

OPINION OF THE BOARD OF AB “ENERGIJOS SKIRSTYMO OPERATORIUS“ ON THE ANNOUNCED OFFICIAL TENDER OFFER

The Board of AB “Energijos skirstymo operatorius“ (hereinafter – the Company; the Board of the Company; the Board), having made itself familiar with the material of the non-competitive official tender offer for the Company shares (hereinafter – the Official tender offer) that has been submitted to it by UAB “Ignitis Grupė“ (hereinafter – the Offeror), during the meeting held on 6 April 2020, adopted the following statement:

1. Opinion of the Board on the official tender offer.

The Official tender offer has been made in accordance with the requirements laid down in the Law on Securities of the Republic of Lithuania (hereinafter – the Law on Securities), and in the Rules for the Preparation and Approval of the Official Tender Offer Circular and for the Implementation of the Official Tender Offer approved by the Resolution No 03-47 of the Board of the Bank of Lithuania of 28 February 2013. In the opinion of the Board of the Company, the Official tender offer price, at which the Company shares are purchased, has been determined in accordance with the requirements for and principles of determining the Official tender offer price that are specified in the Law on Securities.

2. Opinion of the Board on the Offeror’s plans and intentions related to the Company which shares are covered by the Official tender offer:

2.1. possible influence of the implementation of the tender offer on the interests of the Company:

Given that in the nearest future the Offeror plans to continue operating in the current areas of the Company activities, and, according to paragraphs 18.2, 18.5 – 18.7 of the Official tender offer circular, for the purpose of implementing the Official tender offer, does not intend to initiate the restructuring, reformation, reorganization or liquidation of the Company, to change the existing capital raising policy and the existing the policy on dividends, to initiate the repeal of amendments to the Articles of Association of the Company that are not related to the provisions applicable to listed companies, in the opinion of the Board, the implementation of the Official tender offer will not have an adverse effect of the interests of the Company. It must be noted that the Offeror plans to implement an initial public offering of its shares, during which the attracted share capital will be used for the implementation of the investment projects of the group companies.

2.2. effect on employment conditions:

According to paragraph 18.3 of the Official tender offer circular, the Offeror does not intend to change the Company policy in respect of the employees, it will remain the same as in the entire Group of Companies of the Offeror, the Board takes the view that the implementation of the Official tender offer will not have an adverse effect of the work conditions in the Company.

2.3. effect on the number of the employees:

According to paragraph 18.3 of the Official tender offer circular, the Offeror does not intend to change the Company policy in respect of the employees, it will remain the same as in the entire Group of Companies of the Offeror, the Board takes the view that the implementation of the Official tender offer will not have an adverse effect of the number of the employees in the Company.

2.4. opinion on the strategic plans of the Offeror and their influence on the number of the employees and business locations:

According to paragraphs 18.1 and 18.3 of the Official tender offer circular, the Offeror does not intend to initiate the restructuring, reformation, reorganization or liquidation of the Company, the management structure of the Company will not be changed, in the opinion of the Board, the implementation of the Official tender offer will not affect the strategic plans, number of employees and business locations of the Company.

3. Opinion of the Board on the purchase price of the securities of the company the shares of which are covered by the offer:

In the opinion of the Board, the proposed share purchase price complies with all the requirements and principles of determining the Official tender offer price specified in the Law on Securities. The Law on Securities stipulates that the price of a mandatory official tender offer must not be less than the maximum price of securities acquired by the Offeror during the 12 months prior to the date of the announcement of the notice of the intention to delist the shares from trading on a regulated market and not less than the weighted average market price on the regulated market and MTF during the 6 months prior to the date of the announcement of the notice of the intention to delist the shares from trading on a regulated market when securities are traded on the regulated market and MTF.

Given that the Offeror has acquired the securities earlier than 12 months prior to the date of the announcement of the notice of the intention to delist the shares from trading on a regulated market, respectively, the price of the Official tender offer calculated according to Article 29(1)(1) of the Law on Securities, in calculating the weighted average market price on a regulated market and an MTF for a period of 6 months from 9 May 2019 to 8 November 2019 (inclusive), is equal to EUR 0,703 (seventy and three tenths euro cents).

Taking into account the fact that after the implementation of the Official tender offer, the Offeror intends to initiate the process of the mandatory redemption of the Company shares, and for the smooth implementation of the Official tender offer, the Offeror allocates a supplement (bonus) in the amount of EUR 0.177 (seventeen and seven tenths euro cents) to the Official tender offer price determined in accordance with the requirements of Article 29(1)(1) of the Law on Securities.

Respectively, the Offeror, under the Official tender offer, pays the total price of EUR 0.880 (eighty-eight euro cents) (the amount paid for the purchased 1 (one) ordinary registered share of the Company, the nominal value of which is EUR 0.29).

The amount paid by the Offeror for the Company shares is 22.21% higher than the trade closing price of shares on 8 November 2019 that was EUR 0.720 (seventy-two euro cents) for 1 (one) share of the Company, and 25.17% higher than the 6-month (i.e. from 9 May 2019 to 8 November 2019 (inclusive)) average weighted market price that is equal to EUR 0.703 (seventy and three tenths euro cents).

It should be noted that on 17 March 2020, the Board of the Company adopted the decision to offer to pay shareholders dividends in the amount of EUR 0,076 per share for the year 2019. The Ordinary General Meeting of Shareholders of the Company, which will address the issue of the distribution of the Company profit (loss) for 2019, and the amount of dividends payable accordingly, will be held on 30 April 2020.

According to the Law on Companies of the Republic of Lithuania, persons who were shareholders of the Public Limited Liability Company at the end of the tenth working day after the general meeting of shareholders that has adopted the relevant decision (hereinafter – the rights accounting date) have the right to receive a portion of the Company profit (dividend). The payment of dividends by the Company is defined in the publicly available Dividend policy of the companies of the Offeror's Group of Companies that applies to all companies of UAB "Ignitis grupė" Group. The Dividend policy has been prepared in accordance with the Resolution No 20 of the Government of the Republic of Lithuania of 14 January 1997 on dividends on state-owned shares in companies and profit contributions of state-owned enterprises. If the General Meeting of Shareholders of the Company held in 2020 will adopt the decision to pay dividends to the shareholders of the Company for a 6-month period that has ended on 31 December 2019, the Offeror will pay an additional supplement (bonus) to the shareholders of the Company who at the time of the Official tender offer will have sold their shares to the Offeror will no longer be entitled to dividends for 2019 because they will no longer be the shareholders on the rights accounting date.

Taking this into account, the following payments are foreseen:

1. The Official tender offer price – EUR 0.880 per one share of the Company.
2. If the Ordinary General Meeting of Shareholders of the Company, that will be held on 30 April 2020, will adopt the decision to pay dividends to the Company shareholders for 2019, persons who are the shareholders of the Company on the rights accounting date will receive dividends of the prescribed amount in accordance with the procedure established by legal acts.

3. If the Ordinary General Meeting of Shareholders of the Company, that will be held on 30 April 2020, will adopt the decision to pay dividends to the Company shareholders for 2019, persons who are not the shareholders of the Company on the rights accounting date because they have sold their shares to the Offeror, will be paid by the Company an additional supplement (bonus), the amount of which will be equal to the amount of dividends that such shareholder would have received in proportion to the shares held by him and sold to the Offeror at the time of this Official tender offer if he would have been the shareholder of the Company on the rights accounting date.

In the light of the foregoing, in the opinion of the Board, the offered price has been determined in accordance with the requirements for and principles of determining the Official tender offer price specified in the Law on Securities.

4. Recommendation of the Board to the holders of securities issued by the company whose shares form the subject of the Official tender offer: arguments supporting the offer acceptance or rejection. If no recommendations are made, the reasons of not making recommendations should be specified:

The Board of the Company makes no recommendations to the shareholders to accept or reject the Official tender offer of the Offeror. In the opinion of the Board, in the absence of its recommendations, each shareholder of the Company can freely and voluntarily decide whether or not to transfer his shares of the Company to the Offeror at the time of the Official tender offer.

It should be noted that on 23 March 2020, the Offeror received an official letter from the Ministry of Finance of the Republic of Lithuania, that exercises the rights of its sole shareholder. By this official letter the Company is requested to prepare for the Initial public offering (hereinafter – the IPO). This request was made in the light of the conclusion of a working group, set up by the Minister of Finance, which evaluated alternatives to the long-term funding of the Offeror, of 28 February 2020 that the Initial Public Offering of the Offeror is the most efficient of the possible ways of raising share capital. At the same time, the Board draws attention of the shareholders to the fact that the Official Tender Offer Circular provides that the Offeror, during its Initial Public Offering, will give priority to each minority shareholder of the Company, who was a shareholder of the Company on 17 March 2020, and who at the time of the Official tender offer will sell the Company shares to the Offeror, to acquire the shares of the Offeror for an amount that would be equal to the number of shares of the Company held by the shareholder multiplied by EUR 0,880, by adding to this amount the amount of dividends paid in 2020 for 2019 which is proportional to the number of shares of the Company held by the shareholder, and by adding for the persons, who will no longer be the shareholders of the Company on the rights accounting date because they have sold their shares to the Offeror, an amount equal to the amount of dividends that such shareholder would have received in proportion to their shares held and sold at the time of this Official tender offer to the Offeror if he would have been the shareholder of the Company on the rights accounting date.

It should be also noted that the Offeror, after having implemented the Official tender offer, intends to initiate the process of the mandatory redemption of the Company shares.

5. Information on whether there is any written agreement between the Offeror and the Board (its members) of the Company whereof shares are covered by the Official tender offer, regarding the implementation of the Official tender offer:

The members of the Board of the Company and the Offeror have entered in no agreements regarding the implementation of the Official tender offer.

6. Information on whether there is any written agreement between the Offeror and the Board (its members) of the Company whose shares are covered by the Official tender offer regarding the the joint management policy:

The members of the Board of the Company and/or the Offeror have entered in no agreements, regarding joint management policy.

7. Information on how many shares granting the Offeror's voting right and the votes at the General Meeting has the company the shares of which are covered by the Official tender offer:

The Company does not hold any shares of the Offeror and votes at the General Meeting of Shareholders.

8. Information on how many shares granting the Offeror's voting right and the votes at the General Meeting have the members of the management bodies of the company whose shares are covered by the Official tender offer?

The members of the Company's management and supervisory bodies do not hold any shares of the Offeror and votes at the General Meeting of Shareholders.

9. Number of the members of the Board and their voting results:

9.1. the number of the Board members set out in the Articles of Association of the Company whose shares are covered by the Official tender offer: 5 (five).

9.2. number of Board members who attended the meeting: 5 (five).

9.3. number of votes supporting the Board opinion: 5 (five).

9.4. number of votes against the Board opinion: 0 (zero).

10. Other data at the discretion of the Board:

The Board of the Company notes that it makes no recommendations to the minority shareholders as to acceptance or rejection the Official tender offer. This opinion of the Board should not be construed as investment advice. It is up to each shareholder to decide on acceptance or rejection the Official tender offer.

Mindaugas Keizeris,
the Chairman of the Board of AB "Energijos skirstymo operatorius"