EPSOG group strategy 2035

Litgrid

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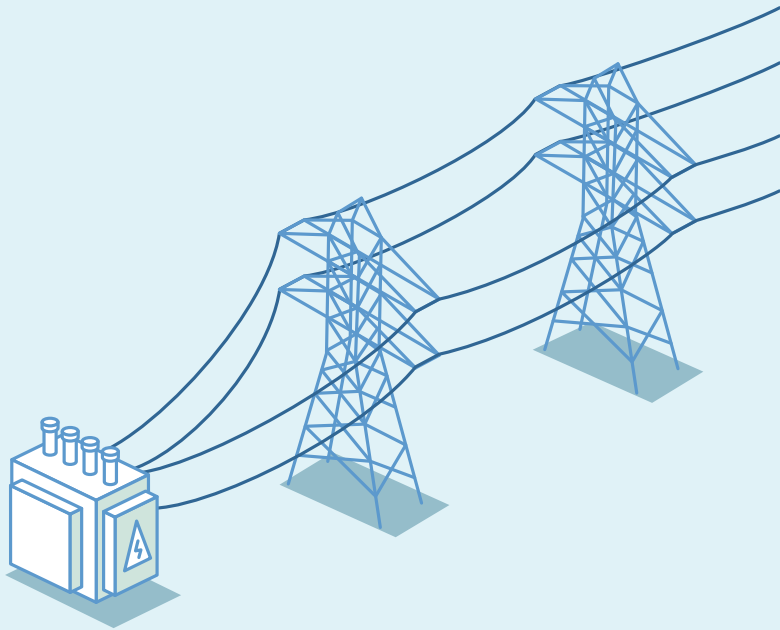


Legal disclaimer

This document aims to establish the long-term (until 2035) priorities, objectives, measures of Litgrid AB, Lithuanian electricity transmission system operator (hereinafter referred to as “Litgrid” or the “Company”), to determine the strategic performance indicators based on which the Company will assess its operational efficiency in the short and long-term.

The strategic document is drafted in view of the strategic commitments to stakeholders: developing future-ready infrastructure, ensuring security and reliability, being reliable strategic partners and the fourth commitment which combines measures to enable the implementation of the strategy – creating conditions for sustainable and efficient progress. These elements are key to achieving strategic and financial targets set by the shareholder.

The document lays down the targets and indicators that are expected to be achieved in the future. The disclosed information is based on Litgrid’s current knowledge, expectations and assumptions regarding future events and tendencies that may affect the Company’s operations.

The forward-looking targets comprise information about Litgrid’s projected performance, business strategies, international relations, competitive environment, operating conditions, potential growth opportunities, impact of future regulation, competitive outcome, etc.

Although the Company expects that the presented valuations and forecasts are substantiated, however there are risks, uncertainties and other significant factors that are beyond its control. This may cause a material difference between the actual and projected performance or achievements.

The implementation of the objectives laid down in this document may be affected by changes in legal requirements, results of the cost and benefit studies and other related analyses. Investment scopes and financial forecasts have been assessed based on information currently available to Litgrid. Aiming to retain a successful performance of the Company and value created to stakeholders, the decision-making process may change depending on external circumstances that cannot be influenced by the Company.

Litgrid’s management and employees are not responsible for any damage resulting from the use of this document or its contents.

The Company is not obliged or committed to update or review any forward-looking statements to reflect new information, future events or other circumstances, except when such an obligation is established by the legal acts.

According to legislation, this document is reviewed and updated annually considering the most relevant information or other circumstances that have occurred.

Introduction

The activities conducted by Litgrid are closely related to the Lithuanian economy and geopolitical situation. Historically being dependent on the import of energy resources, Lithuania is determined to become a sustainable and energy independent state. In developing a reliable and climate neutral energy system and high added value industry, we aim to create conditions for the export of green energy and its products.

By contributing to the implementation of the National Energy Independence Strategy (the "NEIS"), we are at the forefront of the most significant energy projects. We thereby increase the integration, reliability, safety and stability of the electric power system.

Some of the major projects carried out by Litgrid are the synchronisation of the Lithuanian electricity grid with the Continental European networks, the construction of the electricity interconnections with Poland, Sweden and Latvia.

The electricity transmission infrastructure developed by the Company ensures sustainable, diversified and efficient energy exchanges in the Baltic Sea region. Therefore, Lithuania has a choice of sources of electricity import and is able to strengthen its energy independence.

A rapid development of renewable energy brings changes to the Lithuanian energy sector and creates possibilities to replace the import of energy and fossil fuel with locally produced green energy.

Aiming to achieve Lithuania's vision of becoming a climate neutral country that exports energy and its products, it is necessary to expand and upgrade the existing electricity transmission infrastructure, the operation of the power system and energy exchange models.

This requires the development of competences in the area of green energy and creation of new groups of energy sources. The ambition of Lithuania is to achieve the transition to the low-carbon economy, therefore, we should focus our efforts on energy security. Such transition requires the electrification of the transport and other important sectors, assurance of flexibility of sources and integration of the systems.

Moreover, aiming to maximise benefits created for the society and its security we need to explore cooperation possibilities with other energy sectors.

Our employees are the main success factor in this journey. Their leadership, responsibility for the transformation of the energy sector and competence will contribute to meeting the challenges.

We direct out attention to the reliability and flexibility of our operated systems aiming to ensure optimal use of the emerging opportunities. We are open to strategic partnerships and cross-sectoral integration to enhance the capital base and to use partnerships for a successful implementation of the updated strategy.

01 Litgrid at a glance

Our core business –

to ensure energy transformation and supply security

Key indicators for 2023

410
employees

370 mln.
revenue, Eur

37 mln.
adjusted EBITDA, Eur[1]

22 mln.
Adjusted net profit, Eur[1]

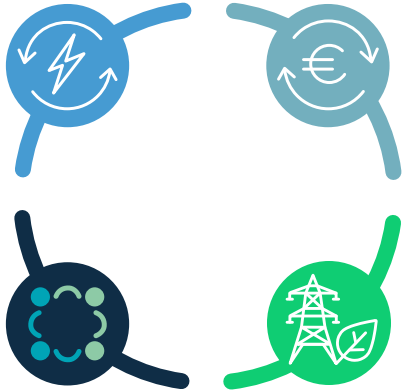
[1] Regulated revenue, costs and profitability indicators are restated due to temporary regulatory deviations from the regulated profitability indicator approved by NERC, revaluation of long-term assets and other profit or loss from non-operating activities

Electricity transmission infrastructure

By developing and managing critical infrastructure, we ensure system security and sustainability
We connect electricity consumers and producers to the transmission network

Power system operation

We ensure a safe and reliable operation of the integrated power system



Imbalance trade

By trading imbalances, we ensure the national balance of electricity production and consumption

System of guarantees of origin

By issuing and canceling guarantees of origin, we create favorable conditions for the development of electricity generated from RES

Our people

Are strategically-important for the **energy security** of Lithuania

Ensures **integrated and efficient** operational management

Enable **sustainable energy strategies** implementation of Lithuania and European Union

We are part of the state-owned energy transmission and exchange group EPSO-G

Litgrid	Amber Grid	ENERGY CELLS	TETAS	EPSOG Invest	Baltpool	getbaltic	TSO Holding
Lithuania's electricity TSO	Lithuania's gas TSO	Energy storage system operator	Electricity network construction and maintenance	Project management and investment	Biomass and timber exchange	Minority share-holder of natural gas exchange	Minority shareholder of the Nord Pool power exchange

We have enabled

A sustainable and effective energy exchange and secured solid ground for the energy transformation

We demonstrate a willingness and ability to step forward and deliver solid track record in large projects

Solid commitment to sustainability
in enabling a climate-neutral energy transition and creating a progressive and sustainable organisation

Accelerating renewable energy
3.8 GW of RES wind and solar capacity integrated into the system, 5-fold increase compared to 2020

Interconnecting energy system
We have entered the single EU electricity market

NordBalt – 2016[1]
Lithuania – Sweden subsea power interconnection

LitPol Link – 2016
Lithuania – Poland power interconnection

Synchronisation – 2025
with continental European grid

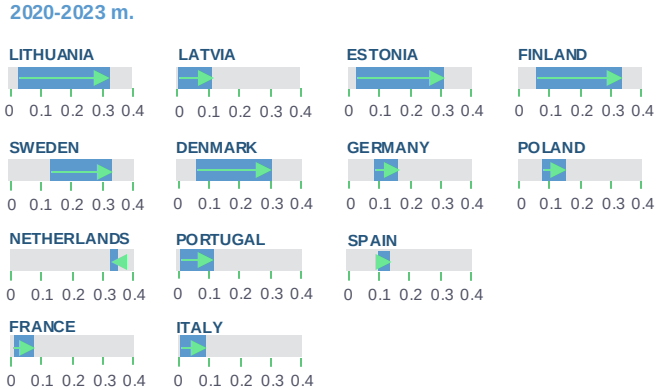
1 eksploatavimo ar komercinio naudojimo pradžia

02 Our strategic context

Baltic sea region has strong potential for significant RES and decarbonisation technology additions

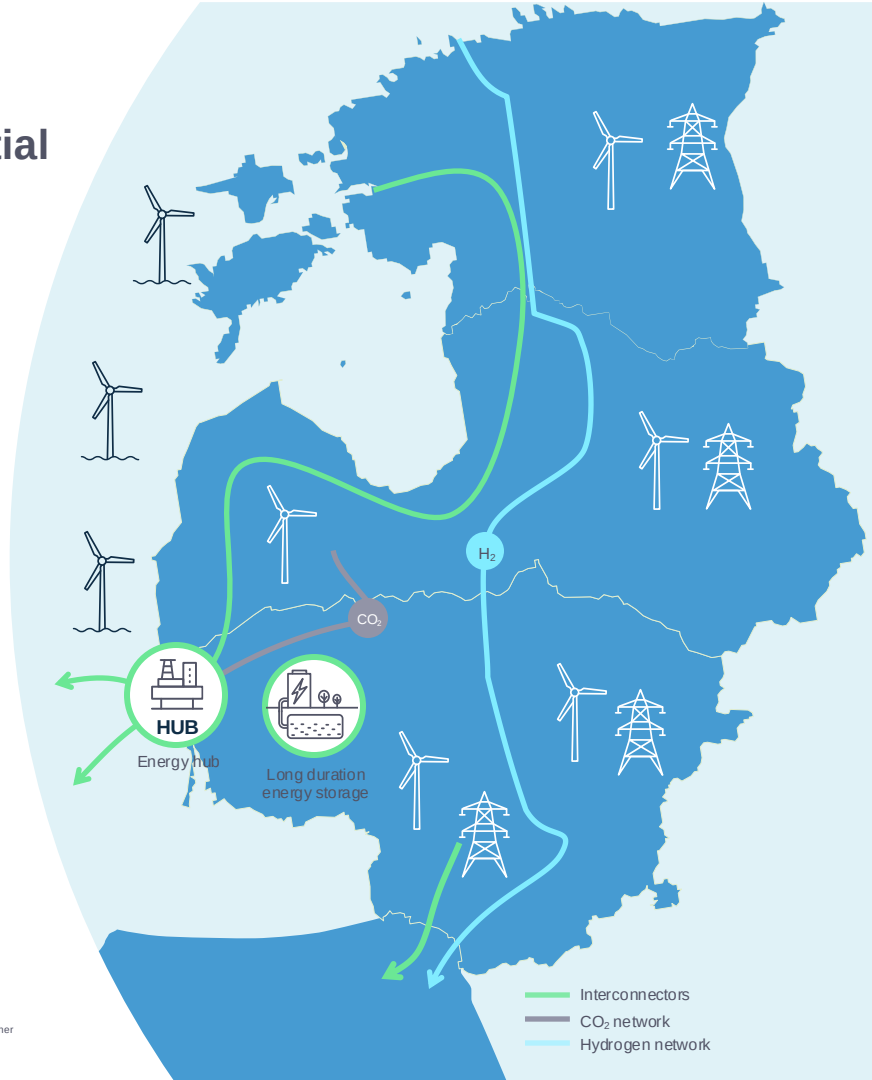
Transformation of the Baltic energy system is underway, creating the potential for a vast interconnected region

Annual new wind and solar capacity installation per capita in selected European countries from start 2021 to end 2023 (kW/cap) [1]



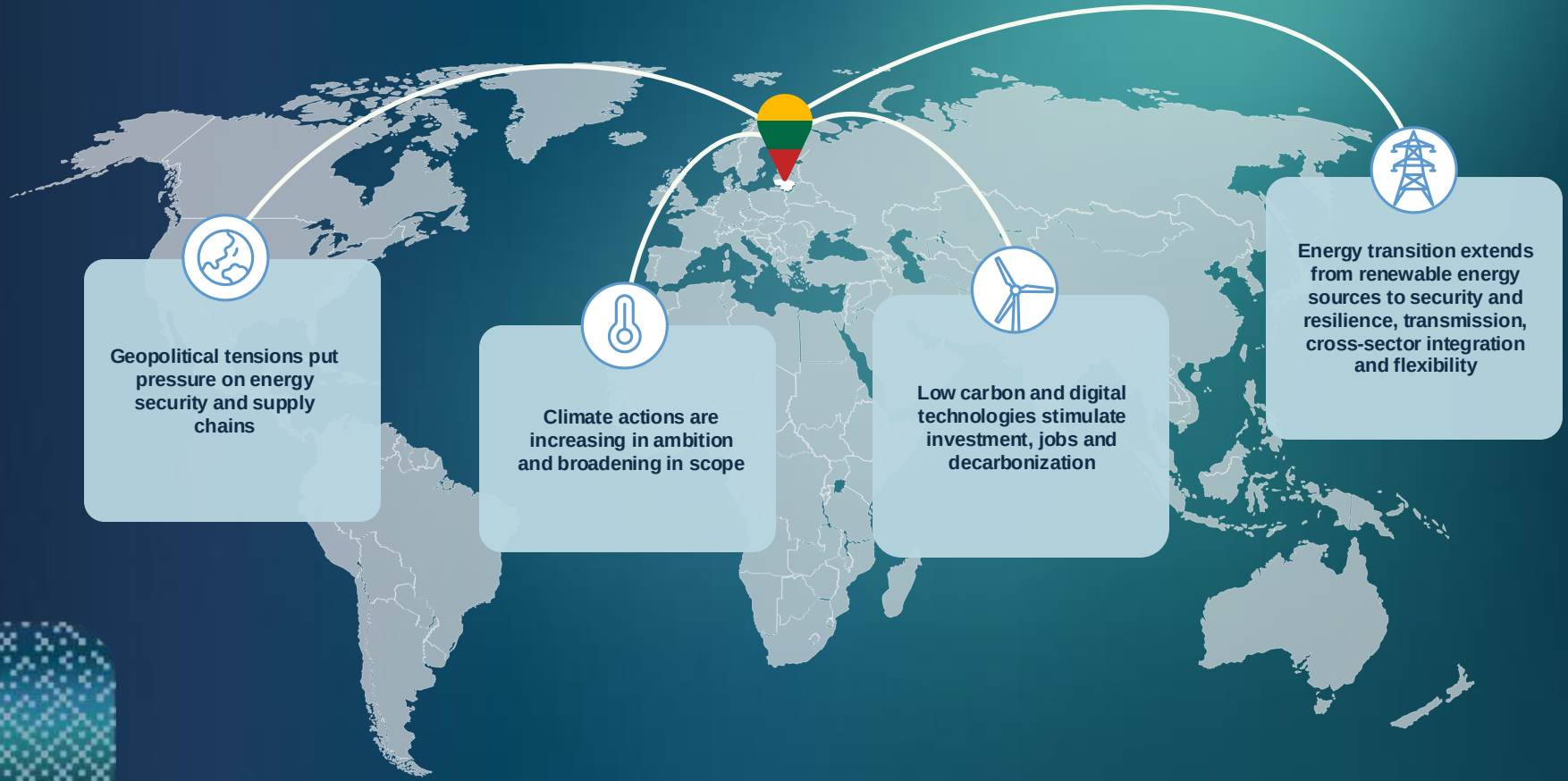
REGIONAL TRENDS

- The Baltic region is currently the leader in Europe for RES capacity additions per capita
- Risk to peace, supply chain issues and volatile commodity prices are major concerns, but balanced by increased policy certainty
- Regional cross-border integration, new transmission infrastructure, growth of demand via electrification and flexibility resources are needed to maintain development of RES and zero-carbon technologies



Source: ENTSO-E Transparency Platform; PCI-PMI Transparency platform; Lithuania Energy System Transformation to 2050 study, LITGRID (for Lithuania only), and other sources. *Note: data takes the first day of the year. Lithuania 2020: additional 72 MW, 2,809,977 population. Lithuania 2023: additional 934 MW, 2,857,279 population.

Complex global dynamics are shaping our environment



Geopolitical tensions put pressure on energy security and supply chains

Climate actions are increasing in ambition and broadening in scope

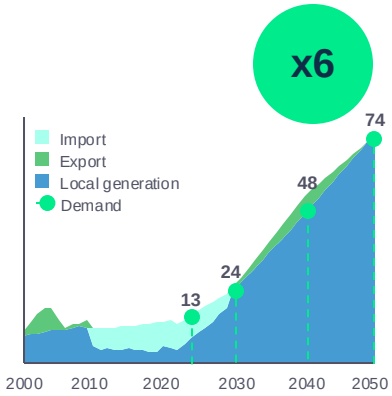
Low carbon and digital technologies stimulate investment, jobs and decarbonization

Energy transition extends from renewable energy sources to security and resilience, transmission, cross-sector integration and flexibility

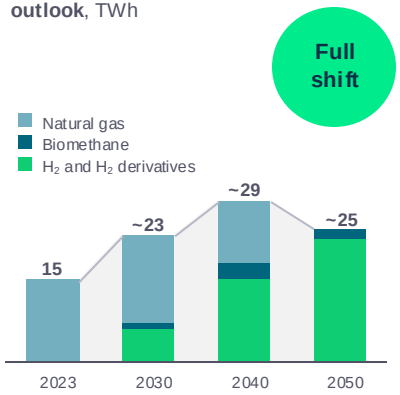
Lithuanian National Energy Independence Strategy

Significant growth in renewable generation to meet demand growth and create exports alongside a transition away from fossil-based methane to hydrogen. Growth in renewables requires enhanced system flexibility, through interconnections and other cross-sectoral flexible resources.

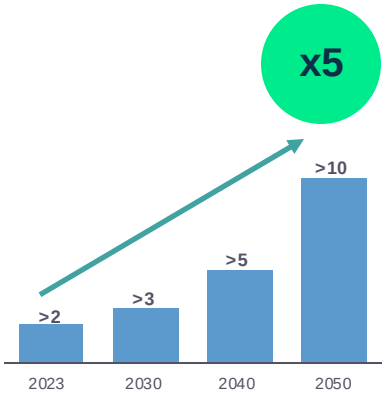
Lithuanian electricity demand and supply outlook, TWh



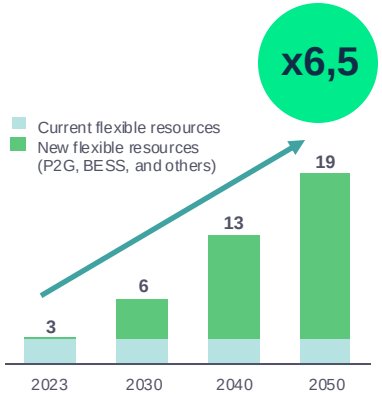
Lithuanian methane and H2 and H2 derivatives demand outlook, TWh



Lithuanian interconnection capacity, GW



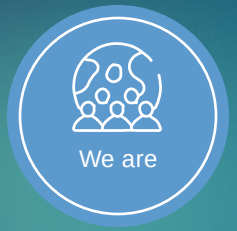
Lithuanian flexible resources (excl. Interconnections), GW



Ambitious national strategy

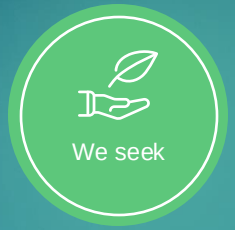
To become the state producing energy for its own needs and exporting it, having developed a climate-neutral and high added value energy industry by 2050.

03 Mission and commitments



OUR PURPOSE

To power a confident and green future in an ever-changing world



OUR VISION

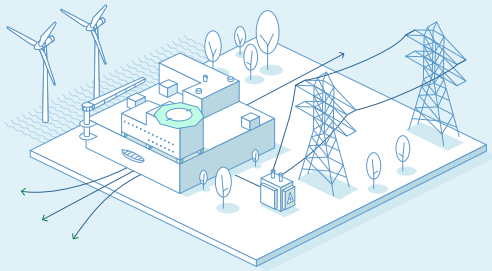
To enable the transformation of the energy industry while simultaneously safeguarding national security interests

OUR MISSION

To accelerate energy independence and enhance system security

Our three fundamental commitments

Driver of tomorrow‘s infrastructure



1

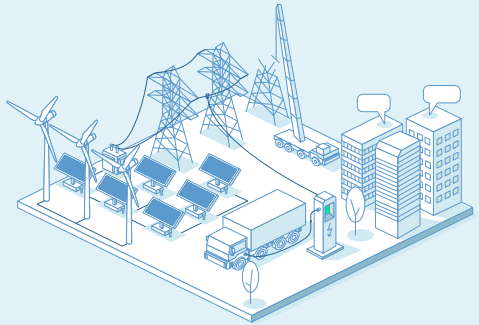
We see the transformation of the energy sector as a **fundamental** change. Our goal is **to provide the infrastructure** upon which the **net-zero energy system** will be based.

Provider of security and reliability

2

We aim to **enhance security** and **reliability** within and beyond the energy sector, strengthening **national** and **regional security**. Our work is essential for a reliable future.

Vital and skilled strategic partner

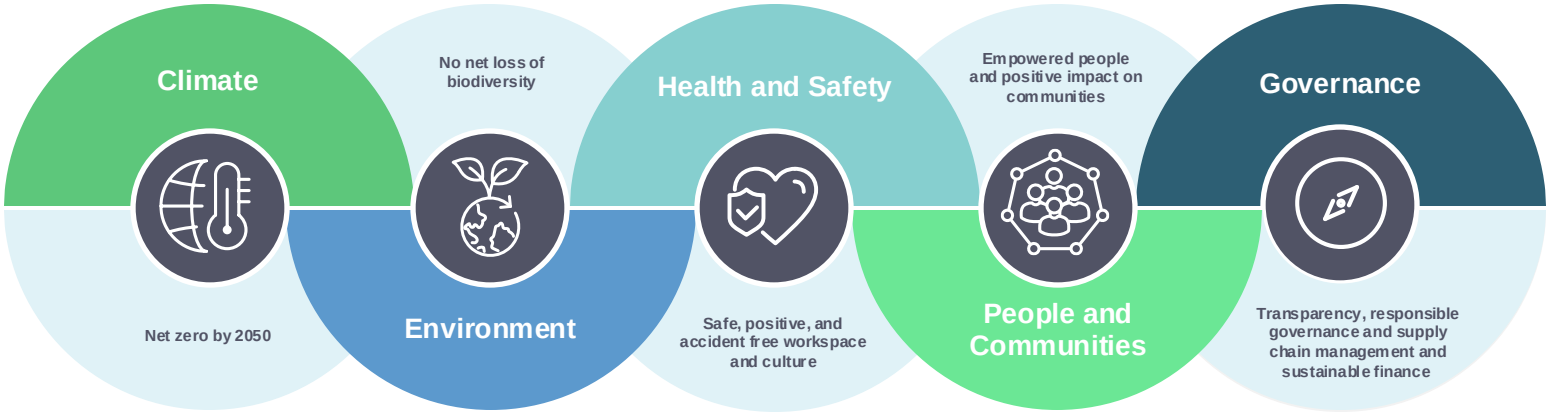


3

Energy transition requires a systemic and **close cooperation** of various industry peers, investors and governments. Our goal is to **be a vital partner** in developing low-carbon infrastructure and markets

Our key guiding principles and sustainability targets for creating positive impact

Our business strategy directly targets 7 UN SDGs while contributing to all the others



Building a stronger organisation for our people

We are targeting:

100% sourcing of **competences** necessary for the implementation of the energy sector transformation

100% completion of high-quality **performance evaluation and development** conversations

Being **the employer of choice**

Organisational capability and sustainability

We develop competences that allow to implement the energy transformation. We improve our work environment and processes and cooperate with educational institutions.

- **Identification and application of future competences**
- **Timely and balanced team growth**
- **Promotion of the profession of an energy sector specialist, cooperation with universities**
- **Focus on employee attraction and retention**

Leadership and talent growth

We rely on our ability to continuously learn that will allow the organisation and its people to prosper. We will focus on creating opportunities to further develop talents and leadership skills.

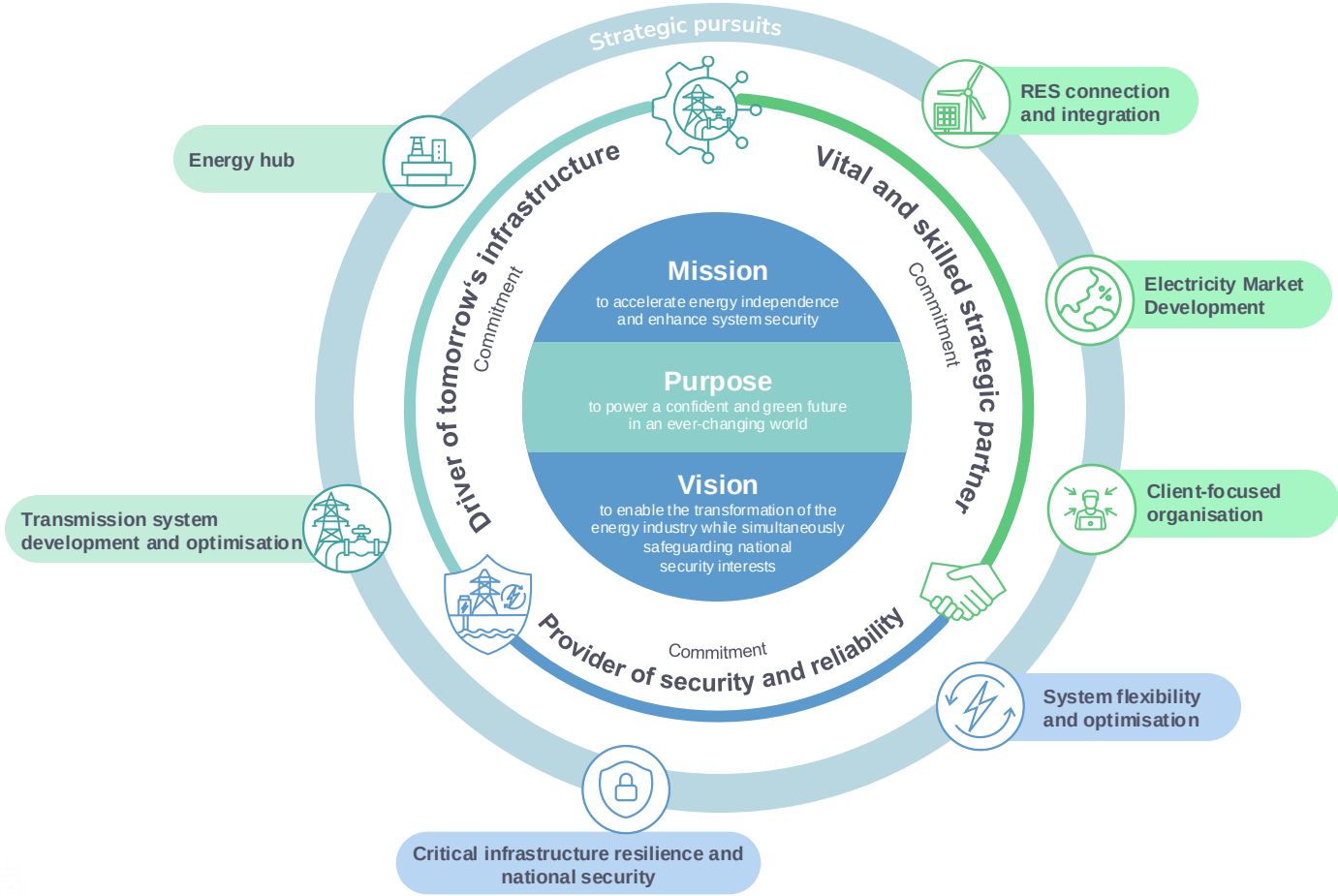
- **Employee development through potential assessment and career planning**
- **Continuous development of professionals**
- **Employee engagement and empowerment**
- **Transparent performance evaluation process**

04 Strategic framework & strategic pursuits

Our strategic structure

ENEBLERS

- Financing
- Supply chain and procurement
- People, culture and capabilities
- Partnerships
- Asset delivery and management
- Innovation and digitalisation

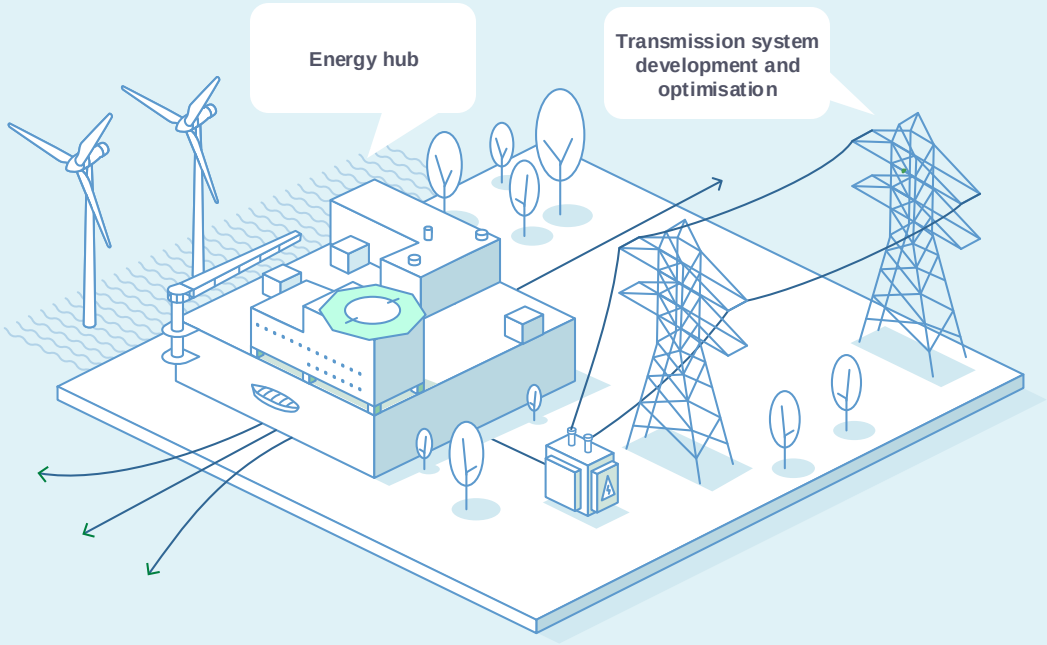


Driver of tomorrow's infrastructure

We see the transformation of the energy sector as a fundamental change

We support increasing connectivity across existing and new energy vectors

We are leading the way for successful integration of the new energy vectors like hydrogen, CCUS, synthetic gases



1 OBJECTIVE
is to build the infrastructure upon which the future of energy will be based

Driver of tomorrow's infrastructure

We support increasing connectivity and are leading the way for successful integration of new and existing energy vectors

Lithuanian energy strategy 2050

≥ 74 TWh
total electricity consumption

≥ 4,5 GW
of connected offshore wind capacity in Lithuania

≥ 10,7 GW
cross-border electricity interconnectors capacity

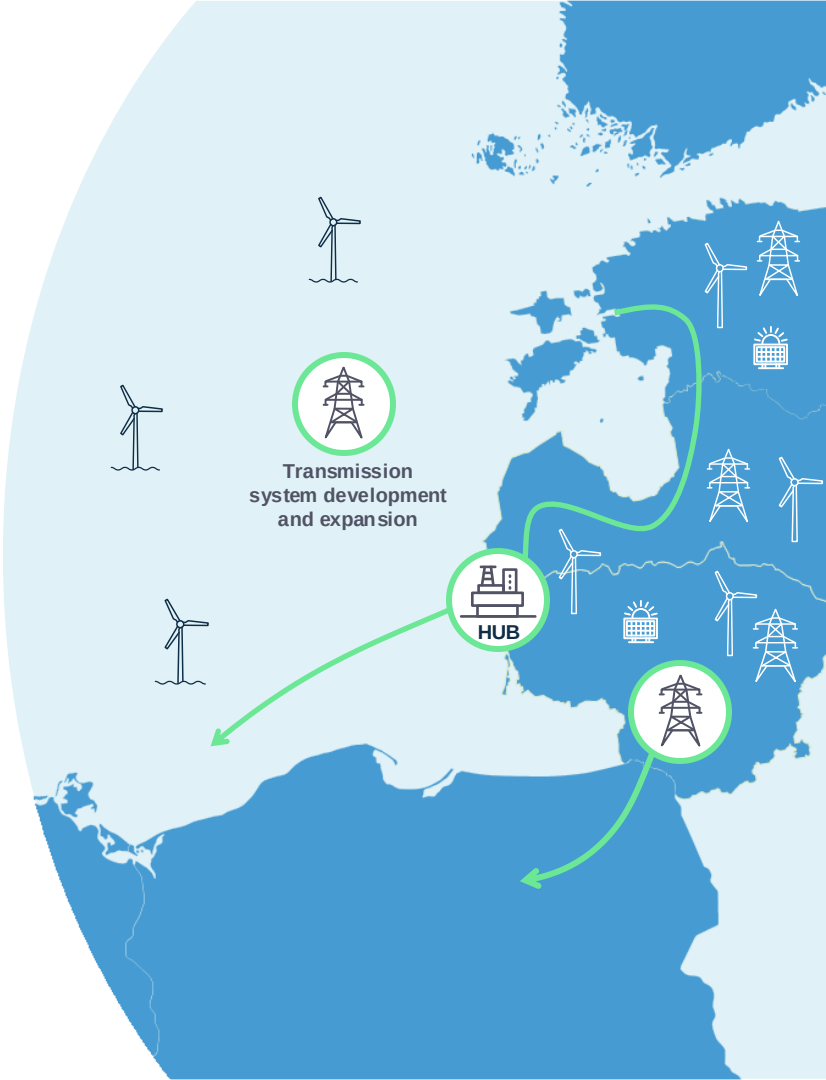
Energy transformation requires continuous **Transmission system development and expansion**:

We are preparing for **electrification** of energy system to be fit for future needs.

To empower the potential of renewable energy, we direct large attention to the planning of the projects on **offshore wind** power plants and electricity networks and coordination of their development

We will **facilitate regional cooperation** to unlock the full potential of offshore wind and onshore greenhydrogen production

Potential investments until 2035
~3 B EUR



Provider of security and reliability

Our work is essential
for a reliable future

We will deliver a more
resilient and flexible system

We are taking extra steps
both within and beyond our current
boundaries to support national security

2 OBJECTIVE
enhance security and reliability within and beyond the energy sector, strengthening national and regional security

We will deliver a more resilient and flexible system, taking extra steps both within and beyond our current boundaries to support national security

Provider of security and reliability

Safeguarding resilience of critical infrastructure and national security

We strengthen the safety of our assets against physical and cyber threats, and act as a strategic partner for national security initiatives

Cyber & physical security
Electricity energy system

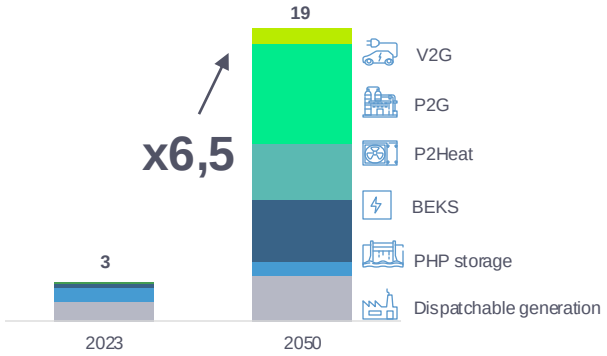
National security
Partnerships & projects

Development and use of the most efficient flexibility resources

Increasing levels of intermittent power generation requires significant development of system flexibility and cross-sector integration.

We will empower flexible technologies aimed at providing flexibility services to the energy system by ensuring the energy system's capacity to fully use periods of large-volume power generation from RES.

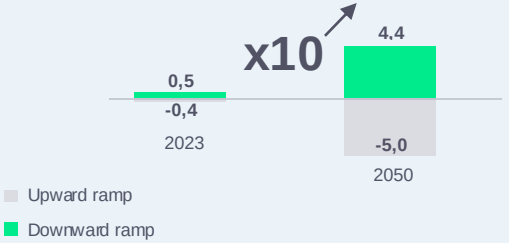
Flexible resources, GW[1]



[1] Lithuania National Energy Independence Strategy
[2] Lithuanian energy system transformation study

System flexibility development

Estimated needs for short duration flexibilities in Lithuanian power system, , GW/h[2]



We will create a single Baltic balancing capacity market which will ensure the exchange and sharing of balancing capacities between the Baltic states.

Key stats:

~ 19 GW
Required flexible capacity (2050)[1]

~ 11GW
Cross-sector (P2X) flexibility (2050) [1]

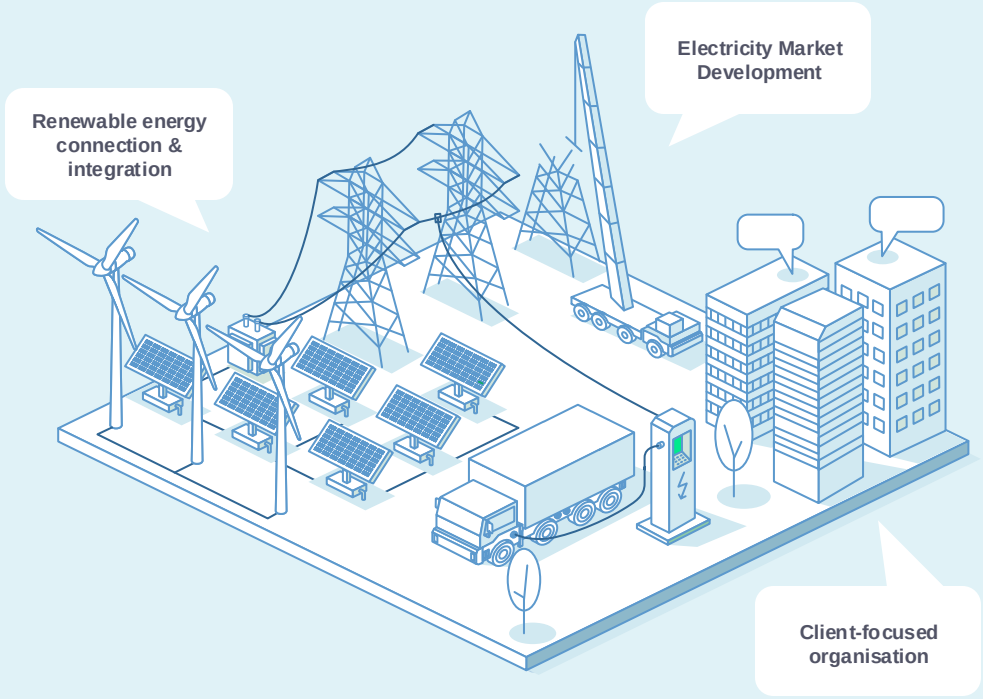
~5 GWh
Upwards/ downwards ramp needs (2050)[2]

Vital and skilled strategic partner

Energy transition requires a systemic and close cooperation of various industry peers, investors and governments

We will foster close cooperation to unlock the potential of renewables both at home and in the Baltic Sea region

3 OBJECTIVE
be a vital partner in developing low-carbon infrastructure and markets



Vital and skilled strategic partner

We will develop a client-focused organisation

≥ 80 points
Global Customer Satisfaction Index (GCSI) among the leading companies in the world

Our main objectives:

- We will ensure a simple, fast and transparent process of connection to the transmission grid for potential users
- We have assumed obligations to our existing clients to ensure a reliable grid connection and stable electricity supply
- We will develop digital tools that improve client experience and will continue to facilitate cooperation between different stakeholders

Change of **the electricity market design** needs to drive and empower energy transformation:

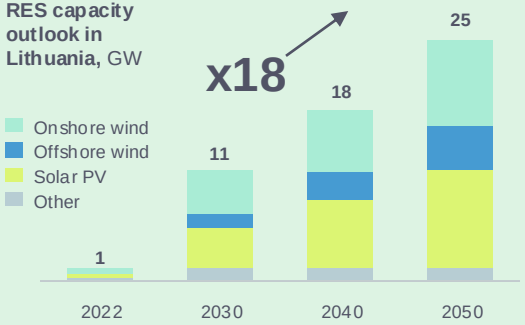
Integration of cross-border markets
We will ensure a further integration of the related European markets, development of risk management products and expansion of the system of guarantees of origin

Cross-sectoral integration and flexibility
We will encourage active users to use their environmentally friendly flexibility sources, we will promote the development of the market mechanisms supporting seasonal flexibility

Encouraging business environment
We will maintain a dialogue with the regulator and market participants regarding the grid tariffs and taxes to create the business environment that encourages provision of flexibility services and electrification

We will foster close cooperation to unlock the potential of renewables both at home and in the Baltic Sea region

Renewable energy connection & integration



Rapid growth of RES encouraged us to strengthen and extend our activities to support energy transformation

Key stats:

100 %
Target RES share in final electricity energy demand (2030)

~ 13,4 GW
Electricity generation capacity by 2035

05 Key enablers

Force multipliers to empower change

To deliver our ambitious objectives we are unleashing a range of enablers across our business.

1 Financing

Diversified funding base

Strong relationships with capital providers

Prioritisation of investments that have the highest return and impact

2 Partnerships

With industry peers

With local and EU regulators

With academic organisations

3 Supply Chain & Procurement

Diverse range of suppliers

Leveraging collective buying power

Utilising a wide range of procurement platforms

4 Asset Delivery & Management

Project management methodologies

Digital asset management tools

Proactively managing portfolio-level risks

5 Innovation & Digitalisation

Cutting-edge technologies

Through 'big data' to 'smart data'

Digital literacy & Culture

Culture & Capabilities

Our success is driven by expertise, continuous learning and the ability to act in a constantly changing environment

We will grow our team by more than 40% with attraction of local and international experts

Lithuania's energy future is driven by our people with unified values

Open	Responsible	Raliable
We accept We improve We share	We respect We take We do	We act We create We care

>40%

Areas driving business growth

- Renewables
- Energy storage
- Electrification
- Power to X technologies

06 Strategic roadmap and KPIs

Powering a confident and green future in an ever-changing world

Describing 2035 Success: Value proposition for our stakeholders

1 Society
thrives in a sustainable economy

-50%
GHG gas emission (Scope 1 and 2) reduction by 2030, reaching net-zero by 2050

100%
by 2029, the technological costs of electricity are covered by electricity produced from RES with guarantees of origin

2 Clients
experience seamless and high quality services

AIT ≤ 0,93 min
ENS ≤ 27,25 MWh
Maintain electricity transmission reliability

≥ 80 points
Pasaulinis klientų pasitenkinimo indeksas (GCSI) – tarp pirmaujančių įmonių pasaulyje

★★★★
Open data maturity level

3 Our people
are empowered

Safe, positive, and accident-free workspace and culture
0 severe and fatal accidents for employees and contractors

≥ 75%
employee engagement rate maintained

Top Employer certificate

4 Founders and investors
unlock new possibilities and reap the rewards

90–110%
CAPEX

184 mln. EUR
adjusted EBITDA grown to by 2035

High single – low double digit
adjusted ROE

5 Partners
collaborate for success

≥ 12 GW
onshore renewables capacity connected to electricity network

≥ 3,5 GW
capacity of interconnectors with EU countries

≥ 1,4 GW
Installed capacity of offshore wind

≥ 14,13 *power transmission lines*
≥ 13,30 *substations and switchyards*
Average remaining useful life of transmission network facilities, years

≥ 12,2 GW
capacity of flexible resources

≥ 90%
Construction and modernization of network facilities are being implemented within the planned deadlines

Our roadmap delineates three distinct time horizons, each with unique outcomes built on the successes of its predecessors

Unique outcomes	CREATING ENERGY SELF-SUFFICIENCY Now- 2029 1 Lithuania is synchronized with CEN, fully covers electricity demand by domestic generation, baseline of security of supply is developed		EXPANDING INTO NEW ENERGIES 2030–2035 2 The electricity grid ecosystem has been created allowing to further develop energy from renewable sources and to make first steps towards abandoning fossil fuels in principle		SCALING OUR ACTIVITIES 2036–2050+ 3 The region's connected for existing and new energy exchanges, Lithuania becomes an exporter of power and low carbon energy products	
Driver of tomorrow's infrastructure	Reliable infrastructure prepared for **integration of RES** in Lithuania	The planning and implementation processes for investments in the transmission network have been reviewed to ensure timely and sustainable, efficient upgrades	**Harmony Link** interconnection project between Lithuania and Poland	Increased electricity connection capacity between Lithuania and Latvia	Development of Energy hub, to unlock the full potential of offshore wind and onshore green hydrogen production	
Provider of security and reliability	Finished **synchronisation** with CEN by 2025	Development and implementation of strategic partnership to support **national security**	Continue system integration to ensure flexible energy distribution between consumers and producers	Deployed measures to strengthen **physical and cyber** security	Long-term energy storage and **flexibility volumes** enabled	
Vital and skilled strategic partner	Connection of a major part of the renewable energy projects, **100% RES** in the total energy demand, to the grid	**Increased customer value** – achieving ≥80 GCSI across all customer segments	Electricity system prepared for the integration of up to 11 - 13 GW of RES	By 2035, ensure that at least 50% of operational partners have set GHG reduction targets that contribute to the Group's Climate Transition Plan.	Electricity network expanded and able to connect 25+ GW of **RES capacity** and 19 GW flexible resources	Achieving net zero target by 2050

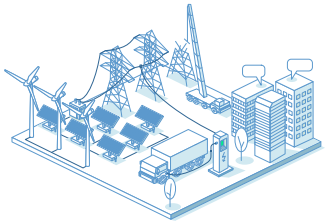
07 Financial outlook

Investment distribution for ensuring the energy independence of Lithuania

Low capital intensive

Vital and skilled strategic partner

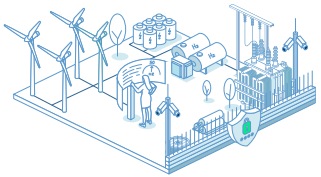
- RES connection and integration



Medium capital intensive

Provider of security and reliability

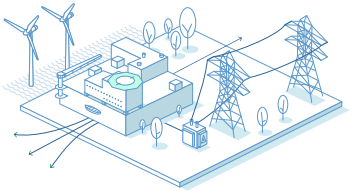
- Critical infrastructure resilience and national security
- System flexibility development and optimisation



High capital intensive

Driver of tomorrow‘s infrastructure

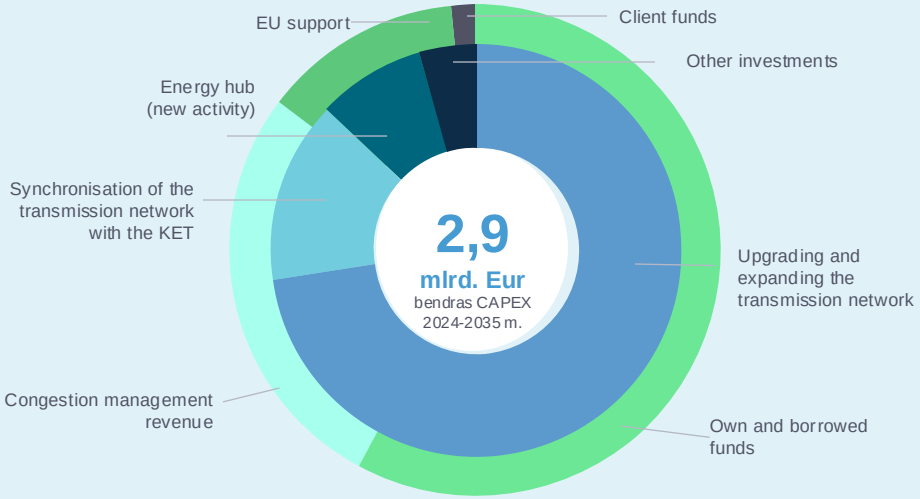
- Transmission system development and optimisation
- Energy hub



Our CAPEX investment ambition

We are focused on upgrading and extending our current network

Planned 2024-2035 investments by project., B EUR



Investments to be financed through multiple funding sources, such as:

- **Maximize** EU & external funding
- **Introduce** Partnerships
- **Optimization** of debt and equity

Profitability

We will ensure profitability for shareholders

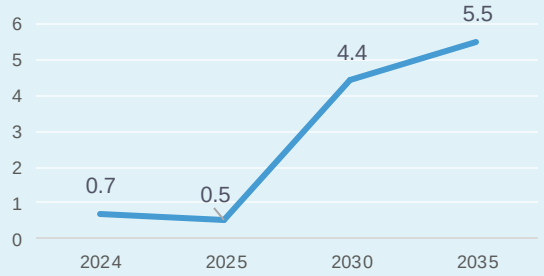
2024 — **adjusted ROE range** — 2035

High single – low double digit

Financial status

We aim to maintain sustainable finances and a strong financial position

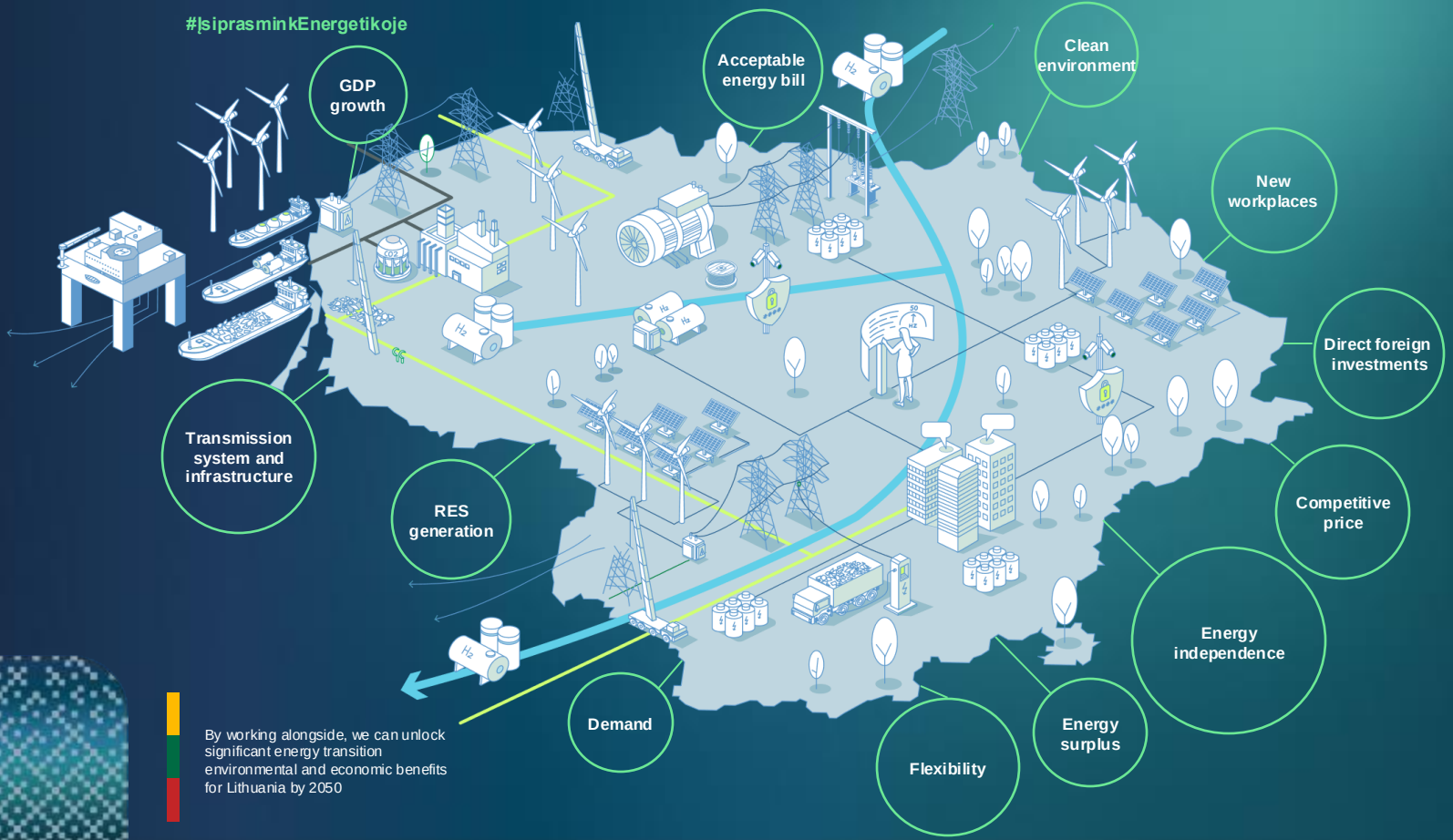
Net debt / Adjusted EBITDA



09 Value for Lithuania

Let's create Lithuania's energy future together!

#ĮsiprasminkEnergetikoje



By working alongside, we can unlock significant energy transition environmental and economic benefits for Lithuania by 2050

Significant benefits for Lithuania's economic development by 2050

up to
EUR 4 billion
of funds allocated to increase security of electricity supply

EUR 3.5 billion
of avoided costs for energy import

EUR 1.55 billion
worth projects on the reliability and modernisation of the grid

EUR 11 billion
Energy hub development

up to
10%
labour market growth

Glossary

Acronym	Definition
Adjusted EBITDA/ ROE	Regulated income, expenses and profitability ratios are recalculated due to temporary regulatory deviations from the regulated profitability ratio approved by the NERC, revaluation of non-current assets and other profits or losses from non-standard activities.
AIT	Average interruption time
B	Billion
BESS	Battery energy storage solution
CAPEX	Capital expenditure
CEN	Continental European Network
CO2	Carbon dioxide
EBITDA	Earnings before interest, tax, depreciation, and amortisation
ENS	Energy not supplied
EU	European Union
EUR	Euro
GCSI	Global customer satisfaction index
GDP	Gross domestic product
GHG	Green-house gases
GW / GWh	Gigawatt / Gigawatt hour
H2	Hydrogen
JT DVT	United Nations Sustainable Development Goals, SDGs
KPI	Key performance indicator
kW/cap	Kilowatts per capita
LT	Lithuania

Acronym	Definition
MW / MWh	Megawatt / Megawatt hour
NATO	North Atlantic Treaty Organization
OHL	Overhead line
OPEX	Operational expenditure
P2G	Power to gas
P2Heat	Power to heat
P2X	Conversion technology (Power to X), which uses electricity to convert it into carbon-free synthetic green fuels, such as hydrogen, synthetic natural gas, or liquid fuels.
RAB	Regulated asset base
RES	Renewable energy sources
ROE	Return on equity
SBTi	Science based targets initatives
Scope 1 emissions	The Group's direct GHG emissions that are directly controlled by the organization
Scope 2 emissions	The Group's indirect GHG emissions from uncontrolled sources, which result from the Group's consumption of externally sourced electricity and heat
Scope 3 emissions	Other indirect GHG emissions during the Group's operations (in the supply chain) from sources not owned or controlled by the Group (such as purchased goods and services, transportation, waste, etc.)
TSO	Transmission system operator
TW / TWh	Terawatt / Terawatt hour
V2G	Vehicle to grid

NewEnergy

Litgrid