisory Board, which establish members' rights, obligations and responsibility. Based on the decision of the general meeting of shareholders, remuneration may be paid to independent members of the Supervisory Board for their activity in the Supervisory Board. The terms of the agreements concluded with the members of the Supervisory Board and the independence criteria are established by the general meeting of shareholders according to the requirements of legal acts and the good corporate management practice.*

The Company's Board

The Board of ESO is a collegial management body of the Company. The powers of the Board, the procedure of decision-making, election and removal of its members are established by laws, other legal acts, the Company's Articles of Association and the Board's Rules of Procedure.

Changes in the composition of the Company's Board were as follows during the reporting period: was't changed.

At the reporting date, the prospective term of office of the current Board is 27 December 2022.

During the reporting period, 24 sittings of the Board of ESO were held and all of them were attended by all then elected members of the Board.

More detailed information on the members of the Company's Board is presented in the table below. The description of their education and work experience is available on the Company's website under section 'About us→ESO Management'.

Table 16. The composition of the Board of ESO (as at 30 September 2019)

| | | | | |
|---|--|---|--|---|
|  |  |  |  |  |
| Mindaugas Keizeris Chairman of the Board, Chief Executive Officer | Augustas Dragūnas Board member | Renaldas Radvila Board member | Virgilijus Žukauskas Board member | Ovidijus Martinonis Board member |
| In the position of the CEO from: 8 October 2018 In the position of the Chairman of the Board from: 27 December 2018 End of term of office: 27 December 2022 | In this position from: 27 December 2018 End of term of office: 27 December 2022 | In this position from: 27 December 2018 End of term of office: 27 December 2022 | In this position from: 27 December 2018 End of term of office: 27 December 2022 | In this position from: 27 December 2018 End of term of office: 27 December 2022 |
| Education | | | | |
| Vilnius University, Bachelor's degree in Business Administration and Management; Vilnius University, Master's degree in International Business; Baltic Institute of Corporate Governance, Professional board member | Vilnius University, Master's degree in Business Management and Administration | ISM University of Management and Economics, Executive MBA degree Vilnius University, Bachelor's degree in Economics | Kaunas University of Technology, Master's degree in International Trade and Bachelor's degree in Electrical Engineering | Kaunas University of Technology, Bachelor's and Master's degrees in Telecommunication and Electronics |
| Principal workplace and position held | | | | |
| ESO's Chief Executive Officer | ESO's Finance and Administration Service Director | ESO's Services Director | ESO's Networks Operation Service Director | ESO's Networks Development Service Director |
| Participation in the activities of other companies and organisations | | | | |
| Ignitis grupės paslaugų centras, UAB (till September 6 of 2019 - Technologijų ir inovacijų centras UAB), Board member | | | | |

| | | | | |
|--|--------|--------|--------|--------|
| Verslo Aptarnavimo Centras UAB, Board member Lithuanian Representative to the European Association of Distribution System Operators (E.DSO) Member of the Council of the National Lithuanian Energy Association Lietuvos Energija Support Foundation, Chairman of the Board | | | | |
| Percentage of share capital and voting rights of other companies held in excess of 5% | | | | |
| – | – | – | – | – |
| Compensations calculated during January–September 2019, in EUR (for activities in the Board)* | | | | |
| 16,335 | 11,700 | 11,700 | 11,700 | 11,700 |

Management of the Company

The Company's General Manager – the Chief Executive Officer – acts as a single-person management body of the Company. The competence of the Chief Executive Officer, the procedure of his/her election, and removal is defined by laws, other legal acts, and the Company's Articles of Association. The Chief Executive Officer is elected, revoked, and dismissed by the Company's Board. The Chief Executive Officer organises and controls the operations of the Company, acts on behalf of the Company, and enters into agreements at his own discretion, except for the cases stipulated in the Company's Articles of Association and legal acts.

Table 17. Information on the remuneration calculated for the Chief Executive Officer and Chief Accountant of ESO*

| | Remuneration during January–September 2019, in EUR | The variable component of the remuneration paid for the results of the previous year during January–September 2019, in EUR | Total payments in January–September 2019, in EUR |
|-------------------------|--|--|--|
| Mindaugas Keizeris, CEO | 55,218 | 25,189 ** | 80,407 |

* From 1 December 2014, the accounting function was relocated from the Company to Verslo Aptarnavimo Centras UAB, therefore, the Company does no longer have personnel in charge of accounting functions, including the Chief Financial Officer. Verslo Aptarnavimo Centras UAB provides all accounting services to the Company, starting from entering initial documents to accounting programmes to the preparation of financial statements.

** of which EUR 19,862 is the deferred variable salary component (VSC) for 2017 and 2018: when holding the post of the Director for Strategy and Development of Lietuvos Energija (LE), UAB from 1 January 2017 till 11 February 2018; when holding the post of the Acting CEO of LE from 23 September 2017 till 11 February 2018; for holding the post of the Director for Corporate Management of LE from 12 February 2018 till 7 October 2018; EUR 5,327 was the VSC for holding the post of the CEO of ESO from 8 October 2018 till 31 December 2018.

ESO has neither transferred the management of assets nor issued guarantees to the members of the bodies. During January–septmeber 2019, the Company did not grant any loans to the members of the management bodies, nor provided any guarantees or sureties to secure the fulfilment of their obligations.

Employees of the Company

The Company's personnel policy focuses on a continuous professional development of employees and formation of an organisational culture ensuring the creation of higher added value for customers, partners and society. As at 30 September 2019, the actual number of the Company's employees was 2,361*.

Table 18. Structure of the Company's employees by category

| Category of employees | Number of employees at 30 September 2019 |
|----------------------------------|--|
| Chief executive officer (CEO) | 1 |
| Top-level managers | 5 |
| Medium-level managers | 196 |
| Experts, specialists | 1,551 |
| Workers | 608 |
| Total number of employees | 2,361* |

* The actual number of the Company's employees, excluding employees on maternity leave and parental leave, as well as employees at the military service.

Table 19. Structure of the Company's employees by educational background

| Education | Number of employees at 30 September 2019 |
|------------------------------------|---|
| Higher education | 60.43 % |
| Advanced vocational education | 13.60 % |
| Secondary and vocational education | 25.67 % |
| Other | 0.30 % |

Remuneration system

ESO applies the UAB Ignitis Grupė remuneration standard facilitates in making correct performance-based evaluation of employees for their work and for corporate and team value created by them. The remuneration standard has been developed on the basis of 'Korn Ferry' methodology which ensures objective assessment of positions according to the required education, complexity of problems and level of responsibility attributed to the particular position. This standard facilitates the effective management of the Company's costs and ensures that strategic goals and business management logic of ESO are reflected in the remuneration system.

The employee remuneration package consists of financial, non-financial and emotional remuneration. The financial remuneration includes a fixed part of remuneration specified in the employment agreement and paid to the employee on a monthly basis, as well as a variable component of the remuneration paid when the set activity objectives are achieved, as well as additional payments stipulated in the collective employment agreement (for overtime, night work, etc.).

Non-financial rewards are an indirect form of employee remuneration resorted to by the Company for the encouragement of employees' efforts, engagement and loyalty, enhancement of employees' well-being and job enrichment. Such rewards include various events organised by the Company, recognition and rewarding of employees who demonstrated outstanding performance, promotion of a healthy way of living, staff development and training.

Emotional reward is difficult to measure; however, this factor is of great relevance for employee engagement in the Company's activities including the Company reputation, corporate culture and values, offered career opportunities, implementation of various internal communication – employees can share their ideas, ask questions of interest for them, get acquainted with daily activities of other subdivisions.

Table 20. Average salary of the Company's employees

| Category of employees | Average salary, in EUR (before taxes) January–September 2019 |
|----------------------------------|---|
| Chief executive officer (CEO) | 8,781 |
| Top-level managers | 6,559 |
| Medium-level managers | 2,984 |
| Experts, specialists | 1,736 |
| Workers | 1,416 |
| Total number of employees | 1,773 |

* The average salary consists of a fixed component (salary, annual leave, short-term sick pay, work on weekends and holidays in case of emergencies) and a variable component (proportionally calculated for 1 month).

Collective employment agreement

ESO has signed a collective employment agreement with social partners which ensures greater protection and more additional benefits to the employees of ESO that are not provided for in the Labour Code of the Republic of Lithuania. The objective of the collective employment agreement is to ensure effective operations of the Company and represent rights and legitimate interests of all employees of the Company. The agreement lays down employment, remuneration, social, economic and professional conditions, and guarantees that are not regulated by laws or other normative legal acts. Employees are provided with additional guarantees, such as payments in case of accident, sickness, death of a close family member, childbirth grant, additional days of paid leave after the birth of a child, marriage payment and other payments.

Trade unions

The Company supports the joining of employees into voluntary trade unions and maintains close cooperation with them. On 15 April 2019, the Company was the first in Lithuania to conclude the agreement with all seven trade unions functioning in the Company; the agreement provided for including the representative delegated by trade unions in the Supervisory Board and working towards the achievement of goals important for both sides. In addition, on a quarterly basis, meetings are organised to discuss strategic projects implemented by the Company. Representatives of trade unions always participate in working groups when issues concerning employees (employees' working conditions, remuneration and social issues) are discussed.

Development of competences

ESO gives particular attention to the development of employees' competences. Development plans are drawn up every year taking into account the Company's objectives and the matching of employees' competences with the achievement of these objectives. The training courses organised focus on effective and high-quality ensurance of the maintenance of the electricity and gas distribution networks, customer service and safety of works.

In January–September 2019, 1,557 participants attended mandatory professional training after completion of which certificates for performance of special works are issued. Employees were trained during training on the issues of occupational safety and health, fire safety, operation of systems of combustible gases and works in electrical installations, professional and legal knowledge of a manager of construction operations of a construction works of exceptional significance and emergency medical aid.

In the period between January and September 2019, the general training courses were attended by 684 participants. These courses are organised by sending individual employees to attend seminars and conferences organised by external suppliers (in Lithuania and abroad) and by forming groups within the Company.

The Company seeks to involve internal employees in the competence development programmes – internal lecturers who have specific knowledge and skills and are capable of sharing them with others and also invests into training of such employees. In January–September 2019, internal training was attended by 526 participants. Employees improved their knowledge during training on the subjects of personal data protection, personal efficiency and public speaking, were interested in energy spheres in the Group of companies, deepened their skills of MS Excel and sales, attended training for beginners.

Training programmes are developed in close cooperation with the providers of training programmes, surveys are conducted to assess the quality of trainings. ESO also cooperates regularly with manufacturers and suppliers of equipment who share their knowledge with employees by presenting innovations in the field of energy.

During the 9 months of 2019, ESO provided partial funding for the studies of 12 employees at the Lithuanian higher education institutions aiming to improve professional qualification of workers and develop competences of managers. Employees have the opportunity to study the programmes on energy and management that are related to the Company's activities.

Internship opportunities

ESO actively cooperates with educational institutions and allows university and college students to apply their theoretical knowledge and gain practical skills. During January-September of 2019, 30 students completed internship at ESO across the territory of Lithuania. The Company's partnership with other Lithuanian talents' attraction programmes is also a great success – after internship at ESO we employed 2 specialists who have completed energy studies in foreign universities.

Significant agreements

There were no significant agreements made in which the Company was a party to and which would come into effect, change or terminate as a result of the change in the control of the Company.

There were no agreements made between the Company and the members of the bodies or employees that provide for compensation in case of their resignation or dismissal without a sound reason or in case of termination of their employment as a result of the change in the control of the Company.

Harmful transactions

During the reporting period there were no harmful transactions (transactions which do not meet the Company's objectives or existing normal market conditions or which violate the interests of shareholders or other groups, etc.), which had or might have negative impact on the Company's activity and (or) performance, conducted on behalf of the Company, as well as transactions made in the event of a conflict of interests between duties of executives of the Company, controlling shareholders or other related parties with respect to the Company and their private interests and (or) other duties.

MATERIAL EVENTS IN THE COMPANY'S ACTIVITIES

Material events during the reporting period

In executing its duties in accordance with the applicable legislation regulating the securities market, ESO publishes information on material events and other regulated information on the EU-wide basis. Information announced by the Company is available on the Company's website www.eso.lt under the section 'For Investors' and the website of NASDAQ OMX Vilnius AB <https://www.nasdaqomxbaltic.com>

Table 21. Information on material events announced by ESO from 1 January 2019 to 30 September 2019

| Date | Material event |
|------------|--|
| 2019-01-18 | Regarding the approval of the strategy of ESO till 2030 |
| 2019-01-31 | Regarding the Extraordinary General Meeting of Shareholders of ESO |
| 2019-01-31 | ESO preliminary financial results for 12 months of 2018 |
| 2019-02-14 | Regarding the investment plan of 2018 alignment |
| 2019-02-22 | Regarding the resolutions of Extraordinary General Meeting of Shareholders of the Company |
| 2019-02-28 | ESO's 2018 preliminary results: historical investments and crystallisation of activities |
| 2019-02-28 | ESO preliminary financial results for 1 month of 2019 |
| 2019-03-06 | Regarding Court Decision |
| 2019-03-27 | Regarding the refusal of commercial services of Energijos Skirstymo Operatorius AB |
| 2019-03-29 | ESO preliminary financial results for 2 month of 2019 |
| 2019-03-29 | Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of AB „Energijos skirstymo operatorius“ |
| 2019-04-02 | Regarding a decision to refuse the appeal filed with the administrative court regarding the decision of the National Commission for Energy Control and Prices on the setting of electricity distribution price caps for 2019 |
| 2019-04-12 | Lietuvos Energija Group will hold an Investor Conference Webinar to introduce the financial results for the year 2018 and guidance for 2019 |
| 2019-04-15 | Regarding the supplement of the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of AB „Energijos skirstymo operatorius“ |
| 2019-04-15 | Update: Regarding the supplement of the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of AB „Energijos skirstymo operatorius“ |
| 2019-04-30 | Regarding the resolutions of Ordinary General Meeting of Energijos Skirstymo Operatorius AB Shareholders |
| 2019-05-03 | Regarding the Energijos skirstymo operatorius, AB, Annual Information 2018 |
| 2019-05-31 | ESO preliminary financial results for 4 month of 2019 |
| 2019-06-28 | ESO preliminary financial results for 5 month of 2019 |
| 2019-07-31 | The updated Investment Plan of Energijos Skirstymo Operatorius for the following 10 years has been approved |
| 2019-07-31 | ESO preliminary financial results for 6 month of 2019 |
| 2019-08-02 | Approved ESO investment projects 2020-2023 |
| 2019-08-06 | Regarding the nomination of the members of Supervisory Board of ESO |
| 2019-08-30 | ESO's unaudited results of 6 months of 2019: growing number of new customers and improving connection times |
| 2019-08-30 | ESO preliminary financial results for 7 month of 2019 |
| 2019-09-19 | Regarding the investment in smart meter project by Energijos Skirstymo Operatorius AB approved by the National Energy Regulatory Council |
| 2019-09-19 | Regarding non-routine inspection of AB Energijos Skirstymo Operatorius to be carried out by the National Energy Regulatory Council |
| 2019-09-23 | Regarding the Extraordinary General Meeting of Shareholders of AB „Energijos Skirstymo Operatorius“ |

Table 22. Notifications on material events after the end of the reporting period - from 1 October 2019

| Date | Material event |
|------------|--|
| 2019-10-01 | ESO preliminary financial results for 8 month of 2019 |
| 2019-10-03 | Regarding the investment plan in the natural gas sector of 2019 alignment |
| 2019-10-15 | Regarding the resolutions of Extraordinary General Meeting of Shareholders of AB „Energijos Skirstymo Operatorius“ |
| 2019-10-17 | Regarding the price-setting for electricity distribution price caps for 2020 |
| 2019-10-21 | Regarding the initiation of reorganisation of Verslo aptarnavimo centras, UAB and Ignitis grupės paslaugų centras, UAB |

OTHER SIGNIFICANT INFORMATION

Main features of the internal control and risk management systems related to the preparation of the consolidated financial statements

Information on compliance with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius. The Company's financial statements are prepared according to International Financial Reporting Standards (IFRS) as adopted by the EU.

Employees of the company providing accounting services to the Company ensure a proper preparation of the financial statements and supervise a timely collection of correct data. The preparation of the Company's financial statements, internal control and financial risk management systems, legal acts regulating the preparation of financial statements are controlled and managed.

Alternative performance measures

More about Alternative performance measures:

<http://www.eso.lt/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVIZG4xbW81dGpzMm1yamVmNWl=>