

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the Article 14 of the Law on Securities of the Republic of Lithuania and the Rules of Disclosure 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 Department of UAB „Ignitis grupės paslaugų centras“ acting under Order No IS-88-20 of 10 April 2020, hereby confirm that, to the best of our knowledge, AB „Energijos skirstymo operatorius“ condensed interim financial information for three-month period ended 31 March 2020 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 three-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

UAB „Ignitis grupės paslaugų centras“
Head of Accounting Department
acting under Order No IS-88-20 of 10
April 2020

Giedruolė Guobienė

Customer Service

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

Free Electricity helpline 1852

Free Gas supply helpline 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

2020

ENERGIJOS SKIRSTYMO OPERATORIUS AB

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION

COMPANY'S CONDENSED INTERIM FINANCIAL INFORMATION FOR THE FIRST QUARTER OF 2020 AND 3 MONTHS PERIOD ENDED 31 MARCH 2020, PREPARED ACCORDING TO INTERNATIONAL ACCOUNTING STANDARD 34, 'INTERIM FINANCIAL REPORTING' AS ADOPTED BY THE EUROPEAN UNION (UNAUDITED)



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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 was approved on 30 April 2020 by Energijos Skirstymo Operatorius AB Chief Executive Officer, Director of Finance and Administration and UAB „Ignitis grupės paslaugų centras” Head of accounting department, (acting under Order No IS-88-20 of 10 April 2020):

Mindaugas Keizeris
Energijos Skirstymo Operatorius AB
Chief Executive Officer

Augustas Dragūnas
Energijos Skirstymo Operatorius AB
Director of Finance and Administration

Giedruolė Guobienė
UAB „Ignitis grupės paslaugų centras”
Head of Accounting Department
(acting under Order IS-88-20 of 10
April 2020)



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

All amounts are presented in EUR thousand unless otherwise stated

	Note	At 31 March 2020	At 31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,566,532	1,563,522
Intangible assets	5	45,902	44,819
Right-of-use assets	6	19,417	20,430
Prepayments for non-current assets		3	3
Investments in associates		2,749	2,628
Other financial assets		451	415
Total non-current assets		1,635,054	1,631,817
Current assets			
Inventories		2,268	1,892
Trade and other receivables	7	66,142	65,744
Prepayments, deferred expenses and assets under contracts with customers		1,468	917
Prepaid income tax		1,009	1,461
Cash and cash equivalents		4,768	4,775
Total current assets		75,655	74,789
Total assets		1,710,709	1,706,606
EQUITY AND LIABILITIES			
Equity			
Authorised share capital	8	259,443	259,443
Revaluation reserve		137,859	141,020
Legal reserve		25,944	25,944
Retained earnings		267,845	237,510
Total equity		691,091	663,917
LIABILITIES			
Non-current liabilities			
Borrowings		463,658	465,633
Lease liabilities		14,476	15,555
Deferred income tax liabilities		11,868	8,417
Liabilities under contracts with customers		206,756	205,332
Grants and subsidies		16,245	15,156
Long-term employee benefits		2,239	2,575
Other non-current liabilities		3	3
Provisions		23,849	23,018
Total non-current liabilities		739,094	735,689
Current liabilities			
Borrowings		160,615	176,268
Current portion of lease liabilities		5,041	5,029
Trade and other payables		63,669	67,351
Accrued expenses and contract liabilities		38,978	46,131
Provisions		12,221	12,221
Total current liabilities		280,524	307,000
Total liabilities		1,019,618	1,042,689
Total equity and liabilities		1,710,709	1,706,606

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

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts are presented in EUR thousand unless otherwise stated

	Note	Q1 2020	Q1 2019 (restated*)
Revenue from contracts with customers	9	127,542	115,363
Other income		1,190	1,342
Purchases of electricity and related services		(49,427)	(52,396)
Purchase (expenses) of natural gas and transmission services		(762)	(1,180)
Depreciation and amortisation		(20,372)	(20,335)
Employee benefits and related social security contributions		(13,303)	(11,131)
Repair and maintenance expenses		(3,435)	(5,845)
Transport		(887)	(442)
Telecommunications and IT services		(2,370)	(2,408)
Utilities		(415)	(537)
Impairment and write-off expenses		(961)	(1,413)
Other expenses		(3,845)	(4,117)
Operating profit		32,955	16,901
Finance income		6	17
Finance costs		(2,434)	(2,406)
Finance costs – net		(2,428)	(2,389)
Share of profit of associates		121	127
Profit before income tax		30,648	14,639
Income tax		(3,450)	(2,210)
Net profit for the period		27,198	12,429
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit plan obligation, net of deferred income tax		(24)	-
Other comprehensive income (loss)		(24)	-
Total comprehensive income for the period		27,174	12,429
Weighted average number of shares		894,630,333	894,630,333
Basic and diluted earnings per share (in EUR) attributable to owners of the Company		0.030	0.014

* Part of amounts does not agree with the condensed interim financial information of Q1 2019 due to the changes in accounting methods as disclosed in Note 4.

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

	Note	Authorised share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2019 (restated*)		259,443	154,834	25,944	189,413	629,634
Comprehensive income						
Net profit for the period (restated*)		-	-	-	12,429	12,429
Total comprehensive income for the period		-	-	-	12,429	12,429
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(3,352)	-	3,352	-
Balance at 31 March 2019 (restated*)		259,443	151,302	25,944	205,374	642,063
Balance at 1 January 2020		259,443	141,020	25,944	237,510	663,917
Comprehensive income						
Net profit for the period		-	-	-	27,198	27,198
Remeasurement of the defined benefit plan obligation, net of deferred income tax		-	-	-	(24)	(24)
Total comprehensive income for the period		-	-	-	27,174	27,174
Transfers to retained earnings (transfer of depreciation, net of deferred income tax)		-	(3,161)	-	3,161	-
Balance at 31 March 2020		259,443	137,859	25,944	267,845	691,091

* Part of amounts does not agree with the condensed interim financial information of Q1 2019 due to the changes in accounting methods as disclosed in Note 4.

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

	Note	At 31 March 2020	At 31 March 2019 (restated*)
Cash flows from operating activities			
Net profit		27,198	12,429
Adjustments for:			
Income tax expense		3,451	2,210
Depreciation and amortisation	5,6	20,628	20,597
Depreciation of grants		(256)	(262)
Share of (profit) of associates and joint ventures		(121)	(127)
(Gain)/loss on disposal and write-off of property, plant and equipment		766	1,138
Finance (income)		(6)	(17)
Finance costs		2,434	2,406
Changes in working capital:			
Trade and other receivables		(307)	8,909
Inventories, prepayments, deferred expenses and accrued income		(1,051)	(516)
Amounts payable for property, plant and equipment		8,951	10,357
Trade and other payables, advance amounts received, accrued expenses and deferred income		(16,883)	(14,590)
Cash generated from operating activities		44,804	42,534
Income tax paid		-	-
Net cash generated from operating activities		44,804	42,534
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(24,094)	(54,628)
Disposal of subsidiaries		56	256
Grants received		1,346	1,484
Transfer of public electricity supply activities		-	27,441
Cash flows from other investing activity		-	(100)
Net cash used in investing activities		(22,692)	(25,547)
Cash flows from financing activities			
Repayments of borrowings		(10,100)	(14,350)
Proceeds from cash-pool (net)		(10,228)	40,222
Lease payments		(1,252)	-
Dividends paid to the Company's shareholders		(27)	(10)
Interest paid		(512)	(22)
Net cash used in financing activities		(22,119)	25,840
(Decrease) increase in cash and cash equivalents		(7)	42,827
Cash and cash equivalents at the beginning of the year (including overdraft balance)		4,775	2,266
Cash and cash equivalents at the end of the period (including overdraft balance)		4,768	45,093

* Part of amounts does not agree with the condensed interim financial information of Q1 2019 due to the changes in accounting methods as disclosed in Note 4.

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 31 March 2020 and 31 December 2019, the Company's shareholder structure was as follows:

	At 31 March 2020		At 31 December 2019	
	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 31 March 2020 and 31 December 2019, 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 31 March 2020 Company's investments in associates comprised of the following:

Associate	Country	Year of acquisition	The Company's ownership interest		Profile of activities
			31 March 2020		
Ignitis grupės paslaugų centras, UAB	Lithuania	2013 m.	26.40%		Information technology and telecommunication, customer service, public procurement organisation and performance, accounting and personnel administration services.

*From 2020 January 1 Company's associates UAB Ignitis grupė paslaugų centras and UAB Verslo Aptarnavimo Centras were reorganized. During the reorganisation Verslo Aptarnavimo Centras UAB, which ceased its activities without the liquidation procedure, was merged with Ignitis Grupės Paslaugų Centras UAB which continues its activities. The assets, rights and obligations of Verslo Aptarnavimo Centras UAB are transferred to the company Ignitis Grupės Paslaugų Centras UAB, and the Company and other shareholders of the reorganised company, except for Ignitis Grupės Paslaugų Centras UAB, receive in return the shares of Ignitis Grupės Paslaugų Centras UAB for no consideration, and accordingly, the share capital of Ignitis Grupės Paslaugų Centras UAB is increased.

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

Associate	Country	Year of acquisition**	The Company's ownership interest		Profile of activities
			At 31 December 2019		
Ignitis grupės paslaugų centras UAB (previously named Technologiju ir Inovacijų Centras UAB)	Lithuania	2013	26.84%		Information technology and telecommunication, and other services to the shareholders
Verslo Aptarnavimo Centras UAB	Lithuania	2014	22.25%		Public procurement organisation and performance, accounting and personnel administration services, customer service

** The Company was established following the reorganisation of LESTO AB and Lietuvos Dujos AB by way of merger. The investments in associates were made by LESTO AB and Lietuvos Dujos AB.

As at 31 March 2020 and 31 December 2019 the Company had no subsidiaries.

As at 31 March 2020, the number of the Company's employees was 2,404 (31 December 2019: 2,374).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

2 Basis of preparation and changes to the Company's accounting policies

2.1 Basis of preparation

Company's condensed interim financial information for the three-month period ended 31 March 2020 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 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

All amounts in the financial statements of the Company are presented in the euros (EUR). All amounts in these financial statements have been rounded to the nearest thousand (in thousand EUR), unless otherwise stated.

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 2019.

2.2 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of this interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company.

a) Adoption of new and/or changed International Financial Reporting Standards (hereinafter "IFRS") and International Financial Reporting Interpretations Committee (hereinafter "IFRIC") interpretations

Amendments to References to the Conceptual Framework in IFRS Standards (published 29 March 2018, effective from 1 January 2020)

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. The IASB has 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 purpose 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. The amendments are endorsed by the EU. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 3: Definition of a Business (published 22 October 2018, effective from 1 January 2020)

The IASB issued amendments to the definition of a business in IFRS 3 (amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, with earlier adoption permitted. The amendments are endorsed by the EU. These amendments had no impact on the financial statements of the Company but may impact future periods if the Company enters to any business combinations.

Amendments to IAS 1 and IAS 8: Definition of a Material (published 31 October 2018, effective from 1 January 2020)

The amendments clarify the definition of 'material' and how it should be applied. New definition clarifies that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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 IFRSs. The amendments are endorsed by the EU. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published 26 September 2019, effective from 1 January 2020)

Amendments to IFRS 9, IAS 39 and IFRS 7 conclude phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. These amendments had no impact on the financial statements of the Company. The amendments are endorsed by the EU.

b) Standards, amendments and interpretations issued but not yet effective and not early adopted

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2020 and have not been early adopted when preparing these financial statements are presented below:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
(published 11 September 2014, effective date not appointed)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IFRS 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. Management has assessed that adoption of new standard will have no significant effect on financial statements of the Company.

IFRS 17: Insurance Contracts (New)
(published 18 May 2017, effective from 1 January 2023)

IFRS 17 changes IFRS 4, which permits entities to continue to use current practices in accounting for insurance contracts. This made it difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a general principle-based standard that sets out accounting requirements for all types of insurance contracts, including reinsurance contracts held by an insurer. The Standard requires the recognition and measurement of classes of insurance contracts: (i) risk-adjusted present value of future cash flows (cash flows from the performance of the contract), which reflects all available information about cash flows from the contract that is consistent with market observable data by adding (if the value is a liability) or subtracting (if the value is an asset); (ii) the amount reflecting unearned profit (contracted service margin) from the group of contracts. Profits from a group of insurance contracts will be recognized by insurers for the duration of the insurance coverage and the moment they transfer the risk. If a group of contracts is or becomes a loss, the entity will recognize the loss immediately. The standard has not yet been endorsed by the EU. This IFRS will not have any impact on the financial position or performance of the Company as insurance services are not provided.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
(published 23 January 2020, effective from 1 January 2022)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The Company is currently assessing the impact of this amendment on their financial statements. These Amendments have not yet been endorsed by the EU.

3 COVID 19 impact on critical accounting estimates, management judgements and estimation uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable. Preparing these interim condensed financial statements the significant management judgements regarding the application of the accounting policies and the main sources were the same as used in preparing financial statements for the year ended 31 December 2019, except those accounting estimates the uncertainty of which is increased due to COVID 19 pandemic. Comparing to the 2019 annual financial statements, these interim condensed financial statements does not include any other new areas where significant and complex decisions have to be made or where assumptions and accounting estimates have had a material effect on these interim financial statement except the COVID 19. The following key areas considered by the Company's management in assessing the impact of COVID 19 are presented below:

- Going concern

Company's management assessed the potential disruptions of cash flow, supply of services or goods, the attraction of sources of financing, the potential reduction in electricity and gas consumption due to economic slowdown, the risk of COVID-19 infection of critical function personnel and the risk of delays in ongoing projects, using all the information available at the time on the risks posed by COVID-19. It should be noted that the final impact of the COVID-19 pandemic on the Company's operations cannot yet be assessed, however, the Company's management did not identify any threats to the Company's business continuity when assessing the potential impact of key COVID-19 factors on the Company's results. The company has taken steps to manage the risks.

- Expected credit losses: financial assets

For the purpose of determining the expected credit losses of amounts receivable, the Company uses the loss coefficient matrix. The loss coefficient matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The Company's management has considered past events, current conditions and future economic conditions in the past and known at 31 March 2020 while estimating the expected credit losses due to the impact of COVID 19. The Company's management determined that the future economic situation due to COVID 19 does not change significantly the estimation of loss coefficient matrix that is used to calculate expected credit loss for Company's financial asset. Company's loss coefficients used in the calculation of expected credit losses at 31 March 2020 were the same as at 31 December 2019.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

- Fair value measurement: property, plant and equipment

Given the indications received from National Energy Regulatory Council (NERC) that the costs related to the management of the COVID-19 pandemics, including the costs of bad debts, will be reimbursed in the subsequent price setting periods of regulated services, the Company's management believes that in the short term the COVID-19 pandemics will have a negative impact on the Company's performance and cash flows, however in the long run respective costs and cash flows will be returned to the Company, accordingly there are no indications of impairment of Company's fixed assets.

- Overall information about the impact of COVID 19

The potential financial impact on the Group's operations due to the situation (both in Lithuania and the world) described above and due to Plan adopted by the Government on the implementation of measures to reduce the consequences of COVID 19 are as follow: (1) cash flows from clients for electricity and gas distribution: payment delays, arrangements on longer debt repayment terms; (2) increase in the percentage of bad debts; (3) cash flow from declining of electricity and gas consumption during the quarantine period and slower recovery of consumption after the period ended.

4 Application of management judgment on changes in accounting methods

Based on changes in accounting methods applied when preparing annual financial statements for the year 2019, the Company applied such changes in preparation of these interim condensed financial statements for the 2020 1st quarter by restating the figures of profit or loss and other comprehensive income of 2019 1st quarter to present fair comparative information. The following restatements for the three month period of 2019 are presented below:

Connection fees

The Company changed the accounting treatment of new customer connection fees by deferring all gas and electricity fees over the useful lives of the related assets (which represents the best management estimate for customer relationship period). According to the management such accounting treatment would more fairly reflect the Company's financial performance and ongoing provision of access to distribution service to the customer, as well as will allow the Company to be better comparable to its peers within the industry.

PSO Services

During year 2019 the Company changed the method of accounting for Public Service Obligations (PSO) by treating the Company as an Agent in relation to the PSO Services. Such decision has been taken after extensive analysis of relevant industry practice and taking into consideration the facts, that the Company is not responsible for PSO projects / initiatives, accordingly not responsible that PSO funds are used for their intended purpose. The Company is not charged to any inventory risk, as well as the Company has no legal power to establish pricing of this component. The changed accounting policy allows the Company to be better comparable to its peers within the industry (especially, where such PSO component is not included in the tariff).

The following corrections for the comparative 3 month period of 2019 information are provided below:

- a) Change in accumulated depreciation and depreciation expenses related to to reversed impairment of gas CGU.
- b) Correction of electricity grid connection fee income: deferral of connection fees initially recognised at the point-in-time during the period of 1 January 2019 till 31 March 2019. Also accounting for related deferred tax change.
- c) Correction of gas grid connection fee income: deferral of connection fees initially recognised at the point-in-time during the period of 1 January 2019 till 31 March 2019. Also accounting for related deferred tax change.
- d) Accounting for over-the-time connection fee income related to b) and c) corrections. Also accounting for related deferred tax change.
- e) Netting of PSO revenue against expenses.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

Retrospectively corrected captions of statement of profit or loss and other comprehensive income:

Correction of 1 Q 2019

	2019-01-31- 2019-03-31 (previously reported)	a) Depreciation of reversed impairment	b) Deferral of electricity connection fees	c) Deferral of gas connection fees	d) Accounting for revenue from connection fee over-the- time	e) netting of PSO revenue	2019-01-31- 2019-03-31 (restated)
Revenue from contracts with customers	141,777	-	(2,203)	(1,353)	324	(23,182)	115,363
Other income	1,342						1,342
Purchases of electricity and related services	(75,578)	-	-	-	-	23,182	(52,396)
Purchase (expenses) of natural gas and transmission services	(1,180)						(1,180)
Depreciation and amortisation	(19,544)	(791)	-	-	-	-	(20,335)
Employee benefits and related social security contributions	(11,131)						(11,131)
Repair and maintenance expenses	(5,845)						(5,845)
Transport	(442)						(442)
Telecommunications and IT services	(2,408)						(2,408)
Rent and utilities	(537)						(537)
Impairment and write-off expenses	(1,413)						(1,413)
Other expenses	(4,117)						(4,117)
Operating profit	20,924	(791)	(2,203)	(1,353)	324	-	16,901
Finance income	17						17
Finance costs	(2,406)						(2,406)
Finance costs - net	(2,389)	-	-	-	-	-	(2,389)
Share of profit of associates	127						127
Profit before income tax	18,662	(791)	(2,203)	(1,353)	324	-	14,639
Income tax	(2,778)	83	330	203	(49)		(2,210)
Net profit for the period	15,884	(707)	(1,873)	(1,150)	275	-	12,429
Other comprehensive income (expenses)	-	-	-	-	-	-	-
Total comprehensive income for the period	15,884	(707)	(1,873)	(1,150)	275	-	12,429
Weighted average number of shares	894,630,333						894,630,333
Basic and diluted earnings per share (in EUR) attributable to owners of the Company	0.018						0.014

Retrospectively corrected captions of statement of cash flows:

Correction of 1 Q 2019

	1Q 2019 (previously reported)	1Q 2019 (restated)	1Q 2019 difference
Cash flows from operating activities			
Net profit for the period	15,884	12,429	(3,455)
Adjustments for:			
Income tax expenses	2,778	2,210	(568)
Depreciation and amortisation	19,806	20,597	791
Amortisation of grants	(262)	(262)	-
Share of (profit) of associates	(127)	(127)	-
(Gain)/loss on disposal and write-off of assets	1,138	1,138	-
Finance (income)	(17)	(17)	-
Finance costs	2,406	2,406	-
Changes in working capital:			
Trade and other receivables	8,909	8,909	-
Inventories, prepayments, deferred expenses and assets under contracts with customers	(516)	(516)	-
Amounts payable for property, plant and equipment	10,357	10,357	-
Trade and other payables, advance amounts received and liabilities under contracts with customers	(17,822)	(14,590)	3,232
Cash generated from operations	42,534	42,534	-
(Paid)/Realized income tax paid	-	-	-
Net cash flows generated from operating activities	42,534	42,534	-
Net cash flows used in investing activities	(25,547)	(25,547)	-
Net cash generated from (used in) financing activities	25,840	25,840	-
Net increase (decrease) in cash and cash equivalents	42,827	42,827	-
Cash and cash equivalents (including the overdraft balance) at the beginning of the period	2,266	2,266	-
Cash and cash equivalents (including the overdraft balance) at the end of the period	45,093	45,093	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

5 Intangible assets and property, plant, and equipment

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

Company	Intangible assets	Property, plant and equipment
The period ended at 31 March 2020		
Net book value at the beginning of the period	44,819	1,563,522
Additions	1670	22,675
Sales	-	(56)
Write-offs	(1)	(765)
Amortisation /depreciation	(586)	(18,844)
Net book value at 31 March 2020	45,902	1,566,532

6 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 31 March 2020	
Net book value at the beginning of the period	20,430
Additions	627
Write-offs and disposals	(442)
Depreciation	(1,198)
Net book value at 31 March 2020	19,417

7 Trade and other receivables

	At 31 March 2020	At 31 December 2019
Trade receivables for electricity	35,539	31,132
Trade receivables for distribution of natural gas	899	1,173
Other trade receivables	555	819
Trade and other receivables from related parties (Note 10)	31,715	34,746
Current portion of mortgage loans	45	56
Other receivables	430	525
Less: expected credit losses for doubtful receivables	(2,812)	(2,707)
Total	66,142	65,744

8 Share capital

As at 31 March 2020 and at 31 December 2019, 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.

9 Revenue from contracts with customers

During the three month period of 2020, revenue from contracts with customers comprised the following:

Q1 2020	Electricity supply and distribution segment	Gas distribution segment	Total
Revenue from electricity transmission	106,203	-	106,203
Revenue from gas distribution	-	12,637	12,637
Revenue from guaranteed electricity supply	5,377	-	5,377
Revenue from connection of new customers	2,172	300	2,473
Income from equipment transfer	852	-	852
Total	114,605	12,937	127,542
Moment of revenue recognition:			
At point in time upon rendering the service	852	-	852
Recognised over time	113,753	12,937	126,690
Total	114,605	12,937	127,542

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

During the three month period of 2019 (restated*), revenue from contracts with customers comprised the following:

Q1 2019 (restated*)	Electricity supply and distribution segment	Gas distribution segment	Total
Revenue from electricity transmission	88,484	-	88,484
Revenue from gas distribution	-	13,917	13,917
Revenue from guaranteed electricity supply	9,981	-	9,981
Revenue from connection of new customers	2,031	271	2,302
Income from equipment transfer	678	-	678
Total	101,175	14,188	115,363
Moment of revenue recognition:			
At point in time upon rendering the service	678	-	678
Recognised over time	100,497	14,188	114,685
Total	101,175	14,188	115,363

*Part of amounts does not agree with the condensed interim financial information of Q1 2019 due to the changes in accounting methods as disclosed in Note 4.

10 Segment reporting

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

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

Company's information about operating segments for the three-month period ended 31 March 2020 is presented below:

2020	Electricity supply and distribution	Gas distribution	Total
Revenue under contracts with customers	114,605	12,937	127,542
Other income	723	467	1,190
Expenses	(68,187)	(6,257)	(74,444)
EBITDA	47,141	7,147	54,288
Depreciation and amortisation	(17,213)	(3,159)	(20,372)
Impairment and write-off expenses	(910)	(51)	(961)
Operating profit	29,018	3,937	32,955
Finance income	5	1	6
Finance (costs)	(1,981)	(453)	(2,434)
Share of (profit) of associates	109	12	121
Profit before income tax	27,151	3,497	30,648
Income tax	(3,110)	(340)	(3,450)
Net profit for the period	24,041	3,157	27,198

Company's information about operating segments for the three-month period ended 31 March 2019 (restated*) is presented below:

2019 (restated*)	Electricity supply and distribution	Gas distribution	Total
Revenue under contracts with customers	101,175	14,188	115,363
Other income	428	914	1,342
Expenses	(72,075)	(5,982)	(78,056)
EBITDA	29,528	9,121	38,649
Depreciation and amortisation	(17,082)	(3,253)	(20,335)
Impairment and write-off expenses	(1,379)	(34)	(1,413)
Operating profit	11,067	5,834	16,901

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

Finance income	14	3	17
Finance (costs)	(2,008)	(398)	(2,406)
Share of (profit) of associates	106	21	127
Profit before income tax	9,179	5,460	14,639
Income tax	(2,992)	782	(2,210)
Net profit for the period	6,187	6,242	12,429

*Part of amounts does not agree with the condensed interim financial information of Q1 2019 due to the changes in accounting methods as disclosed in Note 4.

11 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 March of 2020 and the balances arising on these transactions as at 31 March 2020 are as follows:

Related parties	Borrowings	Amounts payable	Right-of-use assets	Accrued expenses	Amounts receivable	Prepayments and deferred charges	Purchases	Sales	Interest expense of borrowings
Parent company UAB „Ignitis grupė“	582,249	166	42	-	-	-	356	-	2,565
Associates	1,088	3,770	-	-	230	-	3,789	-	1
UAB „Ignitis grupė“ group companies	40,937	1,127	8,619	382	21,370	-	4,057	54,227	53
EPSO-G UAB group companies	-	23,926	-	-	10,115	369	42,793	75	-
Total	624,274	28,989	8,661	382	31,715	369	50,995	54,302	2,619

The Company's transactions with related parties between January and March of 2019 and the balances arising on these transactions as at 31 December 2019 are presented below:

Related parties	Borrowings	Amounts payable	Right-of-use assets	Accrued expenses	Amounts receivable	Prepayments and deferred charges	Purchases	Sales	Interest expense of borrowings
Parent company UAB „Ignitis grupė“	608,689	159	65	-	-	-	295	-	2,341
Associates	892	4,867	-	90	-	-	4,132	-	-
UAB „Ignitis grupė“ group companies	32,320	1,355	11,596	3,959	27,649	-	12,927	50,453	53
EPSO-G UAB group companies	-	24,945	-	-	7,097	401	46,926	199	-
Total	641,901	31,326	11,661	4,049	34,746	401	64,280	50,652	2,394

Compensation to key management personnel

Company	As at 31 March 2020	As at 31 March 2019
Wages and salaries and other short-term benefits to management personnel	138	145
Whereof: termination benefits	-	3
Number of key management personnel	6	6

The management includes heads of administration (including the board of the Company).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

All amounts are presented in EUR thousand unless otherwise stated

12 Events after the reporting period

2020 April 3 The Company's parent company UAB Ignitis grupė has started repurchasing the Company's shares owned by minority shareholders. EUR 0.880 was paid for one share of the Company. 2020 April 22 the official offer to purchase the Company's shares has been completed. UAB Ignitis grupė plans to initiate the mandatory share repurchase of the Company and in the near future to apply to the Supervisory Authority of the Bank of Lithuania with a request to coordinate the mandatory share repurchase prices.

2020

ENERGIJOS SKIRSTYMO
OPERATORIUS AB
INTERIM REPORT

REPORT FOR A THREE-MONTH PERIOD ENDED 31 MARCH 2020



eso

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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 March 2020.

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	E-mail
Chief Executive Officer	Mindaugas Keizeris	investuotojams@eso.lt
Finance and Administration Service Director	Augustas Dragūnas	investuotojams@eso.lt
Director of Finance Department	Artūras Paipolas	investuotojams@eso.lt

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 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 indicators¹

Key operating indicators of ESO					
		1–3 months of 2020	1–3 months of 2019	Change +/- %	
Operating indicators					
Distributed electricity via medium and low voltage networks	TWh	2.53	2.54	-0.01	-0.39
Guaranteed supply of electricity	TWh	0.13	0.15	-0.02	-13.33
Distributed volume of natural gas	TWh	2.41	2.76	-0.35	-12.68
Supply quality indicators of the network					
Electricity	SAIDI (with <i>force majeure</i>)	min.	144.55	26.17	118.34
	SAIFI (with <i>force majeure</i>)	times	0.43	0.35	0.08
Gas	SAIDI (with <i>force majeure</i>)	min.	0.050	0.210	-0.160
	SAIFI (with <i>force majeure</i>)	times	0.001	0.002	-0.001
Key financial indicators of ESO²					
		1–3 months of 2020	1–3 months of 2019 ⁵	Change +/- %	
Revenue from contracts with customers	EUR '000	127,542	115,363	12,179	10.6
Other income	EUR '000	1,190	1,342	-152	-11.3
Purchase of electricity, gas and related services	EUR '000	50,189	53,576	-3,387	-6.3
Operating expenses	EUR '000	24,255	24,480	-225	-0.9
EBITDA	EUR '000	54,288	38,649	15,639	40.5
EBITDA margin	%	42.2	33.1		
Adjusted EBITDA ³	EUR '000	59,782	54,982	4,800	8.7
Net profit (loss)	EUR '000	27,198	12,429	14,769	118.8
Free cash flow	EUR '000	22,112	16,987	5,125	30.2
		At 31/03/2020	At 31/12/2019 ⁵	Change +/- %	
Total assets	EUR '000	1,710,709	1,706,606	4,103	0.2
Equity	EUR '000	691,091	663,917	27,174	4.1
Borrowings	EUR '000	624,273	641,901	-17,628	-2.7
Borrowings, net	EUR '000	619,505	637,126	-17,621	-2.8
Return on equity ratio (ROE)	%	7.24	5.31		
Return on assets (ROA)	%	2.87	2.05		
Turnover of assets ⁴	times	0.07	0.07		
Equity ratio	%	40.4	38.9		
Borrowings, net / 12-month EBITDA	times	4.1	3.7		
Borrowings, net / 12-month adjusted EBITDA	times	3.3	3.8		
Borrowings, net / Equity	%	89.6	96.0		

¹ This Report includes certain financial measures of historical financial performance, financial position, or cash flows, which are not defined or specified under IFRS ("Alternative Performance Measures"). The Company considers that these measures are relevant and reliable in assessing the Company's financial performance and position, however such measures are not a substitute for financial measures under IFRS and should be read in conjunction with Company's published financial statements

² Alternative performance measures used by the Company can be found here <http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVZG4xbW81dGpzMm1yamVmNWI=>

³ The Company adjusted the EBITDA by the difference between actual profit earned during the reporting and earlier periods and the allowable return on investments for the respective periods established by the National Energy Regulatory Council (hereinafter "the NERC") and made a new customers income adjustment by eliminating new customers' deferred income and restoring the net income effect of the new customers for the current year, as well as eliminated the impact of other atypical, one-time factors that are not directly attributable to the current period. The difference resulted from the operational efficiency improved by the Company, as well as other factors. More information about adjusted EBITDA is provided in the section "EBITDA".

⁴ Revenue from contracts with customers was used for the calculation of the ratio.

⁵ Comparative indicators were recalculated.

CEO'S FOREWORD

Dear all,

The first quarter of year 2020 differs significantly from the previous quarters. The activities in many business sectors and enterprises operating there have changed essentially – ESO is not an exception. COVID-19 has not affected some single or several economic sectors. Its impact is much larger: it has affected economics, health system, supply chains, consumption and other areas, i.e. in essence, part of underlying items that are interrelated and thus, affect each other. In any case, the activities of ESO as an enterprise of infrastructure could not and did not stop. Distribution of electricity and gas has to be safeguarded even in such periods, and interrupted supply has to be restored as soon as possible.

The quarantine forced to adjust to the changed situation rapidly – to reorganize the activities, to create possibilities for remote work of large scope (more than 50% of ESO employees are working in remote mode), to focus on additional indexes relevant for this period, to observe them every day, and to make respective decisions. We reduced scope of work in distribution networks of electricity and gas in the second half of March or we organized the works in such a way as to cause as little inconveniences for residents staying at home as possible, and not to disconnect the electricity lines to medical institutions. We have been performing only works of removal of defects and failures necessary for clients or important for reliability of the distribution network of gas and electricity, and connection of new clients, so that other unexpected disconnections of electric lines and gas pipes could be avoided.

We have observed that electricity use since the beginning of the quarantine has reduced by 5% on average, if compared to the same period in 2019 (business enterprises and residents were assessed together).

Thus, we take measures to postpone debt repayment terms for the clients, to accelerate payment of the contractors' works in the ESO network.

We communicate with the clients only via the remote channels. Such mode of communication raised no challenges because we decided to use smart and modern communication method in autumn 2019 already and closed all the ESO client servicing centres on 1 January 2020. A convenient system of phone service and self-service was created. It allows the clients to submit applications in remote mode, to order services and to get answers to their questions. We increased number of employees working at toll-free phone line 1852.

Simultaneously to the quarantine's declaration, the storm Laura reached Lithuania from the 12th to the 13th of March. The record whirlwind wind of 28-31 m/s left more than 250 thousand of residents without electricity. However, the record number of ESO and contractors' teams was mobilized and thus more than 90 percent of the storm's consequences were eliminated and electricity was restored in the record time -only in two or three days. The electricity supply was restored to 42 percent of the clients within the first 12 hours, and 90 percent of failures were corrected or electricity supply was restored for almost 225 thousand of households within 48 hours.

The hurricane Erwin of such a scope stroke Lithuania for the last time in 2005. The electricity disorders were eliminated in twice as long terms at that time in Samogitia. By the way, the catchy wind did not allow Samogitia to take a breath on the next day after the storm of 2020 already. It caused new failures. However, despite of all the natural cataclysms, when consequences of Laura were removed, not only good preparation for liquidation of storm consequences, but also understanding that people cannot live without electricity under the already difficult circumstances of the quarantine helped. The sense of duty and commitment of the ESO persons resulted in uninterrupted work of almost one thousand specialists for three days – more than 320 teams of ESO and its contractors were formed, 100 bucket trucks were working in various locations of the country, and ESO call centre 1852 was receiving 1500 - 2000 calls per hour. Some one thousand notices reached the company through social networks, via the website eso.lt, text messages or by e-mail.

During January–March 2020 ESO's revenue totalled EUR 128.7 million, which is 10.3% more than in the same period in 2019. Positive impact on the Company's revenue compared to the previous reporting period had on average 11 per cent higher price of power distribution service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulatory authority. The main source of ESO revenue was distributing of electricity (its revenue made 82.5 percent of the Company's income). Gas distribution revenue amounted to 9.8 percent. from total income.

ESO earned 59.8 million euros of corrected earnings before interest, taxes, depreciation and amortization (corrected EBITDA) in January-March 2020 – 8.7 percent more than one year ago, when his index was 55.0 million euros. Such dynamics of the KPI is maintained by effective activities of the Company and growing base of regulatory assets.

The investments in the 1st quarter of 2020 reached EUR 23.5 euros – 49.2% less than in the same period in 2019. ESO invested EUR 12.8 million into expansion of electricity distribution network in January-March 2020 – it is 41.4% less than in January-March 2019. The change in investment was mainly due to decrease in new customers connection fees and 2020 postponement of the first quarter of reconstruction works of electricity network objects for later periods.

It is worth noting that reliability indicators of electricity distribution were worse, when compared to the 1st quarter of 2019. The system average interruption duration index (SAIDI) affected by force majeure in January-March 2020 per one client was 144.6 minutes. Thus, it increased by 118.4 minutes, when compared to the same period in 2019 (SAIDI in January-March 2019 was 26.2 min.). It was largely affected by storm Laura that stroke on the 12th-13th of March, and the recurrent wind waffs. The

reliability indicators in the gas sector have improved: system average interruption duration index (SAIDI) affected by force majeure in January-March 2020 per one client was 0.05 minutes. Thus, it decreased by 0.16 minutes, when compared to the same period in 2019 (SAIDI in January-March 2019 was 0.21 min.).

If influence of the storm Laura on electricity distribution indexes had not been taken into consideration, the significant improvement in electricity supply reliability indicators would have been recorded in January-March 2020: if compared to the same period in 2019, SAIDI index would reach 16.86 minutes and, if compared to the same period in 2019 (26.21), would have decreased by 9.35 minutes.

Of course, the crises have their beginning and end that is awaited by everyone. One of the well-established facts is that it is necessary to be prepared for surprises and crises, and that plans of business continuity cannot be simply put on paper or regarded as theoretical. Safeguarding of performance continuation and its reorganization by passing to remote work was quite smooth even during the biggest storm in the last 15 years. One more important stage is waiting before we resume ordinary rhythm (that will probably differ from the former) – it is a phase of consistent return. It is like walking on the rope – walking cannot be neither slow nor fast. So, it will be especially important to safeguard balance between the desire to return quicker and safe and healthy return.

Probably everyone will be more cautious after the crisis and will have more serious attitude towards general risk control and preparation for future crises. On the other hand, the priority to the network's reliability, the network's smartness and digitization, effective activities, and empowering of the market – strategic trends of ESO – will be preserved.

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

MOST SIGNIFICANT EVENTS AT THE COMPANY DURING THE REPORTING PERIOD

Regarding the decision to appeal the judgement

ESO informs that on 6 January 2020 appealed to District Court of Vilnius City regarding the 31 December 2019 decision to apply temporary protection measures and suspend the resolutions of the Extraordinary General Meeting of Shareholders of ESO adopted on 4 December 2019. In ESO view, the temporary protection measures and suspension of the delisting process were unreasonable and the real reason of the initiated litigation is the aim to dispute the purchase price of ESO shares which is not the subject of the Extraordinary General Meeting of Shareholders.

Regarding the information submitted to the Bank of Lithuania about official tender circular

ESO informs that its parent company Ignitis Group UAB (UAB Ignitis Grupė), based on the consultation with the Bank of Lithuania, published information that official tender circular of ESO was submitted to Bank of Lithuania. It is noteworthy that this circular and the specified prices in this circular are not approved by the Bank of Lithuania yet. In the official tender circular of ESO which was submitted to the Bank of Lithuania by the voluntary tender offer of Ignitis Group UAB, it is specified that the price to be paid for one share of ESO amounts to EUR 0.880. This price is equal to the 6-month weighted average, until the day of announcement about intention to delist shares from trading on a regulated market (from 9 May 2019 until 8 November 2019 inclusive), of the stock market price which is equal to EUR 0.703 and the bonus which is equal to EUR 0.177. This bonus is paid by taking into consideration that it is intended to initiate mandatory buyout of ESO's shares after implementing the official tender for smooth implementation of the official tender.

Regarding the alignment of investment plan in the electricity sector of 2019

On 28 January 2020, the National Energy Regulatory Council approved the Company's investment projects in the electricity sector for 2019 submitted in the list of jointly coordinated investments, the total value of which is not more than EUR 91,3 million. In 2019, most of the investments in the electricity sector were allocated to the renovation and/or modernization of the 35–6 kV power grid and 0.4 kV power grid, communication and control systems, software.

Regarding judgement of Vilnius Regional Court of 28 January 2020 in the civil case

Vilnius Regional Court passed a judgement in the civil case on 28 January 2020, where it satisfied partially the claim of plaintiff Vilniaus energija UAB against ESO and recognized that Vilniaus energija UAB had been discriminated with regard to other combined heat and power plants. The court adjudged losses of EUR 2,2 million from ESO for behalf of Vilniaus energija UAB and 6% annual interest from the adjudged amount calculated from the day when the civil case was lodged in the court until complete execution of the judgement. Vilniaus energija UAB asked in another part to recognize that it had been discriminated with regard to supplier of balancing energy and to adjudge reimbursement of losses from ESO. This part of the civil claim of Vilniaus energija UAB was rejected. ESO and Vilniaus energija UAB have a right in 30 days to appeal the judgement of Vilnius Regional Court in accordance with legal acts.

Planned investigation of the Supervision Service of the Bank of Lithuania completed with no infringements

27 January 2020 ESO have received the notification from by the Supervision Service of the Bank of Lithuania (hereinafter – “the SSBL”) informing the Company that the SSBL completed 24 September – 16 December 2019 planned investigation. The SSBL informs the Company that no infringements have been found concerning ESO's accounting and financial statements: IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and annual Corporate Social Responsibility Report with the legislation. The SSBL identified quality deficiencies regarding disclosure in the Annual Report. As a consequence, ESO took action to address deficiencies in the calculation of alternative performance indicators and their

disclosure by the date of completion of the investigation. Any remaining recommendations and guidance on regulatory compliance of the Corporate Social Responsibility Report will be implemented in the Annual Report 2019. SSBL will be informed by ESO on the recommendation implementation progress and status in accordance with the procedure established by law.

The Court upheld the decision to apply the temporary protection measures

Vilnius Regional Court on 13 February 2020 issued a ruling that rejected the complaint by ESO and left in effect a decision of District Court of Vilnius City of 31 December 2019. The court ruled that there is no ground to state that the lawsuit of a few minority shareholders is a frivolous one until the case is heard and the evidence is considered by the court. Meantime, plausible validity of the lawsuit is enough to apply temporary protection measures.

Minority shareholders of its subsidiaries ESO reached a settlement

In order to ensure smooth processes related to the delisting and squeeze-out procedures, on 17 March Ignitis Group reached a settlement agreement with the Investors' Association representing the minority shareholders of ESO. On the same day, plaintiffs of the above-mentioned cases filed the waivers.

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

On 17 March 2020 the Management Board of the Company convenes the Ordinary General Meeting of Shareholders, to be held on 30 April 2020. All statutory information related to the convened Ordinary General Meeting of Shareholders and annexes to issues on the agenda of such meeting shall be announced on the website of the Company www.eso.lt and in the home page of Nasdaq Vilnius following the procedure established by the law.

Regarding the decision adopted by the National Energy Regulatory Council

The National Energy Regulatory Council on 17 March 2020 adopted a decision imposing a sanction on ESO. The Council adopted a decision of a warning for the violations detected in the act of unplanned inspection of regulated activities of ESO on 23 August 2019. In the opinion of the Company, the violations identified by the Council were mainly related to the qualification of electricity transmission interruptions (attribution of specific reasons) but did not affect the electricity supply to consumers.

Court approved waiver of claims of minority shareholders of ESO

On 18 March 2020 District Court of Vilnius City passed resolution approving waiver of claims of minority shareholders of ESO and terminating civil case.

Regarding approval of the official tender offer circular of AB Energijos skirstymo operatorius shares

On 30 March 2020 the Supervision Service of the Bank of Lithuania approved non-competitive official tender offer circular regarding the shares of the Ignitis Group subsidiaries ESO.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

The start of the official tender offer for shares of ESO

Ignitis Group begins the official tender offer for the shares of the subsidiary on 3 April 2020. The period of the official tender offer during which the shares will be available for sale, will last for 20 days until 22 April (inclusive). The price paid for one share of ESO is 0.880 EUR. The official tender offer will be implemented through Nasdaq Vilnius together with SEB bank.

Regarding the opinion on the announced official tender offer of the board of ESO

On 30 March, 2020 the Supervision Service of the Bank of Lithuania approved UAB "Ignitis grupė" non-competitive official tender offer circular regarding the shares of the Company. The beginning of the official tender offer – 3 April, 2020, the end – 22 April, 2020. In accordance to Law on Securities, the management bodies of the company whereof shares are covered by the official tender offer, must announce their opinion on the official tender offer within 10 days of the date of publication of the circular approved by the supervisory authority.

Regarding the Ordinary General Meeting of Shareholders of ESO to be held on 30 April 2020

On 17 March 2020 the Company published a notification on material event regarding the convocation, agenda and proposed draft resolutions of the Company's Ordinary General Meeting of Shareholders. The Company's Ordinary General Meeting of Shareholders will be held on 30 April 2020. The Company informs the shareholders of the Company that all shareholders shall have a right to participate in the general meeting of shareholders only by one of alternative mean, foreseen in the Law on Companies of the Republic of Lithuania – by filling the general ballot paper and providing it in advance to the Company. It should be noted that the Company's Ordinary General Meeting of Shareholders will not be held at the Company's registered office.

Regarding the end of Ignitis Group UAB official tender offer for shares of ESO

Ignitis Grupė informs that on 22 April 2020 the official tender offer for the shares of the subsidiary ESO has ended. Ignitis Group UAB plans to initiate the mandatory repurchase of shares of the subsidiaries and apply to the Supervision Service of the Bank of Lithuania with a request to coordinate the prices of mandatory share repurchase. Ignitis Group UAB plans to provide the same prices for required share buy-out as those which were paid during the tender offers. It is planned to offer EUR 0.880 for one share of ESO.

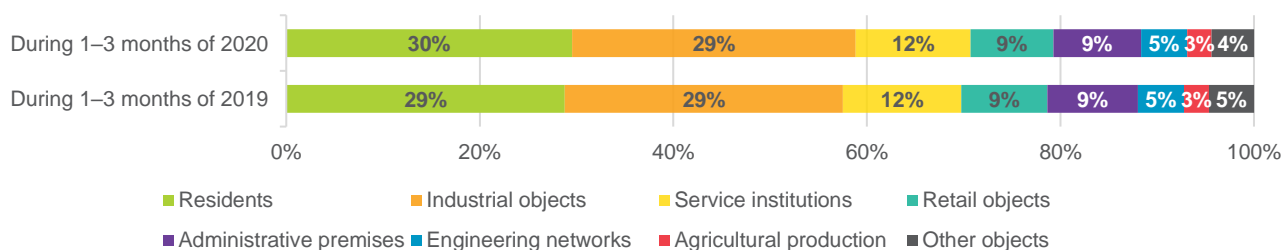
ANALYSIS OF THE OPERATING AND FINANCIAL INDICATORS

Electricity distribution

ESO owns and operates more than 125.628 thousand kilometres of electricity lines: 68.6% of them consist of overhead electricity lines, and 31.4% of electricity cables. During January–March 2020, the Company distributed to customers 2.53 billion kWh of electricity (January–March 2019: 2.54 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 13.33%. The volume of electricity distributed decreased by 0.39 % compared to the same period of 2019. Technological costs in distribution equipment incurred by the Company during January–March 2020 amounted to 169.6 million kWh or 6.29% of the amount of electricity received. During the same period of 2019, technological costs totalled 7.19% (197.2 million kWh).

Around 30.3% of the electricity distributed by ESO during January–March 2020 were consumed by residents. Industrial objects and service institutions consumed 29.3% and 11.9%, respectively, of electricity distributed, other objects 28.5%. There were no significant changes in the structure of electricity distribution volume by object as compared to the data of January–March 2019.

Figure 1. Electricity distribution volume by object



Electricity supply quality indices (SAIDI, SAIFI)

In January–March 2020, 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 144.6 minutes and compared with the same period of 2019 increased by 118.4 minutes (in January–March 2019, SAIDI was 26.2 minutes). In January–March 2020, the average number of unscheduled long interruptions per customer (System Average Interruption Frequency Index (SAIFI)), including effects of natural phenomena (force majeure) per customer, 0.43 times and was by 0.08 times larger than in January–March 2019 when this indicator amounted to 0.35 times.

The significant impact on such a significant deterioration in indicators had a storm LAURA raged on March 12-13, which SAIDI was 127.69 minutes (88% of the value of the SAIDI indicator for the whole reporting period) accordingly SAIFI index reached 0.2 times (42% of the value of the SAIFI indicator for the whole reporting period). The hurricane Erwin of such a scope stroke Lithuania for the last time in 2005. The electricity disorders were eliminated in twice as long terms at that time. However, at this time, more than 90-99 percent of the storm's consequences were eliminated and electricity was restored in the record time -only in two or three days.

If influence of the storm Laura on electricity distribution indexes had not been taken into consideration, the significant improvement in electricity supply reliability indicators would have been recorded: in January-March 2020, if compared to the same period in 2019, SAIDI index would reach 16.86 minutes and, if compared to the same period in 2019 (26,21 minutes), would have decreased by 9.35 minutes, while SAIFI index would reach 0.23 times, and if compared to the same period in 2019 (0,35 times), it would have decreased by 0.12 times.

The duration of interruptions due to reasons attributable to the operator's responsibility in January–March 2020 amounted to 7.95 minutes, decreased 3.57 min., whilst in January–March 2019 it was 11.52 minutes.

Figure 2. Electricity supply reliability indices



Natural gas distribution

The Company operates more than 9.54 km distribution gas pipelines. In January–March 2020, the network of gas pipelines increased by almost 62 km and January–March 2019 – by 94 km. During January–March 2020, ESO transported 2.4 billion kWh of natural gas via gas distribution pipelines, which is 12.7% less than in the same period in 2019.

Gas distribution volumes decreased during January–March 2020 mostly due to lower gas consumption during January–March as a result of a higher average weather temperature, especially in January and February compared to 2019.

Natural gas supply quality indices (SAIDI, SAIFI)

During January–March 2020 the quality of natural gas supply has significantly improved, compared to 2019 the same period. During January–March 2020, the system average interruption duration index (SAIDI with *force majeure*) for the gas network per customer reached 0.05 minutes, which is 0.16 minute less compared to the same period in 2019 (January–March 2019: SAIDI was 0.21 minutes). During January–March 2020, the system average interruption frequency index (SAIFI with *force majeure*) per customer reached 0.001 time (January–March 2019: 0.002 time). The main reason of improving ratios is supply disruptions for a smaller number of customers (135 customers) comparing with the same period of 2019 (484 customers), when in first quarter of 2019, one natural gas pipeline damage case the supply of gas stopped to 216 customers, which accounted for 21% value of the whole SAIFI indicator.

Revenue

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

	During 1–3 months of 2020	During 1–3 months of 2019 ¹
Revenue from electricity distribution	82.5	75.8
Revenue from gas distribution	9.8	11.9
Revenue from guaranteed electricity supply	4.2	8.6
Connection of new customers	1.9	2.0
Other income	1.6	1.7

¹ Comparative indicators were recalculated

During January–March 2020, ESO's revenue totalled EUR 128.7 million, which is 10.3% more than in the same period in 2019. Positive impact on the Company's revenue compared to the previous reporting period had on average 11% higher price of power distribution service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulatory authority. Electric power distribution is the main source of the Company's revenue.

During January–March 2020, electricity distribution revenue comprised 82.5% of the Company's total revenue. Revenue from natural gas distribution made up 9.8% of the Company's total revenue.

Expenses

In January–March 2020, the costs of purchase of electricity, natural gas or related services amounted to EUR 50.2 million. Compared with the same period of 2019, they reduced by 6.3 %. This was mainly influenced by decrease in the purchase price of the electricity and quantity. During the reporting period, the costs of purchase of electricity, natural gas or related services and depreciation and amortisation costs accounted for EUR 70.6 million or for 73.7 % of total costs incurred by ESO.

Operating costs totalled EUR 24.3 million – were by 0.9 % less than during the same period of 2019. Employee benefits and related social security contributions increased by 19,5 % due to higher bonuses for employees for eliminating the effects of the storm "LAURA", higher holiday reserve costs and lower wage capitalization for investment projects.

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

	During 1–3 months of 2020	During 1–3 months of 2019 ¹	Change 2020/2019
Employee benefits and related social security contributions	13,303	11,131	19.5%
Other expenses	3,845	4,117	-6.6%
Repair and maintenance expenses	3,435	5,845	-41.2%
Telecommunications and IT services	2,370	2,408	-1.6%
Transport	887	442	100.7%
Rent and utilities	415	537	-22.7%
Total operating expenses	24,255	24,480	-0.9%

¹ Comparative indicators were recalculated

EBITDA

Table 4. EBITDA indicator¹

	During 1–3 months of 2020	During 1–3 months of 2019 ²
EBITDA, EUR '000	54,288	38,649
Recalculation of regulated income of the current period (will be implemented in the future periods) (1)	-13,402	-2,164
Recalculation of regulated income from previous periods (will be implemented in the current period) (2)	17,432	17,310
Other corrections (3)	1,464	1,187
Adjusted EBITDA, EUR '000	59,782	54,982
EBITDA margin, %	42.17	33.12
Adjusted EBITDA margin, %	46.44	47.11

1- Alternative performance measures used by the Company can be found here <http://www.eso.lt/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWl5cmk4dTVlZG4xbW81dGpzMm1yamVmnNWl=>

2- Comparative indicators were recalculated

- (1) 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, depreciation an amortisation expenses, return on investment, 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.lt), in the price approval certificates. Income components of regulated activity for each quarter of the year 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.lt), in the price approval certificates. Income components of regulated activity for 3 months are calculated in proportion to the Company's planned monthly amounts;
- (3) Adjusted EBITDA includes adjustment of the changes in income accounting principles (15 IFRS) of new customers (hereinafter – NC). Management estimates that elimination of NC deferred income by adding NC generated cash flow for the current year enables to reflect the Company's result for the reporting period more accurately and to better compare the results between the periods. Such calculation of the indicator shows generated cash flow and income by the Company for the services provided to the NC during the reporting period when those services were provided, i.e. fulfilment of the contractual connection obligations to the customers. Other results of irregular activities (one-off or other factors that are not related to the current period) are eliminated as well e.g. result of public electricity supply activity's transaction, result of selling Company's non-current assets etc.

Regulator's statements based on which the recalculation of regulated income of 2020 was done:

- 21 October 2019: Nr. O5E-538 „Regarding adjustment of natural gas distribution income cap of AB Energijos skirstymo operatorius for 2020 (https://www.regula.lt/SiteAssets/posedziai/2019-10-31/eso_pazyma_1.pdf);
- 16 October 2019: Nr. O5E-517 “Regarding the Recalculation of Price Caps of Services of Distribution on Medium and Low Voltage Networks of AB Energijos skirstymo operatorius for 2020 (<https://www.regula.lt/SiteAssets/posedziai/2019-10-17/eso-kvr.pdf>)

During January–March 2020, the Company's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 54.3 million, which is 40.5% more than in January–March 2019. Such dynamics of the index was caused by higher revenue of electricity distribution and lower purchase price of electricity.

Adjusted EBITDA increased by 8.7 %. Such dynamics of the index was influenced by growing value of regulated assets.

Profit (loss) and profitability ratios

During January–March 2020, ESO's net profit totalled EUR 27.2 million, which is 118.8 % more than in the same period in 2019. Increase in net profit was caused by the same reasons as the growth of EBITDA.

Table 5. ESO's profitability ratios¹, %

	During 1– 3 months of 2020	During 1–3 months of 2019 ²
Net profit margin	21.13	10.65
Operating profit margin	25.60	14.48

1- [Alternative performance measures used by the Company can be found here http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RvdtSUQ9YWI5cmk4dTVIZG4xbW81dGpzMm1yamVmNWl=](http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RvdtSUQ9YWI5cmk4dTVIZG4xbW81dGpzMm1yamVmNWl=)
2- Comparative indicators were recalculated

Investments

During January–March 2020, ESO's investments in the electricity and gas distribution networks amounted to EUR 23.531 million, which is 49.2% less than during January–March 2019, when investments totalled EUR 46.350 million.

Table 6. ESO's investments¹, EUR '000

	During 1–3 months of 2020	During 1–3 months of 2019 ²
Renewal of the electricity distribution network	3,794	10,051
Expansion of the electricity distribution network	12,799	21,829
Construction of gas systems	951	514
Reconstruction of gas systems	5,359	13,446
Other (IT, management systems, etc.)	628	510
Total investments	23,531	46,350

- 1- [Alternative performance measures used by the Company can be found here http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RvdtSUQ9YWI5cmk4dTVIZG4xbW81dGpzMm1yamVmNWl=](http://www.eso.it/en/for-investors/alternative-performance-measures.html?sr=RvdtSUQ9YWI5cmk4dTVIZG4xbW81dGpzMm1yamVmNWl=)
2- Comparative indicators were recalculated

During January–March 2020, ESO's investments allocated for the renewal of the electricity distribution network amounted to EUR 3.794 million, which is 62.3% less compared to January–March 2019. During January– March 2020, investments in the expansion of the electricity distribution network amounted to EUR 12.799 million, which is 41.4% less than in the same period of 2019. The change in investment was mainly due to decrease in new customers connection fees and postponement of the 2020 first quarter reconstruction works of electricity network objects to later periods.

During January–March 2020, ESO connected 8,555 new customers to the electricity distribution network, which is 4.8% more than in January–March 2019, when 8,160 new customers were connected. During January–March 2020, the admissible electric power of objects of newly connected customers was equal to 90.6 thousand kW, which is 9.2% less than during January–March 2019, when the admissible power was equal to 99.8 thousand kW.

During January–March 2020, ESO's investments in the construction and reconstruction of gas systems amounted to EUR 5.359 million, which is 60.1% more compared to January–March 2019, when investments totalled EUR 13.446 million. ESO invested EUR 0.951 million in the reconstruction of gas systems, which is 84.9 % more than in the same period of 2019. During January–March 2020, ESO constructed 58.6 km of the gas distribution pipeline (93.8 km in the respective period of 2019). During January–March 2020, ESO connected 1,795 new customers to the natural gas distribution network, which is 29.4% less than in the same period of 2019, when 2,543 customers were connected.

Analysis of financial indicators

At the end of the reporting period, the Company's assets amounted to EUR 1.71 billion. Non-current assets accounted for EUR 1.64 billion or 95.6% of the total assets. Current assets amounted to EUR 75.7 billion. Cash and cash equivalents, i.e. the most liquid assets, amounted to EUR 4.8 million or 6.3% of the total current assets.

Table 7. ESO's financial leverage ratios¹

	At 31 March 2020	At 31 December 2019
Net borrowings, EUR million	619.51	637.13
Net borrowings to equity ratio	0.90	0.96
Share price to earnings ratio	29.87	20.91
Capitalisation, EUR million	833.80	717.49

1- Alternative performance measures used by the Company can be found here <http://www.eso.lt/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWI5cmk4dTVIZG4xbW81dGpzMm1yamVmNWJ=>

At the end of March 2020, ESO's liabilities totalled EUR 1,019.6 million, of which EUR 722.8 million were non-current liabilities, EUR 280.5 million current liabilities and EUR 16.3 million – grants. Borrowings amounted to EUR 624.3 million and accounted for 61.2% of total liabilities. Non-current borrowings amounted to EUR 463.7 million or 74.3% of total borrowings, current liabilities totalled EUR 160.6million.

Table 8. ESO's liquidity ratios¹

	At 31 March 2020	At 31 December 2019
Current ratio	0.27	0.24
Working capital, EUR '000	-204,869	-232,211
Working capital to total assets ratio	-0.48	-0.55

1- Alternative performance measures used by the Company can be found here <http://www.eso.lt/en/for-investors/alternative-performance-measures.html?sr=RVdTSUQ9YWI5cmk4dTVIZG4xbW81dGpzMm1yamVmNWJ=>

ESO's current liabilities exceeded its current assets by EUR 204.9 million. The current ratio is equal to 0.27 Borrowings, as reduced by the amount of short-term investments and cash and cash equivalents, are equal to EUR 619.5 million. The Company's net borrowings account for 89.6% of its equity (2019 – 96.0%).

It should be noted that on February 19th of 2020 a letter from the Group was received confirming the Group's intention to provide the necessary financial support to ensure the Company's operations and fulfilment of obligations for a period of at least one year.

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

Additional information is presented in the condensed interim financial statements of ESO for January–March 2020.

FACTORS AFFECTING THE COMPANY'S FINANCIAL INDICATORS

Operating environment

In January – March 2020, 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 annual report of 2019 should be followed.

On 26 February 2020 due to the threat of COVID-19 the Government of the Republic of Lithuania (hereinafter “the Government”) declared an emergency situation in the country and on 14 March 2020 adopted a resolution No. 207 Regarding the announcement of quarantine in the Republic of Lithuania, on the basis of which quarantine was announced in the entire territory of the country from 16 March 2020 until 11 May 2020 with the possibility of extension. The potential financial impact on the ESO operations due to the situation (both in Lithuania and the world) described above and due to Plan adopted by the Government on the implementation of measures to reduce the consequences of COVID 19 are presented below:

1. Cash flows from electricity and gas payments: payment delays, arrangements on longer debt repayment terms.
2. Increase in the percentage of bad debts.
3. Cash flow from declining of electricity and gas consumption during the quarantine period and slower recovery of consumption after the period ended.

No changes took place in the Company's performance environment in January-March 2020 that would have significant impact on the Company's outcomes, thus the specification of the company's performance environment provided in annual report of 2019 should be applied. It is not still possible to assess the final impact of COVID-19 pandemic. However, if impact of main factors of COVID-19 on ESO results was assessed, no threat for business continuity was determined. ESO has undertaken measures to control the hazard. All the available information about COVID-19 hazards was used for evaluation; however, the influence of COVID-19 could be reflected in later activities of the Company. They will be discussed in later interim reports.

Although in the end of 2019, the banks operating in Lithuania were forecasting moderate increase in gross domestic product that has the biggest impact on increased demand for electricity and on the competitive environment of the Company, the

present quarantine will affect the country's economic life without any doubt. According to the statistical data of the Ministry of Finance of the first months of the year, the economic activity is slowing down and expectations of business and consumers are getting worse. If it is presumed that spread of COVID-19 virus will be controlled in the first half year of this year and thus economic activity will recover gradually afterwards, it is provided in the March scenario that the Lithuanian GDP may decrease down to 7.3%¹ this year. If the spread of the virus is not controlled before summer, the hazard that the Lithuanian GDP will decrease more in 2020 than forecasted in the scenarios of the Ministry of Finance cannot be rejected. If the essential presumptions, on the basis of which these scenarios were created, are not fulfilled, the values of majority of indexes provided in the scenarios will change.

Situation in the electricity market

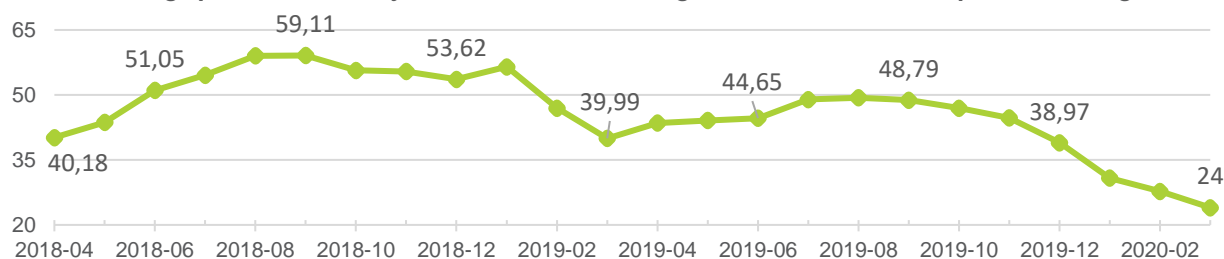
In January-March of 2020, the average price of electrical energy on Nord Pool electricity exchange in the Price Area of Lithuania was lower than in the 3 months of 2019. In January–March 2020, the average price was EUR 27.53 per MWh – lower than in January–March 2019 (EUR 47.82 per MWh).²

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 1–3 months of 2020			During 1–3 months of 2019		
	Actual	-1 ct/kwh	+1 ct/kwh	Actual	-1 ct/kwh	+1 ct/kwh
Impact (thousand EUR)	0	-3,018	3,018	0	-3,497	3,497
Average purchase price of electricity (ct/kWh)	2.86	1.86	3.86	5.22	4.22	6.22

Figure 3. The average price of electricity in the Lithuanian trading zone on the Nord Pool power exchange³



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-March 2020, the Company continued the implementation of most of its projects and investments described in the annual report of 2019 ([link](#)), as planned.

In January-March 2020, 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 (January-March 2020) in the projects listed in the annual report of 2019.

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](#).

Risk and uncertainty factors and their management

Just like each year, in the assessment of risks of ESO carried out in 2019, the areas where the Company will focus and coordinate the key risk management instruments and initiatives were defined for 2020. The assessment of the risk and its factors, which the Company conducted in 2020, analysed the impact of risk not only on financial and occupational health and

¹ http://finmin.lrv.lt/uploads/finmin/documents/files/LT_ver/Aktual%C5%ABs_valstyb%C4%97s_finans%C5%B3_duomenys/Ekonomikos%20ap%C5%BEvalga%202020-balandis.pdf

² Source of data: <https://www.nordpoolgroup.com/Market-data1/Dayahead/Area-Prices/ALL1/Monthly/?view=table>

³ <https://www.nordpoolgroup.com/Market-data1/Dayahead/Area-Prices/LT/Monthly/?view=table>

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 2020 will be presented in the interim report for 6 months of 2020.

COVID-19 pandemic

On 30 January 2020, the World Health Organization (WHO) declared a global emergency as a result of the COVID-19 outbreak and identified the spread of the disease as a pandemic on 11 March 2020. On 26 February 2020, because of the threat of COVID-19, the Government of the Republic of Lithuania declared an emergency in the country, and on 14 March 2020 quarantine was declared starting from 16 March 2020, and was still in force at the time of publication of this report.

When probable impact of factors related to COVID-19 pandemic on the activities of ESO is assessed, the following hazards are taken into consideration: evaluation by the management of the group of companies UAB "Ignitis grupė", possible disorders in cash flow, supply of goods and services, attraction of financing sources, probable reduction in use of electricity and gas because of slowed-down economics, risk of infection of employees performing critical functions with COVID-19, and risk of delay of the projects under implementation. All the available information on hazards of COVID-19 was used for assessment.

It should be noted that it is not still possible to assess the final impact of COVID-19 pandemic on the ESO activities. However, if impact of main factors of COVID-19 on ESO results was assessed, no threat for business continuity was determined. ESO has undertaken measures to control the hazard, but we cannot give a reasonable evaluation of negative impact of longer duration on the day of this publication.

The team controlling COVID-19 situation was formed in the Company. It is monitoring the situation and analysing the latest information, external factors and their impact on the ESO business, and it takes additional decisions (when needed) to safeguard safety, health and business continuity of ESO employees, clients, and suppliers. The ESO employees, who are able to perform their functions in remote mode, are working from home; other employees are provided with extra personal protective and personal hygienic equipment, and unnecessary contacts with other persons are limited. ESO has prepared and is implementing the plans of employees' substitution and business continuity that have to ensure first of all, the occupational safety and health, then electricity generation, stability of the energy system, and continuity of electricity and gas distribution and supply.

We will assess impact on the company's business and its control measures in more detail in the interim report for 6 months of 2020 together with other hazard identified in the Company.

INFORMATION ON THE COMPANY'S AUTHORISED SHARE CAPITAL AND SECURITIES

Authorised share capital and securities

As at 31 March 2020, 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.

Table 12. Statistics on trade in the Company's shares

		2016	2017	2018	2019	During 1-3 months of 2019
Price of the last trading session, EUR		0.862	0.86	0.648	0.802	0.932
Highest price, EUR		0.889	0.93	0.916	0.81	0.936
Lowest price, EUR		0.831	0.854	0.638	0.644	0.760
Average price, EUR		0.86	0.878	0.824	0.733	0.874
Quantity, units		5,095,099	6,711,700	3,678,206	3,913,034	3,376,766
Turnover, EUR million		4.38	5.89	3.03	2.87	2.95
Capitalisation, EUR million	The Company	771.17	769.38	579.72	717.49	833.8
	Baltic Main List	5,043.31	5,853.81	5,281.28	5,932.68	5,193.08

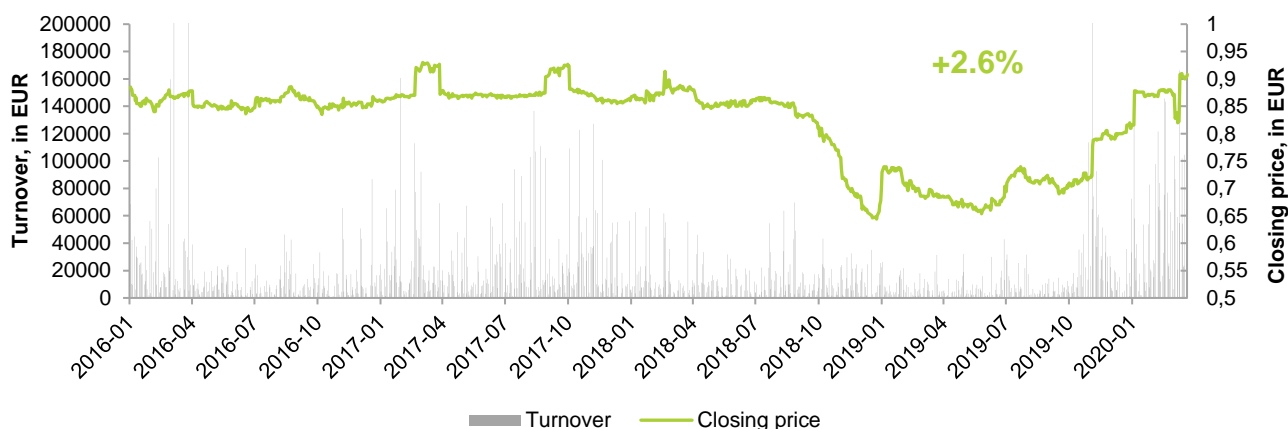
Dynamics of the price of Company's shares and turnover in shares

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



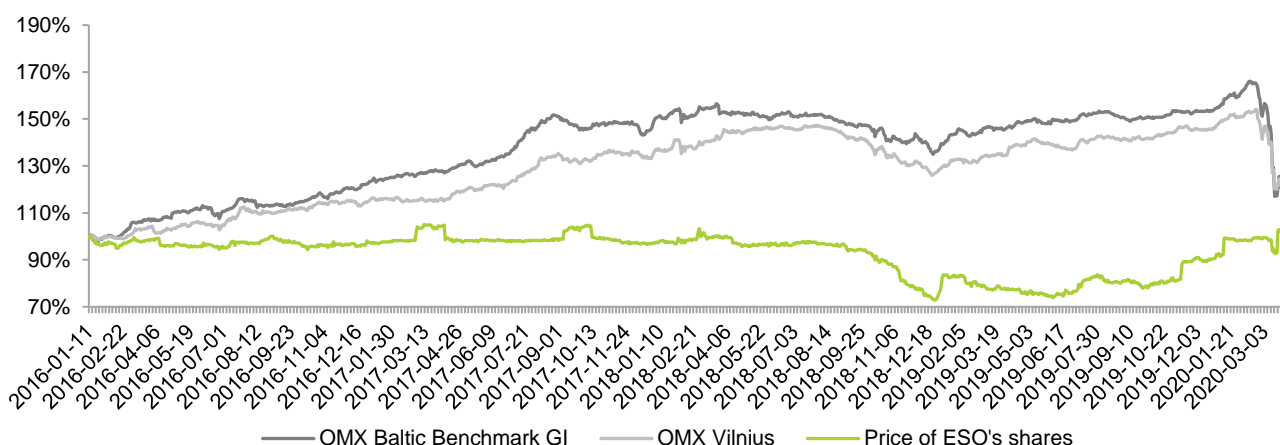
During the reporting period the closing price of the Company's shares increased by 13,22%.

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



Since the beginning of trading, the closing price of the Company's shares rose by 2.6%.

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



Between the beginning of trading in ESO's shares and the end of March of 2020, the OMX Vilnius index increased by 24.14 %, the OMX Baltic Benchmark index increased by 20.96 %, and the price of ESO's shares increased by 5.31 % 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 23 April 2020 after the end of the tender offer of Company's shares (22 April 2020) was 8,528.

Table 13. Shareholders owning more than 5% of ESO's authorised share capital as at 23 April 2020

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.

Table 14. Breakdown of the Company's shareholders by country as at 23 April 2020

Country	Number of shareholders, %	Country	Number of shareholders, %	Country	Number of shareholders, %
Lithuania	96.69	Latvia	0.52	UK	0.15
Estonia	0.90	Belarus	0.45	Germany	0.13
Russia	0.57	USA	0.18	Other countries	0.41

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 31 March 2020, 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 ordinary General Meeting of the Company's Shareholders was convened on 30 April 2020. Its agenda contains an issue of payment of dividends for 2019. The dividends will be paid only if the General Meeting of the Company's Shareholders approves draft distribution of the Company's profit (losses).

THE COMPANY AND ITS MANAGEMENT BODIES

Table 15. 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
E-mail	info@eso.lt
Phone	+37069761852
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 Ignitis Group UAB (UAB Ignitis grupė), a state-owned group of companies, which is one of the largest energy company groups in the Baltic countries. Ignitis Group UAB, the parent company, controls 94.98% of the Company's shares.

As at 31 March 2020, ESO had no subsidiaries.

In the end of the reporting period, ESO was controlling jointly with other companies UAB Verslo aptarnavimo centras (en. Business Servicing Centre Ltd) and UAB "Ignitis grupės paslaugų centras" (en. Centre of Services of Ignitis Group Ltd.) (name until 06 September 2019 - UAB "Technologijų ir inovacijų centras" (en. Centre of Technologies and Innovations Ltd)). It should be noted that UAB Verslo aptarnavimo centras was deregistered after the reporting period, on 02 January 2020, from the Register of Legal Entities. This action finished reorganisation of UAB Verslo aptarnavimo centras and UAB "Ignitis grupės paslaugų centras" and merged UAB "Ignitis grupės paslaugų centras" with UAB Verslo aptarnavimo centras.

Table 16. Main information about related companies

	Ignitis Grupės Paslaugų Centras UAB	Verslo Aptarnavimo Centras UAB
Address	A. Juozapavičius st. 13, Vilnius	P. Lukšio st. 5B, Vilnius
Registration date	As at 04 December 2013	As at 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 March 2020)	26.3976%**	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.

* Reorganisation of UAB Verslo aptarnavimo centras was finished and it was removed from the Register of Legal Entities on 2 January 2020. After the reorganization, UAB "Ignitis Grupės Paslaugų Centras" is continuing its activities and providing services.

** After the reorganization proceedings of UAB "Ignitis Grupės Paslaugų Centras" and UAB Verslo Aptarnavimo Centras have been completed, as from 1 January 2020, ESO owns 26.3976% of UAB "Ignitis Grupės Paslaugų Centras" shares.

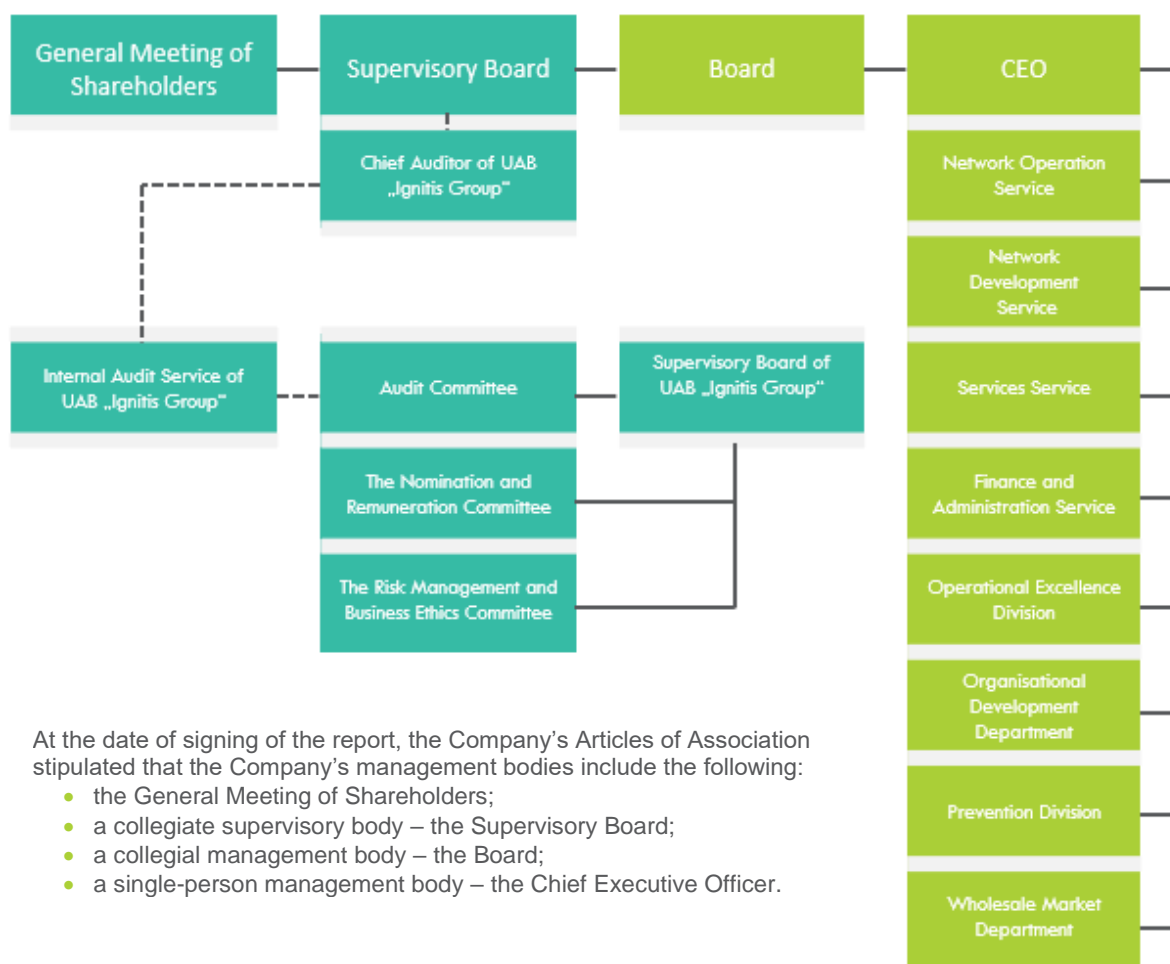
Information about significant related-party transactions

Information on related-party transactions is presented in the explanatory notes to the interim financial statements for January–March 2020.

Corporate governance

Figure 7. The Company's organisational structure (as at 31 March 2020)

The "Ignitis group" of companies abides by the equal opportunity policy 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 "Ignitis 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.



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.

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.

No extraordinary general meetings of shareholders were held in the reporting period. The ordinary General Meeting of the Company's Shareholders was convened on 30 April 2020.

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. The Supervisory Board consisted of 5 (five) members elected at the general meetings of shareholders for a term of four years.

The main competences of the Company's Supervisory Board are the following:

- to deliberate and approve the Company's operational strategy, analyse and assess information about the implementation of the Company's operational strategy, submit this information to the ordinary general meeting of shareholders;
- to elect the members of the Board and to dismiss the members of the Board;
- to supervise the activities of the Board and the General Manager;
- to submit its comments and proposals to the general meeting of shareholders on the Company's set of the annual financial statements, proposed profit (loss) appropriation and the Company's annual report as well as the activities of the Board and the General Manager;
- to submit its comments and proposals to the general meeting of shareholders on the decision regarding the proposed allocation of dividends for a period shorter than the financial year, prepared set of the interim financial statements and interim report;
- in consideration of the conclusion of the Company's Audit Committee, to provide opinion regarding transactions planned to be concluded between the Company and the related part (if they meet the criteria stipulated in the Company's Articles of Association);
- to submit proposals to the Board and the General Manager to revoke their decisions which are not in conformity with the laws and other legal acts, the Articles of Association of the Company or the decisions of the General Meeting of Shareholders;
- to address other issues assigned within its powers by the Company's Articles of Association and by decisions of the General Meeting of Shareholders regarding the supervision of the activities of the Company's management bodies.

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

Activities of the Company's Supervisory Board during the reporting period

During the reporting period, 3 (three) sittings of the Supervisory Board of ESO were held and all of them were attended by all then elected members of the Supervisory Board.

More details about the members of the Company's Supervisory Board are available in the table below. Description of their education and professional experience is available on the Company's website under section Company Management.

Table 17. The composition of the Supervisory Board of ESO (as at 31 March 2020)

				
Darius Maikštėnas Chairman	Darius Kašauskas Member	Kęstutis Betingis Independent member	Žaneta Kovaliova Independent member	Dalia Jakutavičė Employee representative, Member
Elected from: 30 March 2018	Elected from: 30 March 2018	Elected from: 28 May 2018	Elected from: 15 October 2019	Elected from: 15 October 2019
End of term of office: 30 March 2022	End of term of office: 30 March 2022	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)	Vilnius University, Bachelor and Master's degree in Business Management and Administration	Kaunas School of Radio and Television Mechanics Kolping College, Law (Specialization - Public Administration) Professional competence of social dialogue mediator
Principal workplace and position held				
Ignitis Group UAB, Chairman of the Board, CEO	Ignitis Group UAB, member of the Board, Finance and Treasury Director	Betingio ir Ragaišio Lawyer Firm, lawyer	UP Consulting Group Ltd CEO	Lithuanian Energy Workers' Trade Union Federation Deputy Chairwoman, 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	Name of a company, body, organisation, position held	Name of a company, body, organisation, position held
WIDER COMMUNICATIONS INCORPORATED, DELAWARE CORPORATION, USA, shareholder, the member of the Board (until 21/05/2019); WIDER COMMUNICATIONS LIMITED PRIVATE LIMITED COMPANY, UK a sole member of the Board (until 21/05/2019)	Duomenų logistikos centras UAB, Chairman of the Board; Lithuanian Energy Support Foundation, Member of the Board; 288th DNSB Vingis, Member of the Revision Commission; Energetikos paslaugų ir rangos organizacija UAB, Chairman of the Board (until 24 October 2019).	–	Member of the Association of Chartered Accountants (ACCA) Certified auditor of Lithuania (inactive status) Būsto paskolų draudimas, UAB, independent member of the Board.	–
Percentage of share capital and voting rights of other companies held in excess of 5%				
–	–	–	–	–
Compensations calculated during January–March 2020, in EUR* (for activities in the Supervisory Board)				
–	–	3,344.72	5,200	3,831.87

* 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. Remuneration for work at the Supervisory Board can be paid to the independent members of the Supervisory Board and upon the decision of the General Meeting of Shareholders. The terms and conditions of the agreements with the members of the Supervisory Board, including the independence criteria, are established at the General Meeting of Shareholders in accordance with the requirements set forth in the relevant legal acts and based on the best corporate governance practices."

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.

The Company's Board adopts decisions on the following matters:

- the Company becoming a founder, participant of legal entities;
- any transfer of shares (a part thereof, members' shares) held by the Company or rights granted by these shares to other persons or restrictions regarding such transfer;
- establishment of the Company's branches or representative offices and discontinuance of their activities;
- issuance of bonds;
- disposal of objects owned by the Company and stipulated in the Lithuanian Law on Enterprises and Facilities of Strategic Importance to National Security and Other Enterprises Important to Ensuring National Security;
- conclusion of certain agreements, the value of which exceed EUR 3 million;
- adopts other decisions stipulated in the Company's Articles of Association.

In certain cases, before adopting decisions, the Board is required to obtain comments from the Supervisory Board, approval from the General Meeting of Shareholders.

In view of the opinion of the Supervisory Board, the Board elects and recalls the Chief Executive Officer, decides on his/her remuneration and other terms of employment contract, approves his/her job regulations, provides incentives and imposes penalties.

The composition of the Board of the Company was not changed during the reporting period.






The expected end of term of office of the current Board is 27 December 2022.

Activities of the Company's Board during the reporting period:

Overall 5 (five) meetings of the Board were held in the reporting period. All of them were attended by all elected members of the Board.

The description of their education and work experience is available on the Company's website under section 'About us→ESO Management'.

Table 18. The composition of the Board of ESO (as at 31 March 2020)

				
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,	Vilnius University, Master's degree in Business Management and Administration	ISM University of Management and Economics, Executive MBA degree	Kaunas University of Technology, Master's degree in International Trade	Kaunas University of Technology, Bachelor's and Master's degrees in

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, Bachelor's degree in Economics	and Bachelor's degree in Electrical Engineering	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, Board member Verslo Aptarnavimo Centras UAB, Board member (till 2 January 2020) * 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–March 2020, in EUR (for activities in the Board) *				
5,445	3,900	3,900	3,900	3,900

* Verslo aptarnavimo centras UAB was removed from the Register of Legal Entities on 2 January 2020. After the reorganization, Ignitis Grupės Paslaugų Centras UAB continues its activities and provides services.

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

	Remuneration during January–March 2020, in EUR	The variable component of the remuneration paid for the results of the previous year during January–March 2020, in EUR	Total payments in January–March 2020, in EUR
Mindaugas Keizeris, CEO	22,260	-	22,260

* Amount without employer tax.

ESO has neither transferred the management of assets nor issued guarantees to the members of the bodies. During January–March 2020, 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 31 March 2020, the actual number of the Company's employees was 2,404 *.

Table 20. Structure of the Company's employees by category

Category of employees	Number of employees at 31 March 2020
Chief executive officer (CEO)	1
Top-level managers	5
Medium-level managers	202
Experts, specialists	1,569
Workers	627
Total number of employees	2,404*

* 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 21. Structure of the Company's employees by educational background

Education	Number of employees at 31 March 2020
Higher education	57.53 %
Advanced vocational education	14.60 %
Secondary and vocational education	26.00 %
Other	1.87 %

Table 22. Average salary of the Company's employees

Category of employees	Average salary, in EUR (before taxes) January–March 2020	The variable part of the remuneration paid is calculated as the average of the variable part of monthly remuneration (before taxes, in EUR) January–March 2020
Chief executive officer (CEO)	7,420	-
Top-level managers	6,311	-
Medium-level managers	2,939	181
Experts, specialists	1,692	217
Workers	1,512	198
Total number of employees	1,766*	209

* 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).

* The fixed part of the remuneration consists of: the payment for the time worked, overtime, work on days off and public holidays, annual leave (payment for annual leave of the next month included in the salary of the month with which it was made), additional paid leave, additional days off for parents with children, additional payment for days off according to the procedure of additional benefits, bonuses during the reporting period. Variable part of the remuneration (KAD) deducted proportionally for 1 month. (MKAD/12 + QKAD/3 + months KAD)

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 23. Information on material events announced by ESO from 1 January 2020 to 31 March 2020

Date	Material event
06/01/2020	Regarding the decision to appeal the judgement
10/01/2020	Regarding the information submitted to the Bank of Lithuania about official tender circular
14/01/2020	Update: Regarding the information submitted to the Bank of Lithuania about official tender circular
14/01/2020	Repeat: Update: Regarding the information submitted to the Bank of Lithuania about official tender circular
28/01/2020	Regarding the alignment of investment plan in the electricity sector of 2019
29/01/2020	Regarding judgement of Vilnius Regional Court of 28 January 2020 in the civil case
31/01/2020	ESO preliminary financial results for 12 months of 2019
31/01/2020	Planned investigation of the Supervision Service of the Bank of Lithuania completed with no infringements
13/02/2020	The Court upheld the decision to apply the temporary protection measures
21/02/2020	Correction: Reporting dates of ESO in 2020
28/02/2020	ESO 2019 Results: Refinement of Activities and Concentration on Functions of Distribution Network Infrastructure Operator
28/02/2020	ESO preliminary financial results for 1 month of 2020
05/03/2020	CORRECTION: Reporting dates of ESO in 2020
10/03/2020	2019 audited results of ESO are announced
17/03/2020	Ignitis Group and minority shareholders of its subsidiaries AB ESO reached a settlement
17/03/2020	Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of AB ESO
18/03/2020	Regarding the decision adopted by the National Energy Regulatory Council on 17 March 2020
19/03/2020	Court approved waiver of claims of minority shareholders of AB ESO
25/03/2020	Regarding the resolutions of AB ESO Supervisory Board
31/03/2020	Regarding approval of the official tender offer circular of AB ESO shares
31/03/2020	ESO preliminary financial results for 2 months of 2020

Table 24. Notifications on material events after the end of the reporting period - from 1 April 2020

Date	Material event
02/04/2020	The start of the official tender offer for shares of ESO
06/03/2020	Regarding the opinion on the announced official tender offer of the board of AB ESO
22/04/2020	Regarding the Ordinary General Meeting of Shareholders of AB "Energijos Skirstymo Operatorius" to be held on 30 April 2020
23/04/2020	Regarding the end of Ignitis Group UAB official tender offer for shares of Energijos skirstymo operatorius, AB

OTHER SIGNIFICANT INFORMATION

Alternative performance measures

More about Alternative performance measures: <https://www.eso.lt/en/for-investors/alternative-performance-measures.html>