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“We believe in the vision of a reliable and intelligent grid that delivers positive customer experience. In all we do every day, across the entire ESO value chain, we will abide by the principle of ‘better than yesterday’. We will develop intelligent infrastructure services, aligning our customers’ and other stakeholders’ expectations with the market trends and technological progress in the energy sector.”

MINDAUGAS KEIZERIS  
Chairman of the Board  
CEO  
Strategies and Management area

“AWith the rapid expansion of renewable energy and the development of digital technologies, operators of electricity infrastructure must also prepare for significant change. ESO’s activities are inseparable from regulation. What’s especially important is to actively discuss planned changes with the regulatory authorities which enable change, ensuring a proper regulatory environment and a long-term and sustainable business model for the infrastructure operator.”

AUGUSTAS DRAGŪNAS  
Member of the Board  
Finance and Administration area

“We seek to become a next-generation distribution operator. We want to make business processes as efficient as possible by integrating smart solutions for effectively managing both activities and investments. We are not afraid to take responsibility and want to not only to implement but also create innovation, which we believe will enable effective and rapid network development.”

OVIDIJUS MARTINONIS  
Member of the Board  
Network development area

“Increasing the reliability and resilience of the network, in keeping with solutions for its smartification, is our most important task. We must ensure both efficient everyday operation of the network and its rapid recovery and development, making use in our work of the latest technological innovations and smart, integrated approaches.”

VIRGILIJUS ŽUKAUSKAS  
Member of the Board  
Network operations area

“One of the top priorities for the distribution operator is the creation of an open and neutral platform enabling the development and deployment of smart products and services. That and the review of customer service processes creates value for ESO and increases customer satisfaction. Improving customer experience is one of ESO’s strategic directions and serves as the basis for customer service.”

RENALDAS RADVILA  
Member of the Board  
Customer experience and Services area
A Word from the Board

The energy sector, the energy distribution system and the market have all been changing rapidly. The system’s participants are becoming increasingly integrated, and new solutions and complex services are emerging. Electricity network customers, becoming both users and generators, value individual solutions for the network reliability, intelligence, quality, derivatives, possibilities and efficiency that are important for them.

These aspects taken together form the essence of a customer’s experience, and customer expectations and behavior will increasingly shape the future of the entire network.

Changes in the distribution system must target the reliability and intelligence of the network, a balanced response to stakeholders’ expectations, with effective and consistent management, enabling the market to compete and deliver positive customer experience.

The ESO team will pursue the vision of “a reliable and intelligent grid that delivers positive customer experience” via the following strategic directions: enhancing network reliability; implementing automated and intelligent solutions; creating market facilitation platforms and tools; and improving customer experience throughout the value chain by means of efficient operation of the company and targeted investments.

We are confident that ESO people’s meaningful work to create solutions for putting the strategy into effect and for the energy of the future, along with continuous improvement and a unified organizational culture that is enabling, engaging and open to change, will ensure successful implementation of the strategy.

We consider improvement of the quality of the network and the implementation of technological and smart solutions, including remote and automated management and supervision of the network and its load, to be priorities for the successful implementation of the strategy in the area of reliability.

Implementing smart metering is a priority for the transition to a smart grid, as is the development and deployment of solutions for generation and load, distributed generation, battery management, micro-isles and micro-networks, and other smart solutions.

The priority market facilitation measure is the creation of a Data hub – an open and neutral market for participants – to enable exchanges between generating consumers for better regional market integrity and growth in the share of active consumers.

Efficient everyday operations, continuous improvement of processes, the integrity of internal systems, reliable data, speed and flexibility are the internal sources for achieving the strategy’s results.

The integrated implementation of all strategic directions aims to create value for customers, in terms of great experience, at every point of contact.

Mindaugas Keizeris
Chairman of the Board of ESO
### Role of green energy
**Source of new sustainable generation**
**Engine for growth**

To invest / to consolidate / to learn / to optimize to create stable and profitable 3GW capacities

- **Regional**
- **Global**

| High CAPEX | Low risk | Average return |

### Role of strategic energy
**Strategic infrastructure of the country, guarantee of stability of capacities**

To protect / to optimize / to effectively invest / to strategically plan and invest

- **Local**
- **Regional**

| High CAPEX | Low risk | Average return |

### Role of commercial organization
**Point of contact between market and society**
**Free market champion**
**Vanguard for international growth**

- Customer-focused
- Positive customer experience
- Strong sales and marketing
- New business models
- Competitor in new markets
- Fast and digitalized

### Role of group service center
**Empowerer of speed and efficiency**

- **Local (LT)**
- **Global**
- **Cost center**

| High CAPEX | Low risk | Average return |

### Role of innovation center
**Source of competitive advantage in global knowledge and competencies**

- **Global**
- **Cost center**

| Low CAPEX | Average risk | Average return |
ESO 2030
Strategy: creation of value for customers by providing reliable, advanced and standardized infrastructure services

VISION
A reliable and smart grid that delivers an exceptional customer experience

MISSION
Continuous improvement of distribution service quality: smart grid solutions and market facilitation

ACTIVITIES AND SERVICES:
- RELIABLE
- ADVANCED
- CONVENIENT
- SMART
- EFFECTIVE

We develop and implement advanced technological solutions, forming a unified organizational culture for continuous improvement.

Standardized, open and neutral infrastructure services and platforms will enable market participants to compete effectively in creating value for customers.

These elements are considered essential conditions for delivering an positive customer experience, meeting stakeholders’ expectations and enhancing the value of the company.
ESO STRATEGIC DIRECTIONS FOR 2030

STRATEGIC DIRECTIONS

- NETWORK RELIABILITY
- SMART GRID
- MARKET FACILITATION
- CUSTOMER EXPERIENCE
- OPERATIONAL EXCELLENCE

PERSPECTIVES

- PEOPLE AND CULTURE
- REGULATORY AND FINANCE ENVIRONMENT

[Image of strategic directions and perspectives with icons and text labels]
Strategic direction: Network reliability

**Goal**
to maintain high NG reliability indicators and to double the reliability and resistance of the EP system in the manner that is economically and technologically most effective.

**Priorities**
dynamic planning, implementation and control of investments and maintenance in order to significantly increase network resilience to high impact events and the ability to adapt with maximum flexibility in order to rapidly restore the network with optimal resources.

**Success factors**
rapid response to disruptions and improved reliability of rational investment by using accumulated knowledge and expanded data flows and by applying advanced technological solutions.
Network reliability. Priorities

- **2020**
  - Put in place long-term planning principles aimed at making network maintenance more effective in the long term
  - Prepare strategy for the development of a self-healing network as an integral part of the network’s technological development standard
  - Implement innovative and advanced automated network inspection solutions

- **2025**
  - Create and apply predictive maintenance solutions
  - Implement an advanced technology asset management system
  - Implement solutions for real-time network load monitoring and forecasting
  - Prepare technology strategy for voltage quality and natural gas pressure management as integral part of network’s technological development standard

- **2030**
  - Electricity and natural gas networks resilient to high impact events
  - Voltage quality meets the requirements of the standards throughout the network
  - Ability to forecast long-term network load with accuracy of 90 percent
  - Well-developed self-healing networks (>10 kV) covering >50 percent of customers

**Additional Notes**

- Preparation: decisions, planning
- Implementation, results and value for customers
**Network reliability. Strategic goals**

To double EP and to maintain the reliability and resilience of the NG system

CAIDI with mass failures on the network = 1.3 x the CAIDI of the entire network

To double EP and to maintain the reliability and resilience of the NG system

Assurance of 100% voltage quality according to the standard

Self-healing 10 kV networks covering 50% of customers

Increase of 0 MW transformer power in the network at the DP level

Fully digitalized and automated processes for finding defects in overhead lines

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<thead>
<tr>
<th></th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
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<tbody>
<tr>
<td>EP SAIDI * (min)</td>
<td>100</td>
<td>85</td>
<td>70</td>
</tr>
<tr>
<td>EP SAIFI * (times)</td>
<td>1</td>
<td>0.83</td>
<td>0.66</td>
</tr>
<tr>
<td>NG SAIDI (min)</td>
<td>0.94</td>
<td>0.94</td>
<td>0.94</td>
</tr>
<tr>
<td>NG SAIFI (times)</td>
<td>0.062</td>
<td>0.062</td>
<td>0.062</td>
</tr>
<tr>
<td>CAIDI with mass failures on the network (min)</td>
<td>180</td>
<td>150</td>
<td>130</td>
</tr>
</tbody>
</table>

Strategic direction: Smart grid

**Goal**
Implementation of a smart metering system, automated real-time network control and use of innovative digital technologies and data-based solutions in the control of network activities.

**Priorities**
- To implement solutions ensuring real-time system control;
- To develop Big Data architecture solutions to improve network reliability, predictability and management;
- To engage in rational development of micro-networks and micro-isles;
- And to ensure smooth and optimal integration of RES, GU and AC. Also, to ensure proper cyber security.

**Success factors**
Use of leading digital solutions in operations while also attracting, developing and retaining the competencies that are needed.
Smart grid. Priorities

- Strategy for network automation and introduction of physical monitoring (smartification) as an integral part of the network’s technological development standard
- Rollout of smart meters (in 2023)
- Prepare concept for the development of micro-isles to resolve problems related to network expansion and reliability
- Prepare technological strategy for the integration of distributed generation, including micro-networks and EV charging stations
- Fully functioning active system management for distributed generation, batteries and load
- Development and expansion of a distribution management system (DMS) which also includes active system management
- Digitalization and automation of business processes related to network maintenance
- Well-developed technical plan and concept for micro-networks

2020

2025

2030
Smart grid. Strategic goals

- Replacement of customer meters with smart meters
- Remote controlled TS/DP network
- Reduction of risk of loss of information, unauthorized disclosure and cyber attacks to an acceptable level **
- Digitalization and automation of business processes related to network maintenance
- Fully functioning active system power management model
- Competitiveness of distribution services (EU-wide)

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<tr>
<th></th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of remotely controlled 10 kV line customers, %</td>
<td>25%</td>
<td>40%</td>
<td>75%</td>
</tr>
<tr>
<td>Remotely controlled electricity TS/DP, %</td>
<td>67%</td>
<td>72%</td>
<td>100%</td>
</tr>
<tr>
<td>Smart meters installed for customers, * %</td>
<td>15%</td>
<td>90%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* By 2023, smart meters will be installed for all household electricity customers who use and declare more than 1 kWh per year (i.e., 90% of all consumers) and for all business customers (100%) regardless of consumption. Later they will be installed for all customers.

** The risk of cyberattack is managed through centralized resources of the Lietuvos Energija Group.
Strategic direction: Market facilitation

Goal
to ensure efficient functioning of the retail energy market through measures that are transparent and neutral.

Priorities
drawing on the experience of the Nordic countries, to introduce a supplier centric market model, using the latest solutions for data management and sharing in order to provide equivalent conditions for all market participants; to adopt EU best practices in terms of empowering the development of the electricity market and promoting the emergence of a flexibility services market.

Success factors
smooth functioning of flexibility services trade and of the retail energy market, ensuring equivalent conditions for all market participants to take part in the market directly or through service providers.
Market facilitation. Priorities

- Initiate links to the development of a regional platform for flexibility services trade and exchange
- Start Data hub introduction
- Prepare and implement a market facilitation plan based on EU countries’ best practices
- Development and basic deployment of Data hub
- Create conditions for generating consumers to exchange the electricity they generate with other consumers in Lithuania
- Data hub forms the basis for the work of a supplier centric market model.
- Ongoing development with neighbouring countries
- Meet the established criteria for ESO to become an active registered EU STO entity member
- Residents of Lithuania can access all information on their utilities consumption via a unified Data hub
- Active electricity consumers account for 30 percent of all consumers
- Flexibility services are traded on a common regional platform and are used in daily electricity network management

- Preparation: decisions, planning
- Implementation, results and value for customers
- Development of competencies and appropriation of know-how

* This model ensures that the market creates opportunities for a consumer to actively and easily select or change a supplier and to receive the desired services or some other value or benefit based on their individual needs. In essence, the model ensures that all links in the chain are customer-focused.
Market facilitation. Strategic goals

- Shorten the time it takes to change suppliers to 24 hours.
- Align the supplier change coefficient in Lithuania with the EU average.
- Make significant contributions to international projects and initiatives.
- Standardize and digitalize retail electricity market business processes.
- Enable generating consumers exchange the electricity they generate on the domestic market.
- Increase the share of active or generating consumers of electricity to 30%.

### Strategic Goals

<table>
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<tr>
<th><strong>2020</strong></th>
<th><strong>2025</strong></th>
<th><strong>2030</strong></th>
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</thead>
<tbody>
<tr>
<td>Data hub platform</td>
<td>Installation</td>
<td>EP and NG</td>
</tr>
<tr>
<td>Length of supplier change procedure, days</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>Supplier change coefficient for household consumers *</td>
<td>0%</td>
<td>7%</td>
</tr>
<tr>
<td>Share of active electricity consumers</td>
<td>&lt;2%</td>
<td>15%</td>
</tr>
<tr>
<td>Platform for flexibility services trade and exchange</td>
<td>Pilot</td>
<td>Standard</td>
</tr>
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</table>

* *According to the CEER (Council of European Energy Regulators), the EU average was 6.4% in 2017.*
### Strategic direction: Customer experience

<table>
<thead>
<tr>
<th><strong>Goal</strong></th>
<th>to make every contact that a customer has with ESO or its partners a pleasant experience.</th>
</tr>
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<tbody>
<tr>
<td><strong>Priorities</strong></td>
<td>to create a customer-experience management model based on best practices and implement it innovatively throughout the ESO value chain; with regard to the customer, to aligning mutual expectations and to providing an positive customer experience.</td>
</tr>
<tr>
<td><strong>Success factors</strong></td>
<td>digitization of systems and improvement of E2E processes together with the implementation of innovative solutions; targeted and consistent prioritization of improving the customer experience.</td>
</tr>
</tbody>
</table>
Customer experience. Priorities

- Preparation: decisions, planning
- Implementation, results and value for customers

**2020**

Refine operating model for ESO’s interactions with independent suppliers and customers.

Update the automated one-click service order principle for introduction of electricity and natural gas.

Conduct FEZ development projects to enable even large investors to connect within 12 months.

**2025**

Update standards for customer service in the ESO value chain (E2E), with a focus on managing the customer experience.

Customer service provided remotely (customer visits in exceptional cases only).

Deploy order management platform for managing customer orders and creating services (2022).

Introduce tools for customer service processes (chatbots, artificial intelligence).

Link data ESO has to customer experience with the goal of providing value for customers.

Introduce customer experience management model into the ESO value chain (E2E).

**2030**

Automation of customers service processes with chatbots, AI and other innovative solutions.

Active offers to customers based on results of Big data analysis.
To contribute to increasing the country’s competitiveness

Give customers fast quality services on the terms that have been agreed

Automated ordering of services (one-click rule)

Digitalized customer processes

To meet and exceed customer expectations

Proactive and timely information

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<th></th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
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<tbody>
<tr>
<td>Time it takes to connect new electricity users, cal. days</td>
<td>42</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td>Time it takes to connect new natural gas customers, cal. days</td>
<td>80</td>
<td>45</td>
<td>35</td>
</tr>
<tr>
<td>Net Promotor Score (NPS) for ESO services</td>
<td>50</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td>DB Getting Electricity rank *</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

* In the Doing Business Getting Electricity rating for 2018, Lithuania ranked 26th (in 2017 it was 33rd and in 2016 it was 55th).
Strategic direction:
**Operational excellence**

*Goal*
To ensure sustainable and efficient growth of the organization: high-quality and competitive services, rapid adoption of innovation, flexibility in the face of market changes, and continuous improvement across the entire value chain.

*Priorities*
- Systems continuity, accessibility and integrity;
- High-quality data and customer-focused processes.

*Success factors*
speed and flexibility in the transformation of processes, and the systematic nature of changes.
Operational excellence. Priorities

- Proactive, flexible, automated management of IT/OT systems (as per LE Group’s IT strategy)
- Transformation of E2E processes with external participants: planning and pilot projects
- Automated and integrated business planning and management tools/systems
- Principles of business efficiency and continuous improvement as a part of everyday operations
- Integration of KPIs (single point of truth) and structured data (DWH)
- Compile an overall map of (macro) processes and review them E2E
- Review business model after refining operations focusing on standard infrastructure services
- Transformation of E2E processes with external participants: planning and pilot projects
- Reach efficiency/saving goals in key (macro) processes
- Integrate RPA, Lean, data analysis, and other tools and principles
- Proactive, flexible, automated management of IT/OT systems (as per LE Group’s IT strategy)

2020

2025

2030

- preparation: decisions, planning
- implementation, results and value for customers
Transformation of processes on an E2E basis for efficiency and the creation of value for customers

Flexible, non-limiting, integrated IT systems that connect all operations

Decision-making based on the principles of operational excellence, efficiency tools (RPA, DIG, etc.) and integrated data

Impact of OPEX efficiency * (accumulated), mEUR
2020: 2, 2025: 39, 2030: 139

Impact of CAPEX efficiency ** (accumulated), mEUR
2020: 3, 2025: 28, 2030: 73

Effective operating model
Improving indicators of efficiency throughout the entire value chain

* Operational excellence measures (process review, robotization, enhancements) and other measures.
** Data-based solutions and more targeted/efficient investments in the launch of smart metering, savings on purchases of equipment and materials, etc.
Perspectives: People and culture

Goal
we are all empowered to act: organizational structures do not hold us back when we passionately seek results, do work that is meaningful, and create innovations.

Priorities
we’re introducing advanced forms of teamwork, putting all our competences to work, and learning everywhere, always and fast; we look employees’ insights for improvement. We abide by strict principles of social partnership and transparency.

Success factors
we see meaning in our work to create the energy sector of the future, making it easy, invisible and green.
People and culture. Priorities 2020

- Technical solutions: tools and platforms for managing the training process, with content that employees themselves can create in addition to that we provide.

- Supporting infrastructure: all-around encouragement of a learning culture, with time for one’s development as part of the working day and growth as part of goals and incentives.

- Knowledge and collaboration: a system for auditing competences throughout the organization, with plans for use them and for re-training.

- Compatibility and calibration of goals among teams and companies. Enlargement of the scope of team goals. Considering the full process, not separate stages, as the goal.

- Agile teams: creation of team structure, with more flexible planning as regards both tools and budget.

- Spending the majority of time working on projects (change activities).

- Easy processes: killing useless processes, digitalizing others, creating self-service opportunities in keeping with the principles of trust, simplicity and empowerment.

- Image as an employer: the best Lithuanian-capital employer, “a good place to work” – create a system of wages and additional benefits. Deep commitment to the principles of social partnership and transparency.
People and culture. Strategic goals

- **eNPS**: Ensure an outstanding employee experience at all stages of the person's journey in the organization.
  - Increase of the eNPS (Employee net promoter score)

- **AGILITY**: Implement a new, agile, form of teamwork in the organization as a way to create competitive advantage.
  - Rising customer experience index and/or decreasing time to market while ensuring high quality

- **Learning NPS**: Create a learning ecosystem which lets employees develop the competences the organization needs at the right speed and which allows all employees to experience personal growth.
  - Increase of the employee learning NPS
Work safety

Goal
a safety culture that includes safe workplaces, the knowledge necessary for safe work, provision of ergonomic equipment, and mature behaviour on the part of employees, contractors and residents.

Priorities
continuous improvement of the safety and reduction of the accident rate (reducing number of safety incidents in order to ensure 0 accidents).

Success factors
seeing safety as part of the DNA of each employee of the organization and something to be assessed in all potentially risky processes.
Identification of relevant unsafe behaviours, development of safe behaviour habits

Review of contractor rating methodology to strengthen the part regarding work safety

Install safety management system based on data linked to processes

Automated processes for employee health protection and occupational risk

Uniform safety standards inside the organization and for contractors

Introduce smart technologies for interactive safety improvement

Practical knowledge about work safety acquired at a practical training center and in virtual reality, theoretical knowledge acquired on e-training platforms only

Standardization of practical experiences for work safety

Work safety. Priorities

- preparation: decisions, planning
- development of competences and of a culture of safety

Become a recognized center of excellence in safety at work and share experience with other organizations in Lithuania and abroad

2020  2025  2030
Work safety. Strategic goals

- An organization without accidents
- A safe work environment
- A culture of safety

- Decreasing number of fatal, severe and light accidents
- Decreasing number of security incidents
Perspectives: Regulatory environment

Goal
a sustainable regulatory environment in line with requirements of the evolving context.

Priorities

Success factors
proactive collaboration. Alignment of stakeholders' expectations. Dissemination of knowledge and competences. Reliable data for decision-making.
**Regulatory environment. Priorities**

<table>
<thead>
<tr>
<th>Year</th>
<th>Action and Description</th>
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<tbody>
<tr>
<td>2020</td>
<td>Creation of a regulatory environment to enable the development and functioning of smart meters and a Data hub.</td>
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<tr>
<td></td>
<td>Establish conditions and processes for earlier / prospective approval of investments.</td>
</tr>
<tr>
<td></td>
<td>Creation of conditions for information sharing among market participants (customers, the operator, suppliers).</td>
</tr>
<tr>
<td>2025</td>
<td>An effective and well-developed long-term regulatory incentive mechanism.</td>
</tr>
<tr>
<td></td>
<td>A refined regulatory model which ensures sustainable and long-term financing of activities*</td>
</tr>
<tr>
<td></td>
<td>A regulatory environment that purposefully promotes innovation and digitalisation.</td>
</tr>
<tr>
<td></td>
<td>Create a regulatory environment that empowers renewable and distributed generation.</td>
</tr>
<tr>
<td></td>
<td>A regulatory mechanism that integrates decentralized generation.</td>
</tr>
<tr>
<td></td>
<td>A unified and reliable source of data and information for cooperation between the regulator and ESO.*</td>
</tr>
<tr>
<td>2030</td>
<td>Personalized pricing / dynamic tariff based on actual consumption data.</td>
</tr>
<tr>
<td></td>
<td>Automated and smart application of regulatory principles.</td>
</tr>
<tr>
<td></td>
<td>Regulation that empowers the international / regional market.</td>
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</tbody>
</table>

* By nature, most network maintenance and operating costs are fixed, so for purposes of compatibility and consistency of revenues and costs, increase of the fixed part of the tariff will be pursued by reducing the variable tariff component in the future. Thus the revenue structure will be aligned with the nature of the costs.
Perspectives: Finances

**Goal**
the creation of long-term value for shareholders.

**Priorities**
optimal use of financial resources; stable return on equity; consistent implementation of dividend policy.

**Success factors**
stable, long-term regulation; efficient operations and investments; reliable data for timely decision-making.
Sustainable change in EBITDA as a result of efficient operations and consistent growth in regulated asset value.

* Base OPEX is calculated according to market forecasts for macroeconomic assumptions (wage growth and inflation)
** Investments are planned according to long-term investment plans, assuming growth of the asset base on an LRAIC basis.
## Planned financial indicators

### Efficient use of capital:

- **Stable return on capital**
- **Optimal capital structure**

### Planned financial indicators

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<tr>
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<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA adjusted, mEUR</td>
<td>188</td>
<td>234</td>
<td>297</td>
</tr>
<tr>
<td>Net debt * / EBITDA</td>
<td>4.4</td>
<td>5.0</td>
<td>5.1</td>
</tr>
<tr>
<td>ROE, %</td>
<td>9</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>OPEX accumulated, mEUR</td>
<td>213</td>
<td>788</td>
<td>1 436</td>
</tr>
<tr>
<td>CAPEX accumulated, mEUR</td>
<td>334</td>
<td>1 390</td>
<td>2 617</td>
</tr>
</tbody>
</table>

* Cash flows management and borrowing are handled centrally in the Lietuvos Energija Group.
AB Energijos Skirstymo Operatorius began operating on 1 January 2016 with the merger of AB LESTO and AB Lietuvos Dujos. 125,000 km of electricity lines, of which 71% are overhead and 29% cable, and nearly 9,000 km of natural gas distribution pipelines.

EP and NG: distribution, network operation, maintenance, management, development, assurance of security and reliability.

Lietuvos Energija UAB owns 94.98% of ESO’s shares and minority shareholders own the remaining 5.02%.
### Electricity

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>Δ, +/-</th>
<th>Δ, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power distributed via medium and low-voltage networks, etc.</td>
<td>TWh</td>
<td>8,98</td>
<td>9,22</td>
<td>0,24</td>
</tr>
<tr>
<td>Guarantee supply</td>
<td>TWh</td>
<td>0,41</td>
<td>0,41</td>
<td>0,00</td>
</tr>
<tr>
<td>Number of newly connected users</td>
<td>thousands</td>
<td>29,335</td>
<td>29,640</td>
<td>0,305</td>
</tr>
<tr>
<td>Average time to connect new users</td>
<td>calendar days</td>
<td>58,5</td>
<td>45,9</td>
<td>-12,56</td>
</tr>
</tbody>
</table>

### Electricity supply quality indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>Δ, +/-</th>
<th>Δ, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIDI, min. (including force majeure)</td>
<td>min.</td>
<td>111,99</td>
<td>125,989</td>
<td>14,002</td>
</tr>
<tr>
<td>SAIFI, number (including force majeure)</td>
<td>units</td>
<td>1,11</td>
<td>1,227</td>
<td>0,114</td>
</tr>
<tr>
<td>Technological costs in the power distribution network</td>
<td>%</td>
<td>6,49%</td>
<td>6,14%</td>
<td>-0,35%</td>
</tr>
</tbody>
</table>

### Natural gas

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>Δ, +/-</th>
<th>Δ, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of natural gas distributed</td>
<td>TWh</td>
<td>7,39</td>
<td>7,37</td>
<td>-0,02</td>
</tr>
<tr>
<td>Number of newly connected users</td>
<td>thousands</td>
<td>5,288</td>
<td>12,53</td>
<td>7,242</td>
</tr>
<tr>
<td>Average time to connect new users</td>
<td>calendar days</td>
<td>162,4</td>
<td>146,2</td>
<td>-16,18</td>
</tr>
</tbody>
</table>

### Natural gas supply quality indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>Δ, +/-</th>
<th>Δ, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIDI, min. (including force majeure)</td>
<td>min.</td>
<td>0,529</td>
<td>1,161</td>
<td>0,632</td>
</tr>
<tr>
<td>SAIFI, number (including force majeure)</td>
<td>units</td>
<td>0,006</td>
<td>0,007</td>
<td>0,001042</td>
</tr>
<tr>
<td>Technological costs in the natural gas distribution network</td>
<td>%</td>
<td>2,25%</td>
<td>2,13%</td>
<td>-0,12%</td>
</tr>
</tbody>
</table>

### Audited data for 2017

- **Sales revenue**: 612,3
- **Operating expenses (OPEX)**: 94,7
- **Net profit**: 77,6
- **EBITDA (adjusted)**: 150,9
- **Assets**: 1277,8
- **Number of employees**: 2503
- **ROE,%**: 12,6
- **CAPEX**: 226,2
Analysis of environmental factors

External factors
Trends in the development of the global energy sector affecting distribution network operations and investments and creating the need, conditions and risks for transformation

**YESTERDAY**
- Centralized generation
- One-way energy flow
- Passive users
- Reactive network monitoring and management
- Non-flexible systems and solutions

**NOW / TOMORROW**
- Decentralized generation
- Two-way energy flow
- Active users
- Proactive and real-time network monitoring and management
- Flexible systems and solutions

(YESTERDAY)
- 
- 
- 
- 
- 

(NOW / TOMORROW)
- 
- 
- 
- 
- 

(Lietuvos energija)
Trends in the development of the Lithuanian energy sector

Distribution network development directions specified in the National Energy Independence Strategy which are reflected in ESO activities and related investments that this strategy provides for.
Trends in the development of the Lithuanian energy sector. Generating users

Distribution network development directions specified in the National Energy Independence Strategy

<table>
<thead>
<tr>
<th>Year</th>
<th>Generating users</th>
<th>Distribution network development</th>
<th>Lithuanian electricity generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>&lt;2000 generating users</td>
<td>0%</td>
<td>0.2 GW (or 5%) of Lithuanian electricity generation power is installed in the STO network</td>
</tr>
<tr>
<td>2020</td>
<td>34 000 generating users</td>
<td>2%</td>
<td>0.4 GW (or 12%) of Lithuanian electricity generation power is installed in the STO network</td>
</tr>
<tr>
<td>2030</td>
<td>480 000 generating users</td>
<td>30%</td>
<td>3.5 GW (or 57%) of Lithuanian electricity generation power is installed in the STO network</td>
</tr>
<tr>
<td>2050</td>
<td>800 000 generating users</td>
<td>50%</td>
<td>5.8 GW (or 68%) of Lithuanian electricity generation power is installed in the STO network</td>
</tr>
</tbody>
</table>

As of 2030, the majority of Lithuanian electricity production will be in the distribution network.
Structure of the Lithuanian electricity system in 2030

Wholesale
- Physical and financial trade

Generation
- Energy accumulation
  - Traditional
  - Flexible
  - Renewable

Transmission system
- Monitoring and control
- Automated maintenance
- Self-healing network
- IoT technology

Distribution system
- Energy exchange platform
- User aggregation
- Virtual power plants
- Energy suppliers

Major users
- Date centres
- Industry
- Electric car fleet

Industrial and commercial users
- Passive
- Active
- Distributed generation
- Smart buildings and cities

Households
- Passive
- Active
- Isolated micro-isles
- Generating

Energy flows
- Physical and financial trade

Energy suppliers’ / market participants’ area of activity

ESO activities
- Activities of ESO and other market participants

Data flows
- Energy exchange services
- Service exchange

Smart metering

[Diagram image]
Comparative analysis
ESO activities that affect Lithuania’s competitive environment

Time it takes to connect to electricity network and number of procedures relative to the price of connection (commercial users)

- **Commercial customers**
  - Price of connection to network as a percentage of personal income, %
  - Time to connect to network in days
  - Simple process and low price
  - Complicated process and high price

- **Direction of the targeted goal as per the scale shown**

The World Bank 2018
Comparative analysis
Creation of a regional retail electricity market on the basis of centralized Data hubs

Introduction of a centralized Data hub in the Nordic-Baltic region to promote competition:

- Assurance of uniform conditions for all market participants
- By standardizing retail market processes and data access
- Reducing entry barriers for market suppliers
  Creating a unified system to ensure the process of change of suppliers
- Clearly distinguishing and defining network operator and supply activities and roles

Analysis of stakeholders

ESO's goal is to come to understand stakeholders’ diverse expectations and adapt maturely on the basis of overall expectations.

### Expectations of ESO stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Uninterrupted energy supply and fast restoration of supply after storms</th>
<th>Quality supply of electricity</th>
<th>Energy efficiency and sustainable use</th>
<th>Security of network equipment and invisible network</th>
<th>ESO performance efficiency</th>
<th>Accurate bills and simple payment procedure</th>
<th>Development of renewable energy sources</th>
<th>Convenient services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Society</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory authorities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign investors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Strategic directions

- Network reliability
- Smart grid
- Market facilitation
- Customer experiences
- Performance efficiency

Source: analysis based on ESO's own research, customer surveys and accumulated experience.
Compliance with NEIS (1)
ESO’s 2030 strategy contributes to the implementation of 4 key NEIS strategic directions

We will contribute to competitiveness goals by:

• Speeding up the connection of users to electricity and natural gas networks and reducing the administrative burden of the related processes (thereby also improving the country’s “Doing Business” rating);
• Installing smart electricity meters for electricity and natural gas users;
• Ensuring the proper and timely sharing of information with electricity users in order to involve them in the management of the electricity network and encourage them to become active market players.

We will contribute to reliability goals by improving SAIDI/SAIFI network reliability indicators and by:

• Replacing deteriorated overhead lines in the electricity distribution network with cable lines, giving priority to lines that are older, fail more, and are in woody or economically active areas;
• Modernizing and expanding electricity and natural gas distribution infrastructure;
• Improving and ensuring the reliability of electricity supply to industrial users in the defined industrial zones (FEZ);
• Installing smart solutions for remote management, identification of defects, and fast and reliable network restoration.
Implementing energy-saving agreements (ENEF market promotion measures);
Creating good conditions to introduce and develop infrastructure for electricity-powered vehicles (including electric cars) in cities and municipalities.

We will contribute to environmental pollution reduction goals by:

Implementing innovations in pursuit of energy progress

Creating and installing a common Data hub;
Standardizing and digitalizing retail electricity market business processes, shortening supplier change procedures, and thus empowering generating users;
Promoting experimental and industrial development of the most promising energy technologies as well as innovation incubators and research into digital solutions for energy;
Promoting changes in the regulatory environment to make conditions for financing innovation in distribution activities more favourable.

We will contribute to bringing about Lithuanian energy innovations by:
## PESTEL analysis *(1)*

<table>
<thead>
<tr>
<th>Factors</th>
<th>Direction of impact</th>
<th>Measures for impact control</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changing energy policy / priorities due to political changes</td>
<td>Negative / Positive</td>
<td>- Active communication to all stakeholders and society, ensuring consistent ongoing implementation of solutions that have been adopted / agreed. Seek to coordinate strategic decisions of particular importance with stakeholders and enshrine them in legal acts or strategic documents in a timely, long-term manner.</td>
</tr>
<tr>
<td>Incompatibility / inconsistency in the regulatory environment and other regulation</td>
<td>Negative</td>
<td>- Respond proactively and rapidly to changed or new opportunities.</td>
</tr>
<tr>
<td>Long legal / political decision-making process</td>
<td>Negative</td>
<td>- Proactively participate in legal / legislative discussions and involve supporting partners.</td>
</tr>
<tr>
<td>Impact of national and international political agreements on key projects of the Group</td>
<td>Positive / Negative</td>
<td>- Active participation in discussions, preparation of the necessary materials for decision makers; communication of the possible impact of planned decisions on the LE Group and/or ESO as a company. - Proactively and periodically inform decision-makers about the group’s operational challenges and the progress of projects; if possible, develop alternative action plans (for use in case of unfavourable decisions).</td>
</tr>
<tr>
<td><strong>Economic / financial factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of business cycles on changes in energy demand and financial results</td>
<td>Positive / Negative</td>
<td>- Regularly update natural gas and power demand forecasts and price dynamics for Lithuania, and integrate into operations planning. - Communicate the historical dynamics of energy resource prices, flows and volumes along with the relevant reasons and trends.</td>
</tr>
<tr>
<td>Lack of competition among contractors. Rising prices.</td>
<td>Negative</td>
<td>- Promote competition. - Seek to attract new / foreign contractors. - Balance requirements for the quality and terms of contractor work with their impact on price.</td>
</tr>
<tr>
<td>Volatility in the prices of raw materials and imported electricity and natural gas</td>
<td>Negative</td>
<td>- Analyze and communicate resource price dynamics and forecasts. Integrate them into short-term and long-term business plans. - Diversification of the electricity and gas portfolio over time.</td>
</tr>
<tr>
<td><strong>Social factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relatively slow growth of purchasing power in the country and sensitivity to price increases; expectations of falling energy prices.</td>
<td>Negative</td>
<td>- Proactively, periodically and understandably communicate the reasons for price changes, pointing out what depends on the actions of ESO as a SNO.</td>
</tr>
<tr>
<td>Remaining need for the safety of employees / contractors / residents</td>
<td>Positive</td>
<td>- Develop an effective concept of the culture of safety which includes the safety of residents, contractors and ESO employees.</td>
</tr>
<tr>
<td>Increasing public support for the use of new technologies</td>
<td>Positive</td>
<td>- Promote public interest in energy sector advances.</td>
</tr>
<tr>
<td>Growing expectations in society for technological solutions</td>
<td>Positive / Negative</td>
<td>- Seek to meet society’s expectations for the use of technology and innovative solutions.</td>
</tr>
</tbody>
</table>

*Analysis of external factors*
### Factors

#### Technological factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Direction of impact</th>
<th>Measures for impact control</th>
</tr>
</thead>
</table>
| Reduced natural gas consumption, i.e. increasing costs of infrastructure (EUR/m³ user) | Negative            | • Maintain or promote natural gas consumption in promising areas: through service quality and reliability, optimizing the costs of infrastructure maintenance.  
• Pursue long-term regulatory stability and clarity of pricing components. |
| Necessity of digital technologies and complex modern solutions (cloud, IoT, etc.) for competitiveness | Positive / Negative | • Implement programmes for digitization and transformation of ESO activities (complex measures) giving them high priority.  
• Seek long-term regulatory stability for ongoing investment in smart grid development, data analytics, other smart solutions.  
• Use cloud solutions to modernize critical systems where that is compatible with ITT safety.  
• Exploit IoT technologies to handle network management tasks.  
• Implement globally proven innovative solutions (through partnership with experienced global players / an innovation model). |
| A sub-optimal and little-automated distribution network                |                     |                                                                                                                                                              |

#### Environmental factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Direction of impact</th>
<th>Measures for impact control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing risk of cyber threats</td>
<td>Negative</td>
<td>• Proactive deployment and continuous review of cyber security measures, managing these efforts from the Group’s cyber security competence center.</td>
</tr>
</tbody>
</table>
| Stricter environmental requirements requiring additional investment  | Negative / Positive | • Assess compliance with environmental requirements when planning business operations.  
• Treat environmentally friendly actions as the rule for everyday operations. |
| Lack of a clear, long-term global environmental policy that is stable / uniform complicates implementing long-term solutions. | Negative            | • Assess environmental protection trends when planning and adopting long-term decisions.  
• Consider possible additional investment needs for changes in environmental requirements when undertaking investments or activities. |

#### Legal factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Direction of impact</th>
<th>Measures for impact control</th>
</tr>
</thead>
</table>
| Complex (extremely detailed / overly abstract), changing, and ambiguous legal regulation. Insufficient legal and regulatory clarity and stability / consistency with regard to regulated activities. | Negative            | • For any regulatory loopholes/uncertainties, proactively seek to clarify the significant aspects with decision makers (requesting written explanations, commentaries, etc.).  
• Where possible, seek to initiate the adoption or amendment of legislation, explaining the need for clarity as well as long-term regulatory stability.  
• Regularly review the legislative framework to check and ensure compliance with legal requirements (personal data, anti-corruption, transparency, purchasing, regulation of core business, etc.).  
• Promote stable and clear application of the principles of incentive regulation. |
| Slow adaptation of the legal environment to evolving markets and technologies | Negative            | • Proactively promote changes in legislation.                                                                                                                                                                    |
Analysis of environmental factors

Internal factors
### SWOT analysis

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A service system that meets customer expectations over a broad base of customer contacts. Mature perception of the need and opportunities for continuous improvement of customer experience.</td>
<td>• Limited and inflexible opportunities for use of critical IT systems are an obstacle to rapid improvement of service quality and efficiency as well as to the integral implementation of IT system changes.</td>
<td>• Regulations promoting innovation allow us to be the first to introduce the most technologically advanced network management solutions.</td>
<td>• An unstable regulatory environment not in line with the company’s evolving needs or the expectations place on it the company by other legislation or national strategies, or prevents meeting the changing needs of customers/legal acts.</td>
</tr>
<tr>
<td>• An SOE of strategic importance able to provide reasoned arguments and comments to draft legal acts and to stakeholders, thus contributing to the regulatory and legal environment for the benefit of society.</td>
<td>• Inefficient processes that are late to meet customer and stakeholder expectations, due to changes in external regulation, market changes and trends, changes in the LE Group and internal ESO reasons.</td>
<td>• The decreasing price of technology (network, storage, response, control, etc.) offers an opportunity to economically justify and digitalize the network, or to implement specific advanced solutions.</td>
<td>• Cyber security: digitalizing the network increases the risk of cyber incidents having an impact in terms of negative consequences.</td>
</tr>
<tr>
<td>• As part of the LE Group, have access to specific group-wide competences and share in group-wide best practices.</td>
<td>• Lack of specific competences and empowerment in assuming responsibility for the systematic change of processes in creating value throughout the ESO value chain.</td>
<td>• The introduction of smart metering provides an opportunity for new standardized infrastructure products and services.</td>
<td>• Incompatibility of diverse stakeholders’ expectation and/or uncoordinated regulation may delay/fail to create preconditions for timely implementation of change.</td>
</tr>
<tr>
<td>• Financial stability (ESO shares are listed on Nasdaq Baltic Stock Exchange. The Company meets high standards of transparency and good governance).</td>
<td>• Extremely complex processes involving the entire organization; accordingly, their transformation is long and complicated, with fewer quick results.</td>
<td>• Having refined activities (separated off public supply) to focus on duties as a network operator, there are preconditions to provide neutral market facilitation and promotion services or solutions.</td>
<td>• Lack of qualified specialists and contractors for the use of new and existing technologies and implementation of change, and lack of competition among contractors, all limit, delay and increase the cost of implementing change.</td>
</tr>
</tbody>
</table>

- **STRENGTHS**
  - A service system that meets customer expectations over a broad base of customer contacts. Mature perception of the need and opportunities for continuous improvement of customer experience.
  - An SOE of strategic importance able to provide reasoned arguments and comments to draft legal acts and to stakeholders, thus contributing to the regulatory and legal environment for the benefit of society.
  - As part of the LE Group, have access to specific group-wide competences and share in group-wide best practices.
  - Financial stability (ESO shares are listed on Nasdaq Baltic Stock Exchange. The Company meets high standards of transparency and good governance).

- **WEAKNESSES**
  - Limited and inflexible opportunities for use of critical IT systems are an obstacle to rapid improvement of service quality and efficiency as well as to the integral implementation of IT system changes.
  - Inefficient processes that are late to meet customer and stakeholder expectations, due to changes in external regulation, market changes and trends, changes in the LE Group and internal ESO reasons.
  - Lack of specific competences and empowerment in assuming responsibility for the systematic change of processes in creating value throughout the ESO value chain.
  - Extremely complex processes involving the entire organization; accordingly, their transformation is long and complicated, with fewer quick results.
  - Disorderly data in parts of the ESO value chain: duplication, discrepancies, lack of data, non-digitized information, incomparability, etc.

- **OPPORTUNITIES**
  - Regulations promoting innovation allow us to be the first to introduce the most technologically advanced network management solutions.
  - The decreasing price of technology (network, storage, response, control, etc.) offers an opportunity to economically justify and digitalize the network, or to implement specific advanced solutions.
  - The introduction of smart metering provides an opportunity for new standardized infrastructure products and services.
  - Having refined activities (separated off public supply) to focus on duties as a network operator, there are preconditions to provide neutral market facilitation and promotion services or solutions.
  - Application of the principle of customer experience and meeting customer expectations will allow us to concentrate all value chain elements (customer relationship, direct services, network management, internal/service processes, operational excellence and organizational culture) on a single direction/goal.

- **THREATS**
  - An unstable regulatory environment not in line with the company’s evolving needs or the expectations place on it the company by other legislation or national strategies, or prevents meeting the changing needs of customers/legal acts.
  - Cyber security: digitalizing the network increases the risk of cyber incidents having an impact in terms of negative consequences.
  - Incompatibility of diverse stakeholders’ expectation and/or uncoordinated regulation may delay/fail to create preconditions for timely implementation of change.
  - Lack of qualified specialists and contractors for the use of new and existing technologies and implementation of change, and lack of competition among contractors, all limit, delay and increase the cost of implementing change.
  - Pursuit of price stability can slow down investments in increasing network intelligence and digitalization.
Risk management model

Audit Committee, Committee for Risk Management and Operational Ethics and Supervision

Risk appetite

ESO Supervisory Board, ESO Board

ESO operating strategy

Risks

First line

Second line

Third line

Strategic risks
Operational risks
Financial risks
Compliance risks
Other risks

Core activities of the Company
Risk management and other operating functions *
Internal and external audit

First line

Second line

Third line

Act and improve control and processes
Optimize risk management functions
Established and empowered risk management

* Employees of risk management and other functions (prevention, compliance, work safety, financial control):
Market facilitation
• Risk of environmental pressure due to time constraints and costs.
  • Consistent communication and management of stakeholders’ expectations.
Risk of creation of a single market vs. Integration solutions.
• Consistent position, involvement of decision-makers from the very beginning.
Risk of failure to ensure GDPR, competition, cyber security.
• Give due attention to ensuring reliability and neutrality.

Smart grid
• Appeals of procurement procedures delaying decisions.
  • Maximum transparency, compliance with advance notice percentage.
Lack of competences/resources.
• Search for ways to obtain the necessary competences.
Risk of diversity of solutions.
• Set a rational number of relevant priorities and pursuing them.

Network reliability
- Lack of consistency of priorities.
  • Justify all investments with a focus on SAIDI/SAIFI and other network reliability priorities.
- Risk of inconsistency of direction.
  • Coordinate goals of network reliability with the changing market: power demand, generating users, loads, auto stations and other external needs.

Customer experience
• Complicated processes which clients cannot understand.
  • Identify and understand all customer contacts in ESO processes and make targeted changes to them.
Matching expectations of different generations.
• Adapt services, tolerating mismatches of some expectations.
  • Balance the optimal value to price ratio for the public.

Operational excellence
• Risk of the lack of integrity in the transformation of E2E processes.
  • Complex review covering OE, data, RPA, DIG and content change.
Quality and length of IT system integrations.
• Interactive principle creating and digitalizing small change, if significant change is not possible.
Lack of data quality.
• Data reliability, source, consistency

Risk of stability of financing
Consistent long-term plans and priorities
Risk of instability / inconsistency of regulatory environment
An open, consistent dialogue in pursuit of a rational, clear and sustainable regulatory environment
Risk of a lack of competences and resources
Give priority to competences and match them with the result. Find good ways and forms to attract competences
The ESO 2030 strategy is an integral part of the LE Group’s planning system and has been prepared in order to ensure the implementation of long-term goals provided for in the LE 2030 strategy and the strategies of LE’s functional activities, in order to plan the activities and investments necessary therefor.
Double the reliability of the electricity system and maintain that of the natural gas system

Implementation of solutions for a smart grid

A functioning supplier centric market model

Services that provide a great customer experience

Efficient ESO operations and financial sustainability

An organization without accidents

Key performance indicators for 2030 strategic goals

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>EP SAIDI</td>
<td>100</td>
<td>85</td>
<td>70</td>
</tr>
<tr>
<td>EP SAIFI</td>
<td>1</td>
<td>0.83</td>
<td>0.66</td>
</tr>
<tr>
<td>Smart meters installed for customers, %</td>
<td>15</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>Data hub</td>
<td>Installation</td>
<td>EP and NG</td>
<td>Regional</td>
</tr>
<tr>
<td>Time to connect new electricity customers, calendar days</td>
<td>42</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td>Time to connect new natural gas customers, calendar days</td>
<td>80</td>
<td>45</td>
<td>35</td>
</tr>
<tr>
<td>NPS for of ESO services</td>
<td>50</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td>OPEX (accumulated), mEUR</td>
<td>213</td>
<td>788</td>
<td>1 436</td>
</tr>
<tr>
<td>CAPEX (accumulated), mEUR</td>
<td>334</td>
<td>1 390</td>
<td>2 617</td>
</tr>
<tr>
<td>Number of accidents</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
ESO’s strategy sets goals in line with the priorities of the Lietuvos Energija Group. With this document, however, the company offers no guarantees for the implementation of the measures or goals set out, their terms or other actions.

Please note that:

- the goals set out in the document (including the scope, time, method of financing and other aspects) will depend on specific external and internal economic, legal and other factors. The identified reasons can affect decision-making and their effective implementation, focusing on successful business results and the creation of value for all stakeholders;

- activity guidelines of the Company (including possible projects, development opportunities and alternatives) cannot be considered a commitment or another final decision, or a proposal to invest, conclude transactions or carry out other actions;

- all specific decisions will be taken only having assessed all the material circumstances, in observance of legislative requirements and procedures, including, if applicable, the duty to receive the necessary permits or another approval of decisions with competent authorities or stakeholders;

- information on specific decisions, if they must be disclosed, shall be disclosed in accordance with legal acts governing public disclosure of such information and ensuring the necessary and comprehensive information of stakeholders and the implementation of transparency principles;

- information presented in this document cannot be considered investment or another recommendation related to trade or activities in respective markets, or another aim to exert influence on participants of respective markets, or other potentially interested persons;

- information contained in this document has been prepared in observance of the circumstances known at the time of its preparation and may change in the future;

- the Company is not liable for any conclusions, which persons having read the document may make, and does not assume any liability for any loss that would result from the interpretation of the content of this document or acting in observance thereof in decision-making;

- the Company follows the principle of legitimacy of its activities, therefore any goals, plans, statements, concepts and other information contained in this document cannot be interpreted in contradiction to the law;

- all actions are conducted and decisions are made in the Company in observance of the requirements of fair competition, separation of energy activities, transparent sale of energy products and financial instruments as well as requirements of legal acts applied to activities of the Group by other companies.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>Active customer - means a customer or a group of jointly acting customers who consume, store or sell electricity generated on their premises, including through aggregators, or participate in demand response or energy efficiency schemes provided that these activities do not constitute their primary commercial or professional activity</td>
</tr>
<tr>
<td>BD</td>
<td>Big data</td>
</tr>
<tr>
<td>CEEER</td>
<td>Council of European energy regulators</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Investments / Capital investments</td>
</tr>
<tr>
<td>CAIDI</td>
<td>Customer Average Interruption Duration Index (SAIDI/SAIFI)</td>
</tr>
<tr>
<td>DATA HUB</td>
<td>Data collection and exchange platform</td>
</tr>
<tr>
<td>DIG</td>
<td>Digitalization</td>
</tr>
<tr>
<td>DP</td>
<td>Distribution point</td>
</tr>
<tr>
<td>DWH</td>
<td>Data warehouse</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before depreciation, amortization, interest expense and income tax</td>
</tr>
<tr>
<td>EP</td>
<td>Electric Power</td>
</tr>
<tr>
<td>ES</td>
<td>European Union</td>
</tr>
<tr>
<td>E2E</td>
<td>End-to-end process review</td>
</tr>
<tr>
<td>ENEF</td>
<td>Energy efficiency fund</td>
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<tr>
<td>EV</td>
<td>Electric vehicle</td>
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<tr>
<td>eNPS</td>
<td>Employee Net Promoter Score - methodology to answer the question: How likely would you be to recommend your employer to a friend or acquaintance?</td>
</tr>
<tr>
<td>FEZ</td>
<td>Free economical zone</td>
</tr>
<tr>
<td>GDPR</td>
<td>EU General Data Protection Regulation</td>
</tr>
<tr>
<td>GU</td>
<td>Generating user– prosumer</td>
</tr>
<tr>
<td>GW/MW</td>
<td>Gigawatts / Megawatts – a unit of measure of power</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>IT/OT</td>
<td>Information Technology / Operational Technology</td>
</tr>
<tr>
<td>kV</td>
<td>kilovolt – a unit of measure of electric voltage</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Demand response or distributed production services used by grid operators in order to use the flexibility of users for network management through the possibility for the consumer or prosumer to respond and change their consumption and/or production profile independently or through persons representing them</td>
</tr>
<tr>
<td>LE/LE Group</td>
<td>Lietuvos Energija, UAB, Lietuvos Energija, UAB, Group</td>
</tr>
<tr>
<td>FEZ</td>
<td>Free Economic Zone</td>
</tr>
<tr>
<td>mEUR</td>
<td>Million euro</td>
</tr>
<tr>
<td>NB-IoT</td>
<td>Narrowband Internet of Things</td>
</tr>
<tr>
<td>NEIS</td>
<td>National Energy Independence Strategy</td>
</tr>
<tr>
<td>NG</td>
<td>Natural gas</td>
</tr>
<tr>
<td>NGV/m</td>
<td>New generating users per year</td>
</tr>
<tr>
<td>NPS</td>
<td>Net promoter score</td>
</tr>
<tr>
<td>OCS</td>
<td>One-click story</td>
</tr>
<tr>
<td>OPEX</td>
<td>Operating expenses</td>
</tr>
<tr>
<td>PSO</td>
<td>Transmission system operator</td>
</tr>
<tr>
<td>RES</td>
<td>Renewable energy sources</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>RPA</td>
<td>Robotic Process Automation</td>
</tr>
<tr>
<td>SAIDI/SAIFI</td>
<td>Average duration of unplanned interruptions/ average number of unplanned long interruptions per user</td>
</tr>
<tr>
<td>SNO</td>
<td>System network operator</td>
</tr>
<tr>
<td>Supplier centric</td>
<td>A model based whereon the key consumer contact person on all energy-related matters is a client's energy supplier. A distribution network operator contacts customers only when dealing with network-related problems</td>
</tr>
<tr>
<td>TOTEX</td>
<td>CAPEX + OPEX</td>
</tr>
<tr>
<td>TS</td>
<td>Transformer substation</td>
</tr>
<tr>
<td>TS/DP</td>
<td>Transformer substation / Distribution point</td>
</tr>
<tr>
<td>TWh/KWh</td>
<td>Terawatt-hour / kilowatt-hour – a unit of measure of energy amount</td>
</tr>
<tr>
<td>SOE</td>
<td>State-owned enterprise</td>
</tr>
</tbody>
</table>
Green | Smart | Global