LE 2030
Green | Smart | Global

Lietuvos energija

The purpose of this document is to present Lietuvos Energija UAB group strategy, which is based on ambitious goals related to the growth and development of the group of companies. With the document, however, the group offers no guarantees as to the achievement of the goals set out in it or the performance of any other actions, and we therefore note that:

- the adoption and implementation of specific decisions for pursuing the goals set out in this document (including the scale, timing, financing and other aspects of expansion) will depend on specific external and internal economic, legal and other factors that may impact the making of such decisions and their effective implementation to support the successful performance of the group's companies and the creation of value for all stakeholders;

- specific operating guidelines for the group that are mentioned in this document (including possible projects and growth opportunities and alternatives) cannot be construed as commitments or any other type of final decisions or offers to invest, enter into transactions or perform other actions;

- all specific decisions will be made only after assessing all significant circumstances and in keeping with the legal requirements and procedures, including, if applicable, the obligation to obtain permissions or other approvals from competent institutions or stakeholders;

- information about all specific decisions, if they must be publicly disclosed, will be disclosed in accordance with the legal requirements governing the public disclosure of such information and abiding by the principles of providing stakeholders with necessary, sufficient and comprehensive information and of transparency;

- information provided in this document may not be construed as a recommendation for investing or trading or other related activities on the relevant markets, or an attempt of any other kind to influence participants of those markets or any other potential stakeholders;

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

- the group is not responsible for conclusions that other persons draw on the basis of this document and takes no responsibility for any losses that persons may incur due to an interpretation of the contents of this document or to relying on it in adopting decisions;

- the group abides by the principle of legality of operations, and therefore no goals, plans, claims, notions or other information in this document may be interpreted as contrary to the requirements of the law;

- in the group all actions are performed and decisions adopted only in accordance with the requirements of fair competition, separation of energy activities, transparency in the trade of energy products and financial instruments, and other requirements of the law which are applicable to the activities of the group.

Contents

“We believe in a new, ambitious vision for Lietuvos Energija: to become a globally competitive energy company that creates value for Lithuania. This vision is what guides our everyday work. For every important decision we will ask: ‘Does it create value for our country?’ and ‘Does it contribute to the company’s international competitiveness?’”

Chairman of the Board and CEO
Darius Maikštėnas

“Under Lietuvos Energija’s new strategy, we will be investing in the development of green energy projects in Lithuania and also abroad. Given investor’s growing support for green energy innovations, it makes a lot of sense to us to take advantage of the potential of the international capital markets and investors’ expectations of stable returns and to contribute to achieving the global sustainable development goals.”

Member of the Board, Director of Finance and Treasury
Darius Kašauskas

“Constant advances in digital technologies let us constantly improve the quality of the services we provide our clients. We will use digital solutions that are global market leaders to ensure our clients an optimal experience. Reacting to clients’ wishes to get multiple services from a single provider, we will be combining services for quick, simple and convenient delivery. We plan to offer services beyond Lithuania, too, thus contributing to the country’s growth.”

Member of the board, Director of Commerce and Services
Vidmantas Salietis

“Today we are at the threshold between the traditional and the new energy worlds. The people at Lietuvos Energija are not passive bystanders here, but are themselves initiating and driving transformation. We know how to do that because we are competent, fast learning, empowered and technologically advanced. We think and act globally. We are proud working in Lithuania to be creating the energy of the future.”

Member of the Board, Director of Organisational Development
Živilė Skibarkienė

“Ongoing technological advances in the areas of renewable energy resources and energy storage are creating broad opportunities to take good advantage of Lietuvos Energija’s potential and accumulated experience, and not just in Lithuania but also abroad. We will continue to invest in strengthening Lithuania’s energy system and in new innovative services for our clients.“

Member of the Board, Director of Infrastructure and Development
Dominykas Tučkus

A globally competitive energy company creating value for Lithuania

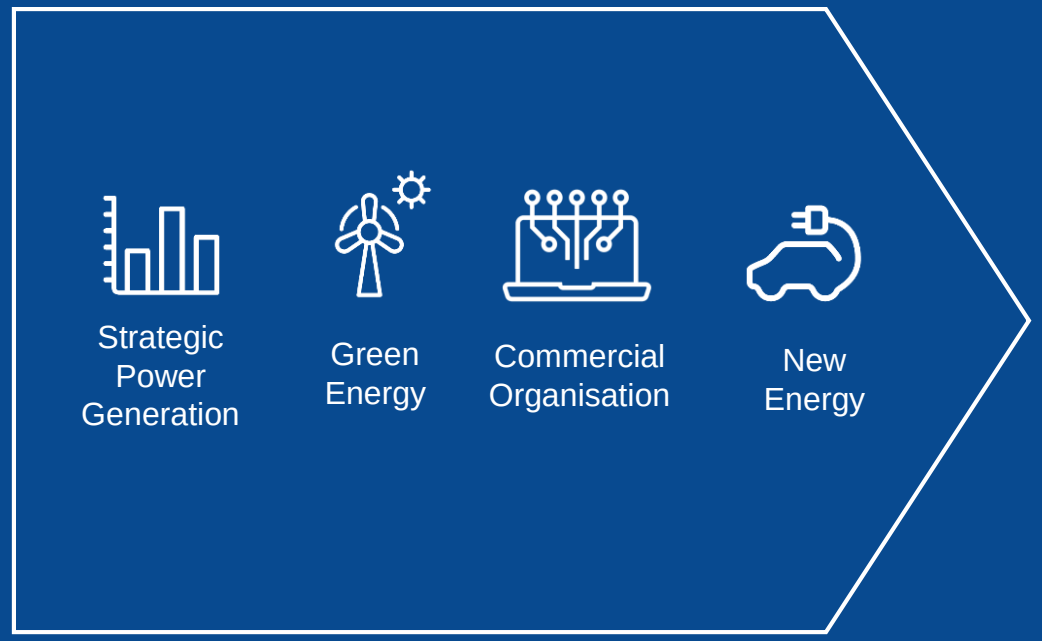
Sustainable Development

Quality and Efficiency

Transparency

A globally competitive energy company creating value for Lithuania

Sustainable Development



International Growth

Quality and Efficiency

Transparency

A globally competitive energy company creating value for Lithuania

Sustainable Development

Quality and Efficiency

Customer Experience

Quality of Infrastructure

Core Businesses

Stable Return on Capital

Transparency

A globally competitive energy company creating value for Lithuania

Sustainable Development

Quality and Efficiency

Transparency

Embedded International Standards of Transparency and Good Governance

Priority → **Sustainable Development**

Strategic Power Generation

This strategic direction involves developing **strategic power** generation units and **ensuring** high **reliability** at the group's power plants.

The main objective is to **maintain** and **modernise** reliable **local power** plants while contributing to the **successful synchronization** of the Baltic countries with the continental European network (CEN) by 2025.

That includes the **development** of existing generation capacity, the **modernisation** of gas-fired and hydro-accumulation facilities, and the **acquisition** or development of new power generation capacity.

The key success factors for strategic power generation are **speed** and **flexibility** in the use of existing infrastructure, and competencies, and the **export of acquired competencies and know-how** in the liberalized regional power reserve market.

Strategic Power Generation

+30
MW

- Participation in auctions of power reserve services, ensuring that transmission system operators have reliable access to capacity with new fast-response power production units.
- Development and introduction of operation and maintenance services for power plants.

2020

Preparation for synchronization with CEN;
Increase of power generation capacity

Strategic Power Generation

+500 MW

-600 MW

- Active contribution to synchronization with the Continental European Network by increasing reliable local power generation capacity:
  - Development of energy storage capacity exploiting existing power generation assets and using the latest battery technologies;
  - Modernisation of energy production capacity in Vilnius, adapting it to fast-ramping reserve capacity;
  - Expansion of capacity at the Kruonis Pumped Storage Hydroelectric Plant.
- Launch of operation and maintenance services for power plants in foreign markets.

2025

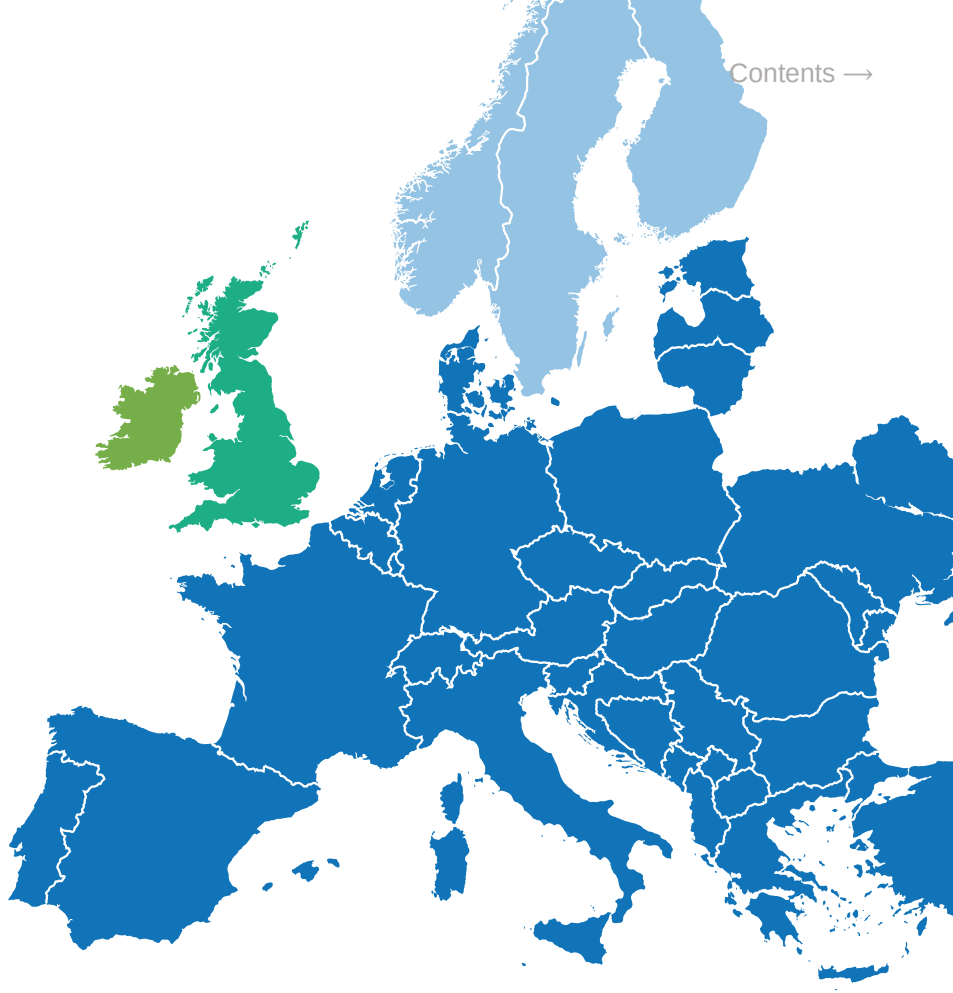
Synchronization with CEN; Preparation for regional power reserve market

Strategic Power Generation

+200 MW

900 MW (modernisation)

- Modernisation of older energy production units (as needed):
  - Increase the flexibility of pumped storage units;
  - Modernisation of natural gas-fired production units.
- Active participation in foreign power reserve markets.
- Regional expansion through the development or acquisition of new strategic energy production capacity.



2030

Competitive participation in regional power reserve market

Strategic Targets

To provide reserve services not just locally but also on the regional market

To be the first in the region to provide large-scale energy storage services using the latest battery technologies

To provide power plant operation and maintenance services not only within the group, but also to other energy sector companies

To use existing infrastructure for the construction of new units

Planned development of strategic power generation portfolio:

	2020	2025	2030
Change	**+30** MW	**+500** MW (new/ upgraded) **-600** MW (LPP 7-8)	**+200 MW** (new) **900 MW** (modernised KPSHP 1-4)
Total installed capacity	**2100 MW**	**2000 MW**	**2200 MW**

Financial Targets

CAPEX
of up to
600
mEUR

Investments in power generation facilities, both existing and new

increase
EBITDA
by up to
+60
mEUR

Added financial potential of plans for strategic power generation

Green Energy

This strategic direction is about increasing power generation capacity from **wind, solar, biofuel and waste**.

Lietuvos Energija's 2030 target is to obtain **half** the group's EBITDA from **green energy**.

This involves steady **expansion** in Lithuania, the Baltic Sea region and Central and Eastern Europe by **acquiring** power plants that are currently in operation and **developing** new projects.

The key **success** factors are **realization of the synergy potential** in the operation and maintenance of consolidated power plants, ability to use acquired management and technological competencies in new markets, and **integrated solutions** with new **commercial** services.

Green Energy

400
MW

- Target areas for expansion: onshore wind farms, solar power plants, and biofuel and waste cogeneration plants.
- Expansion both by acquiring operating power plants and developing new ones.
- Target region: the Baltic countries and Poland.
- Build-up of technological expertise and establishment of a centre of excellence for the development and management of green power generation.
- Assessment of the feasibility of developing offshore wind farms.
- Search for waste and biofuel cogeneration projects in foreign markets.

2020
Baltic countries + Poland

Green Energy

1000
MW

- Offshore wind farm added to power generation portfolio.
- Regional expansion broadened to Central and Eastern Europe (CEE).
- Application of a standardized model for the development and management of wind and solar farms in all regions of operation.
- Integrated solutions with new commercial services.
- Development of waste and biofuel cogeneration projects in foreign markets.
- Assessment of other opportunities for the large-scale development of renewable energy technologies.

2025
Baltic countries + CEE

Green Energy

3000
MW

- Well-developed globally competitive business model.
- Both regional and global expansion.
- Realization of other opportunities for the large-scale development of renewable energy technologies.

2030
Global market

Strategic Targets

80%

Share of green power generation capacity to be developed abroad

33%

Share of all Lithuanian energy produced from renewal energy sources to be generated by the group's RES power plants

Strategic Targets

CAPEX
of up to
2700
mEUR

Total investments of up to EUR 2.7 billion forecast

increase of
3x
every 5 years

Planned development of green energy portfolio

Installed power
3000
MW

The installation of 1650 MW of wind, 1190 MW of solar, and 160 MW of biofuel and waste power generation capacity is planned by 2030

increase
EBITDA
>300
mEUR

It is planned that green energy will account for up to 50% of the group's total EBITDA.

Commercial Organisation

The strategic direction of developing a commercial organisation involves **consolidating** group companies engaged in similar activities and offering our clients diverse services **from a single point**.

The objective is to **more than quadruple** energy trading volumes by 2030.

Steady **expansion** will be undertaken in Central and Eastern Europe and later also in parts of Southeast Europe.

The key success factors are the use of leading digital solutions to ensure an **exceptional customer experience, successful investment** in brand building, and the ability to **replicate** services that the group successfully provides in Lithuania on foreign markets.

Commercial Organisation

15
TWh

- Consolidation of electricity and natural gas trading and activities related to energy efficiency.
- Development and trading of products and services that create added value for clients (like solutions for energy conservation, solar farms, batteries, heating, ventilation and lighting).
- The new commercial organisation will ensure:

Exceptional customer experience	The convenience of getting a broad range of services from a single point	Speed	Simplicity

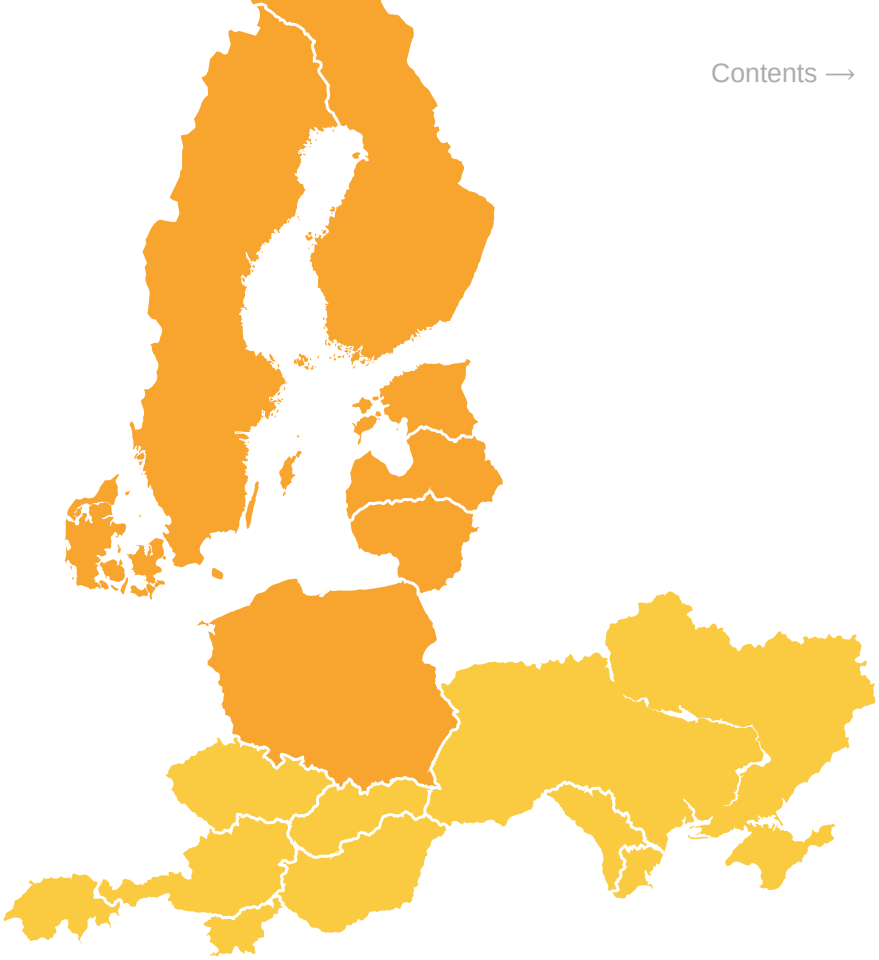
2020

A consolidated commercial organisation in the Baltic Sea region

Commercial Organisation

30
TWh

- Ambitious expansion in Central and Eastern Europe by establishing subsidiaries and acquiring businesses and client portfolios.
- Creation and steady strengthening of an international brand, building awareness in markets throughout the Baltic Sea region and also beyond.
- Accumulated know-how as the organisation's most valuable asset. Use of automated data analysis tools to drive new marketing and sales offerings.



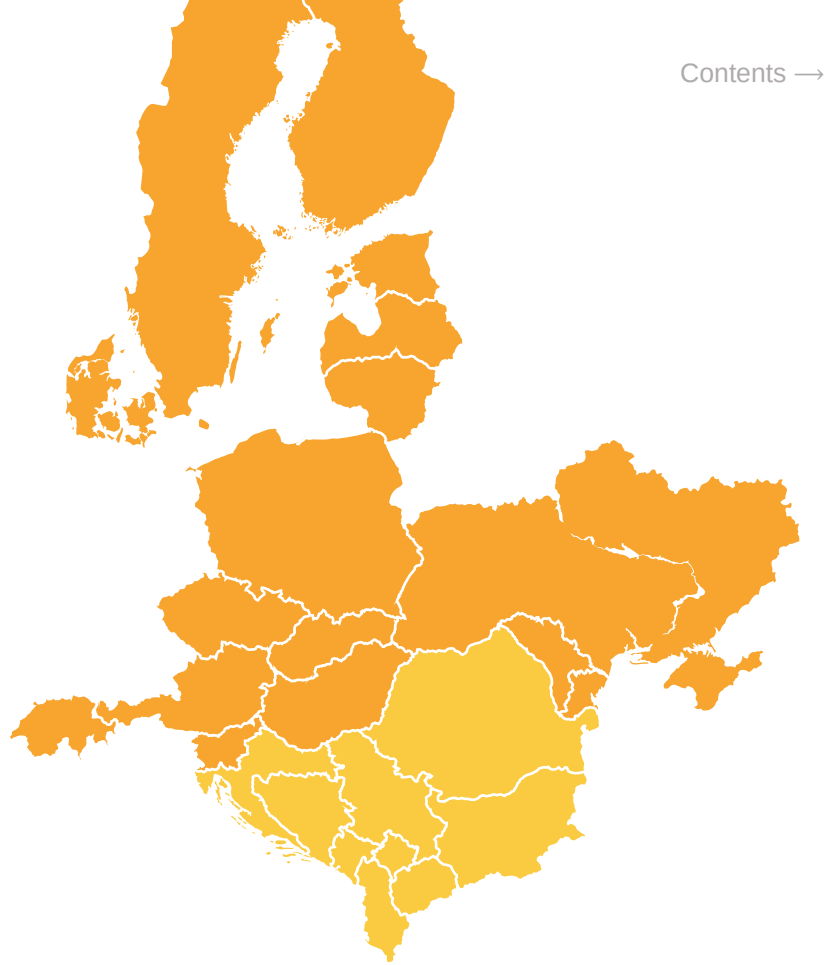
2025

Baltic Sea region + CEE

Commercial Organisation

60
TWh

- Expansion in Southeast Europe (SEE).
- More active digitization of service channels to ensure clients convenient and rapid access to services.
- Fruitful collaboration with tech companies to develop integrated
energy solutions.



2030

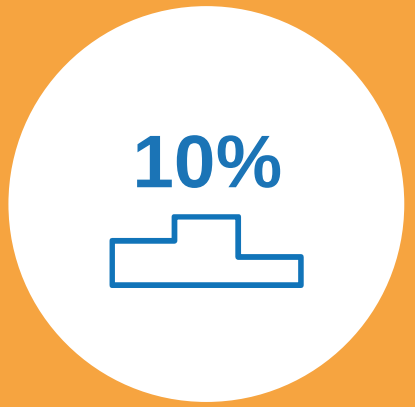
Baltic Sea region + CEE + SEE

Strategic Targets

Dominance of unregulated activities in the commercial organisation

Well-established international brand awareness

All services accessible via digital channels



Among the top 10% of comparable companies for customer satisfaction

Financial Targets

2x
every 5 years

Double sales volumes every five years

>80%
outside Lithuania

Expansion abroad: most substantial part of portfolio in foreign markets by 2030

EBITDA of up to
80
mEUR

More than five-fold increase in EBITDA for commercial activities

New Energy

This strategic direction involves the application of **innovative** technologies and investments in new energy businesses with big growth potential.

The objective is to become the region's main **competence centre** for new energy and a **leader** in distributed energy solutions in the Baltic Sea region and beyond.

A range of **packaged** service solutions are to be offered, including small-scale power generation, **electric vehicle** charging network operation, and distributed energy **storage** and consumption management.

The key success factors are being able to create successful **models** of collaboration/ **partnership** with other industries, utilities and consumer service providers, and the adoption of advanced technologies and application of smart solutions at a high level.

New Energy

EBITDA of up to 6 mEUR

- Further active penetration into the market for energy efficiency solutions (ESCO).
- Launch of new services on the market:
  - Microgeneration solutions;
  - Distributed power storage (battery) solutions;
  - Electric vehicle charging network development / management solutions;
  - Demand response solutions.

2020

Baltic countries

New Energy

EBITDA of up to 30 mEUR

- Taking startups financed by the LE Innovation Fund to a commercial level.
- Partnerships with technology companies developing innovative energy solutions.

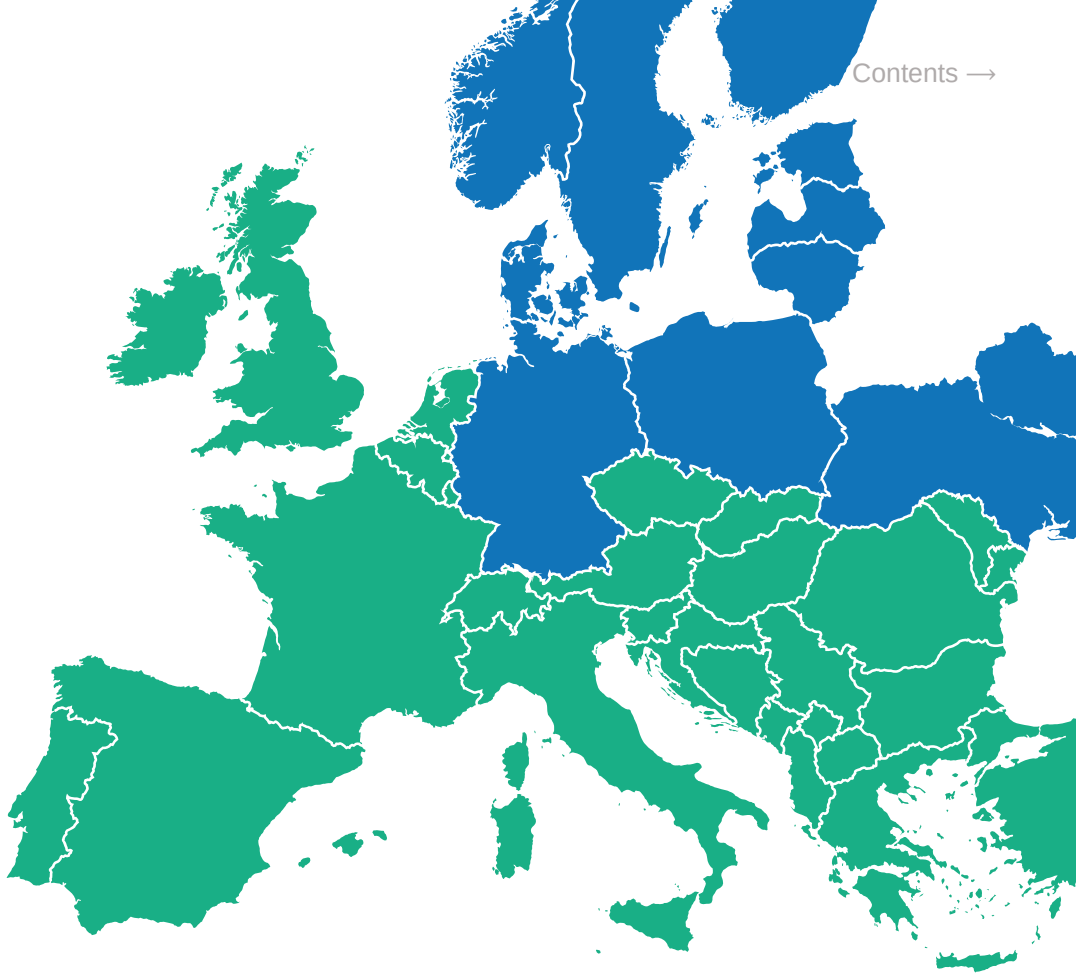
2025

Regional market

New Energy

EBITDA
of up to
50
mEUR

- Creation of a proprietary IT platform for managing large numbers of small renewable energy producers, batteries and electric vehicles.
- Establishment of a global competence centre for smart energy solutions.



2030

Global market

Strategic Targets

#1

We aim to be the one clients turn to first for advice and services related to energy efficiency, electric vehicle charging stations and renewable energy production.

We will create an energy-tech hub (competence centre)

We will attract world-class start-ups

2:1

We intend to get 65% of earnings from activities on the global market

Financial Targets

CAPEX of up to 370 mEUR

Investments planned through 2030

EBITDA of up to 50 mEUR

Up to 50 million euros of EBITDA from new businesses and activities by 2030

Priority → **Quality and Efficiency**

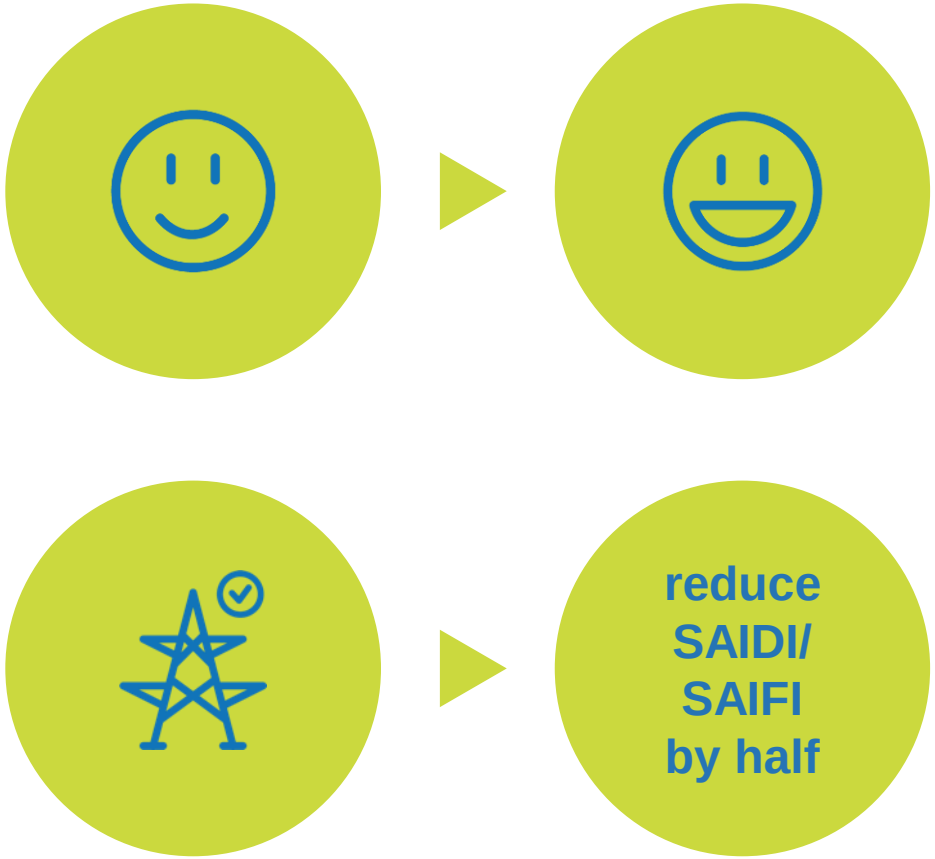
Quality and Efficiency

The main objective is to be an energy group that ensures exceptional **customer experience, price and quality**.

That means raising the **efficiency and quality** of current operations by automating/robotising processes and increasing **operational expertise**. Investments to focus on network reliability and digitalisation.

The key success factors are a customer-focused corporate **culture** and operational **efficiency.**

Strategic Targets



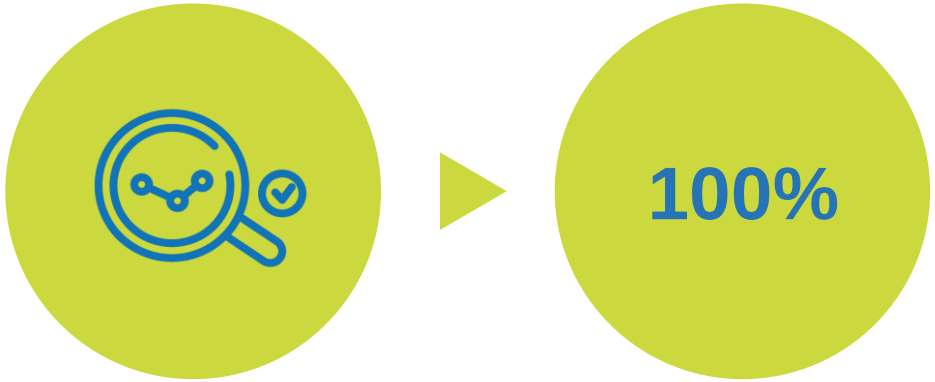
Customer experience:

- Maintain price leadership position for distribution services, ranking among the top 5 in the EU.
- Further reduce the time it takes to connect new customers to the distribution network.
- Steadily improve the quality of distribution services, cutting SAIDI/SAIFI to half of current levels by 2030.
- Net promoter score among the top 10% in the industry

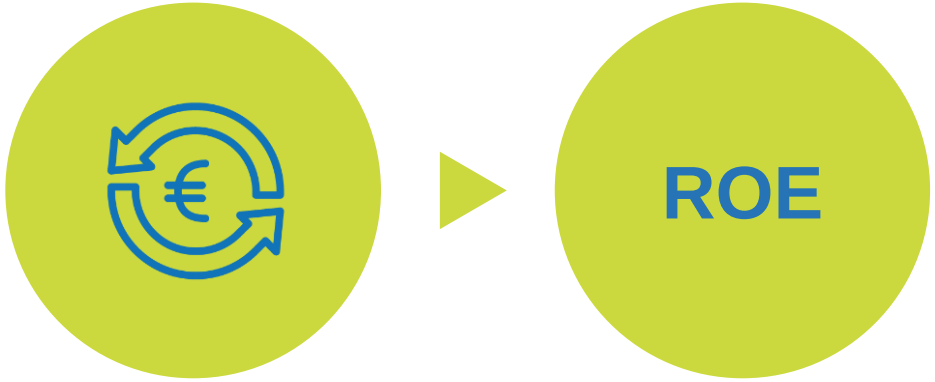
Quality of infrastructure:

- 100% “smartification” of the network (smart meter mass roll-out).
- Automate distribution system maintenance with solutions that help predict faults and rapidly resolve them (predictive maintenance).
- Cabling of power lines only where that is technologically and economically justified, giving priority to lines that are older, more prone to incidents, or in forested or populated areas.

Strategic Targets



Focus on core business:
- Only undertake core activities.
- Efficient shared service centres.



Efficient capital allocation:
- Stable return on capital.
- Optimal capital structure.
- Investment-grade credit rating.

Priority ⟶ **Transparency**

Transparency

The LE group seeks to be internationally recognized as an **example** of responsible, transparent and reliable operations.

In our operations we will continue to insist on our policy of **zero tolerance** for any activity that is unethical or shows a lack of transparency.

We will maintain the highest standards of **transparency** with our investors and partners.

We will develop policies and **take measures** to implement internationally recognized standards and practices of transparency and ethical behaviour. We will publicly communicate about the implementation of these measures and the results achieved.

To fully instil the principles of transparency and ethical behaviour, we will seek certification of compliance with the **ISO 37001** international standard.

Perspective ⟶ People and Organisation

People and Organisation

We are **different** and that is why we are **strong**.

We think and we act **globally.**

We are **proud** to be creating the energy industry of the future.

People and Organisation

LE people

- We are **different**: responsible for the country's energy **stability** and at the same time **pro-active**, dedicated to our customers, and crazy about technologies, innovation and efficiency.
- By **sharing** our diversity, experience, skills and knowledge, we create value for our country.
- We see **meaning** in our work to **create** the energy sector of the future, making it **easy, invisible and green**.

People and Organisation

Organisation

- We are **one** big united Lietuvos Energija **team**.
- **We stay** a step **ahead** as an organisation because we always and everywhere learn fast and improve. Every day we **ask** each other: “How can this be done better?”
- We are all **empowered** to act: organisational structures do not hold us back when we **passionately** seek results, **do** work that is meaningful, and create **innovations**.
- We put all our competencies to work.

Strategic Directions

Teams

Empowered, flexible and productive.

- We’re introducing advanced forms of teamwork in order to create the future of energy.
- Our teams are empowered for speed and flexibility when that is needed.
- Organisational structures don’t interfere with us taking action and creating value for clients.

Strategic Directions

A culture of learning

Everywhere, always and fast.

- We learn everywhere, always and fast.
- We use different approaches for developing traditional and new energy competencies.
- An advanced adaptive training system provides acceleration for the constantly growing organisation and for employees' personal development.
- We'll transform existing competencies into new ones, and also attract new ones by being an attractive employer.

Strategic Directions

Employees

Engaged and productive.

- An engaged employee is productive. A modern and technologically advanced setting makes our work easier and motivates us.
- The centre of our attention at LE is always the person, whose experience is important at every stage of personal growth.

Strategic Directions

Our way of doing things

Effective and empowering.

- Operational excellence has become a part of our everyday activities, and digital transformation of the organisation creates competitive advantage.

- We are a data-driven organisation: decisions we make are data and insights based.

Perspective ⟶ Finance

Financial Perspective

Creation of long-term **value** for shareholders.

The objective is to **effectively exploit** the group's financial strength for international expansion making use of the most **competitive** capital market instruments.

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A **consistent** dividend policy.

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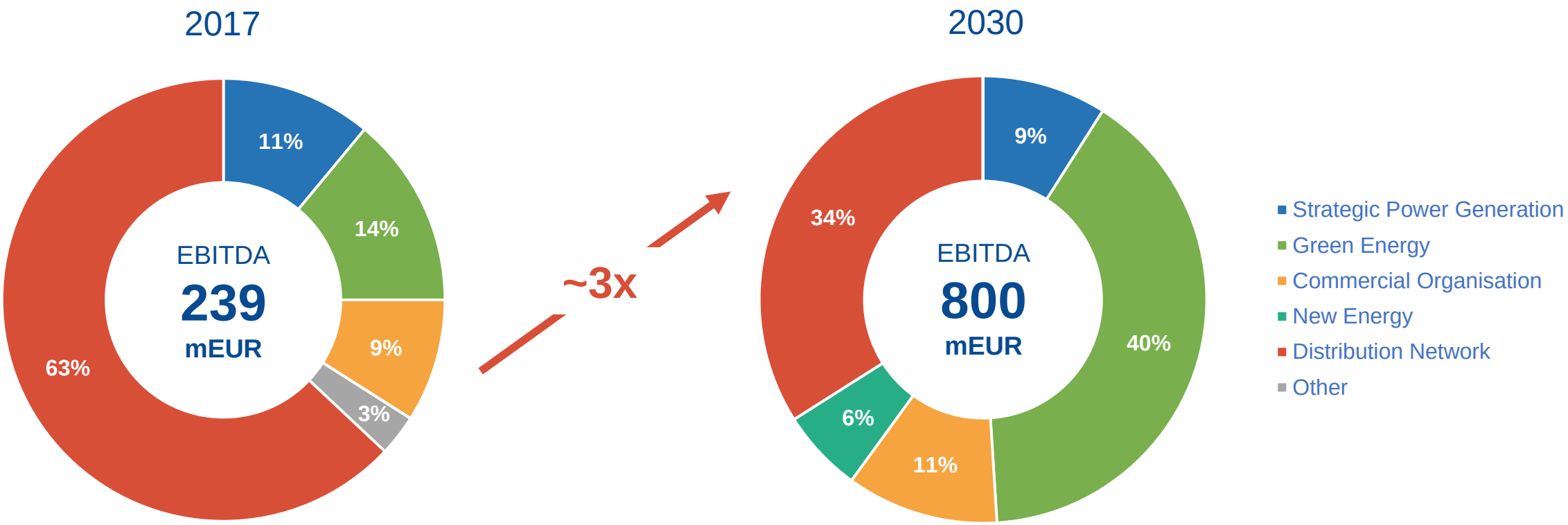
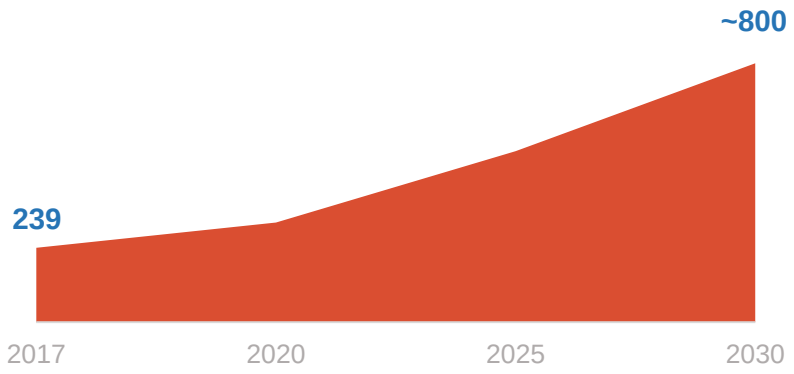
Prudent management of credit risk.

Financial Perspective 2030



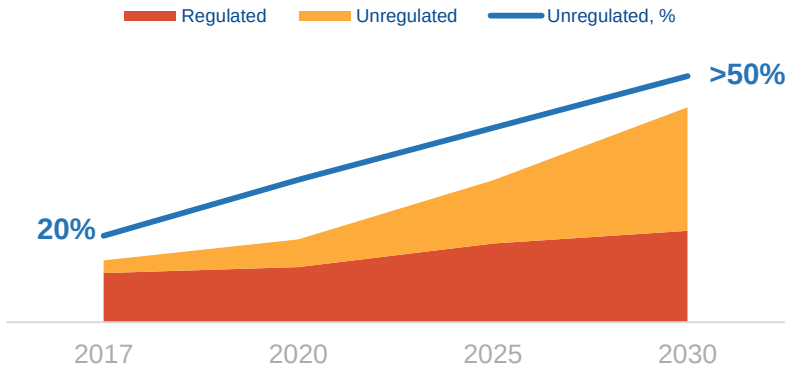
EBITDA 2030

EBITDA (*mEUR*)



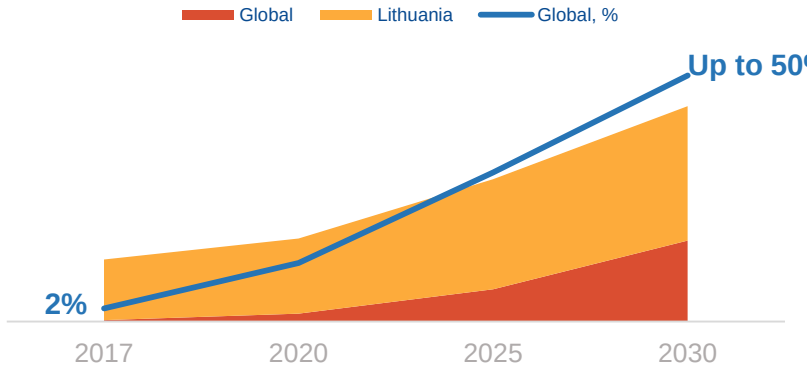
EBITDA in 2030 up to **3x bigger**

Regulated vs. Unregulated *(mEUR)*



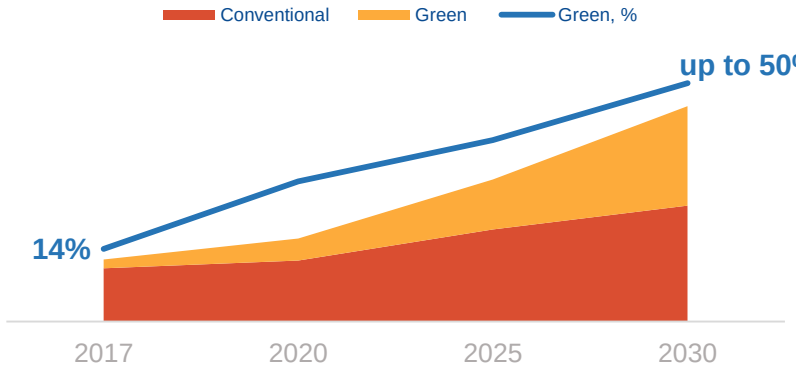
In 2030 **unregulated** activities will be **dominant**

Lithuania vs. Global (*mEUR*)



In 2030 **up to half the total** will be created **abroad**

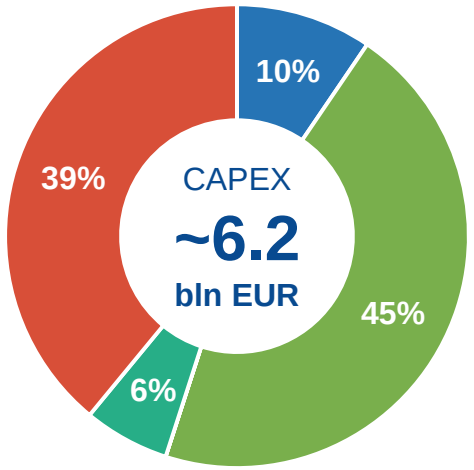
Green vs. Conventional (*mEUR*)



In 2030 **half of the total** will come from **green power generation**

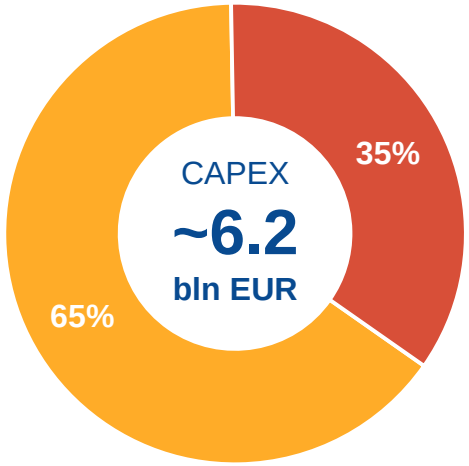
Investments and Dividends 2030

2018-2030



- Strategic Power Generation
- Green Energy
- Commercial Organisation
- New Energy
- Distribution Network
- Other

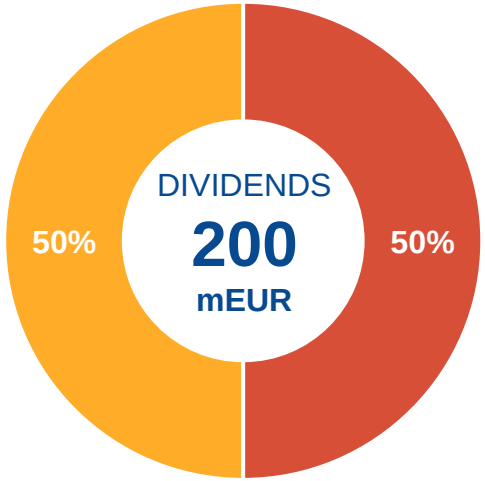
2018-2030



- In Lithuania
- In Foreign countries

2018-2030

2030



- From operations in Lithuania
- From operations abroad

Group Financial Guidelines

Net Debt / EBITDA
< 4

Credit rating:
Investment-grade

ROE
> 6%

Investment Parameters

Sectors

Renewable energy generation

Energy distribution

Energy trading

Investment horizon

>10 years

Investment type

Controlling stake

Summary

Strategy 2030

Value for the country

- **Best** price and quality
- International standards of **transparency**
- **Catalyst** for the energy industry
- **Stability** of strategic production capacity
- By 2030, half of **dividends** from abroad

Strategy 2030

Innovations and investments

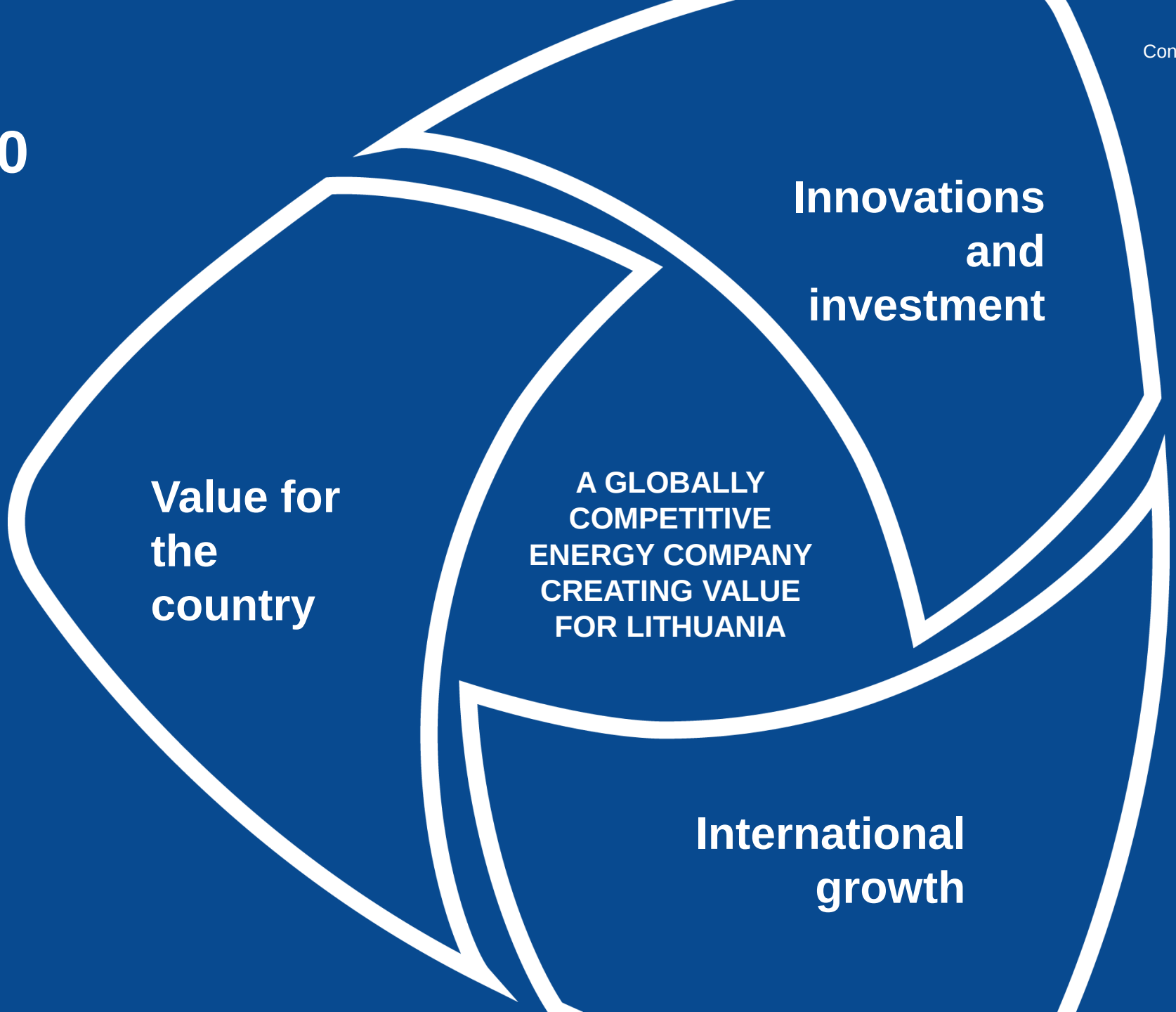
- Investments of ~ **6 billion** euros
- **50%** of value created from **green energy**
- **Wind, solar, innovations**, new technologies and business models
- **Quality, “smartification” and efficiency** of the distribution network

Strategy 2030

International expansion

- Up to 50% of value in **international** markets
- International-level **talent**
- An international **brand**
- Among the **10 most advanced** new energy companies

Strategy 2030



Contents →

LE 2030 Appendix

Analysis of Environmental Factors

Internal Factors

Brief Overview of the Group

The Lietuvos Energija group is one of the largest state-owned energy groups in the Baltic countries. The Lithuanian government owns 100% of its shares. This shareholder exercises its rights and obligations through the Lithuanian Ministry of Finance, which in 2013 approved and in 2017 updated the corporate governance framework which forms the basic principles for the group's governance. The corporate governance objective is to achieve a synergy effect by coordinating the different activities of the group's companies and focusing them on the pursuit of the group's common goals.

Core activities

The group's core activities include the production and supply of power and heat, trading and distribution of electricity, trading, distribution and supply of natural gas, and maintenance and development of the power system.

The parent company, Lietuvos Energija UAB, is responsible for managing and coordinating the group's activities and increasing efficiency. It establishes operational guidelines and rules and coordinates activities in the areas of production, trade, finance, law, strategy and development, human resources, risk management, auditing, technologies, communication and so on.

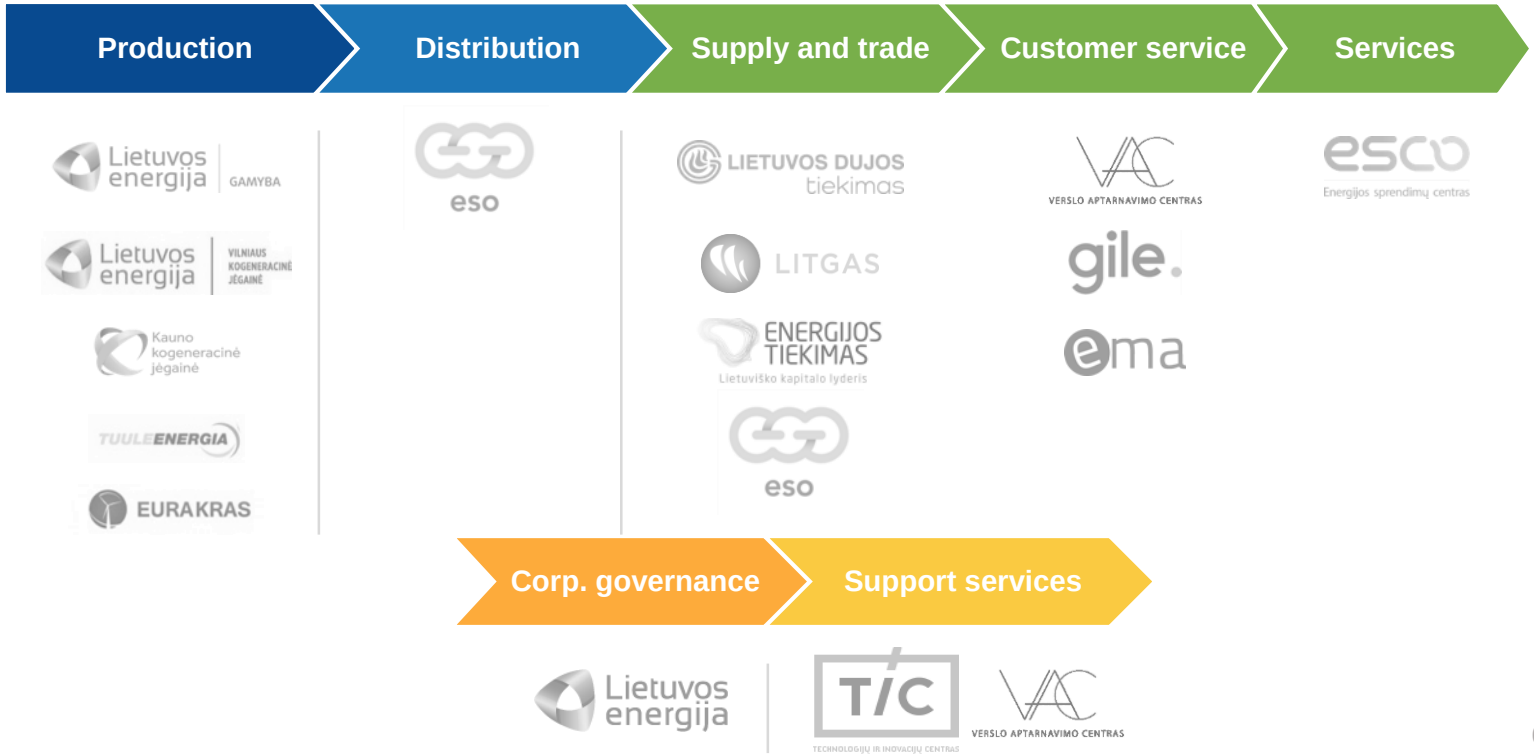
The Lietuvos Energija group undertakes development projects of strategic importance and contributes to the objectives of the National Energy Independence Strategy. With approximately 4,500 employees, the group operates Lithuania's most important power generation facilities, a 120,000 km power distribution grid that covers the entire country, and a network of over 8,000 km of natural gas distribution pipelines serving more than 1.6 million electricity users and nearly 570,000 gas users throughout Lithuania. It also has subsidiaries in Latvia, Estonia and Poland. As of 2017, the group comprised Lietuvos Energija UAB and 21 directly or indirectly controlled subsidiaries (including a foundation through which the group supports educational and other social initiatives).

Vision
A globally competitive energy company creating value for Lithuania.

Mission
To sustainably increase value in the energy sector, stimulating economic and social development in the country.

Values
In carrying out its mission, pursuing its vision and in everything it does, the Lietuvos Energija group promotes and abides by these fundamental values: **responsibility, collaboration, and results.**

We are responsible, we work together, and we strive to achieve the very best results.



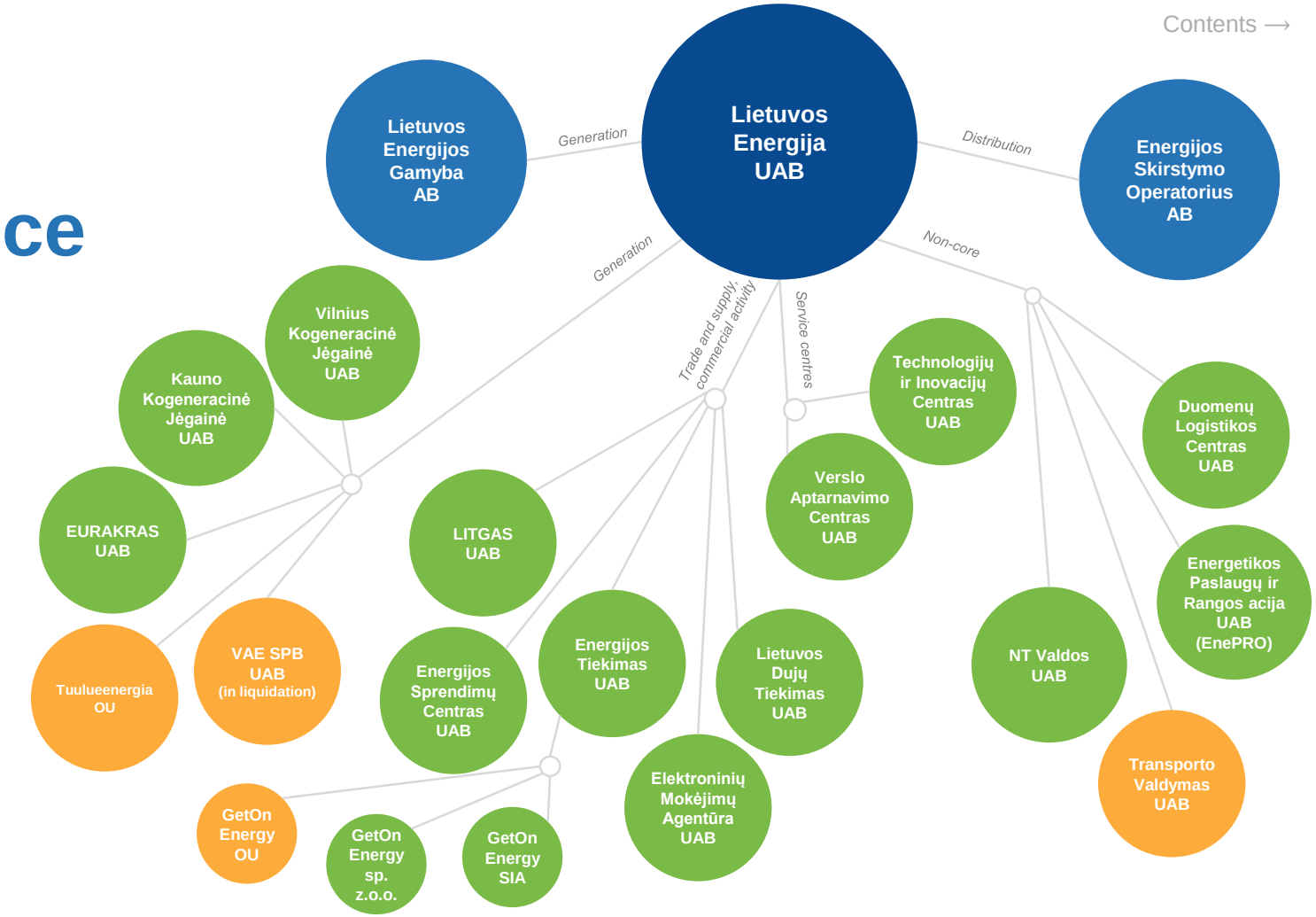
Principles of Corporate Governance

Lietuvos Energija's governing bodies are the General Meeting of Shareholders and the Management Board, while the supervision body is the Supervisory Board. The Supervisory Board is a collegial oversight body working at the group level which the General Meeting of Shareholders elects for a four-year term.

On 1 June 2017, the Minister of Finance approved an updated Corporate Governance Framework defining the Supervisory Board as a collegial oversight body envisaged in the Articles of Association which the General Meeting of Shareholders elects for a term of four years. The Supervisory Board of Lietuvos Energija comprises 5 members: 2 representing the Ministry of Finance and 3 independent members. They elect a chairperson from among themselves – an independent member. This model for forming a supervisory board corresponds to the principles of corporate governance and international good practices.

To effectively perform its functions and duties, the Supervisory Board sets up committees which in accordance with their areas of competence submit conclusions, opinions and proposals to the Supervisory Board. A committee must be composed of at least three members, of which at least one is a member of the Supervisory Board and at least one is an independent member. Committee members are elected for a term of four years.

The Management Board is a collegial management body envisaged in the company's Articles of Association. Its 5 members are elected (for a four-year term) and recalled by the Supervisory Board on the proposal of the Appointments and Remuneration Committee. The members of the Management Board elect from among themselves a chairperson who is the company's chief executive officer. The members of the Management Board, as per their competence, must ensure the proper performance of the company's activities and the coordination of the corresponding areas at the level of the group.



- **Supervisory Board with 5 members (3 independent)**
- **Management Board with 5 members (work at company)**
- **Chair of the Management Board is the company's CEO**

- **Supervisory Board (external) with 3 members (1 independent)**
- **Management Board comprises employees of the company**
- **Chair of the Management Board is the company's CEO**

- **3-member Board (incl. independent members)**
- **Board Chair is not the company's CEO**

- **CEO**
- **No board formed**

The Corporate Governance Framework allows for the application of other principles in forming management and/or supervisory bodies for specific companies when that is rational and well-suited to the purpose or stage of the company's operations.

Key Performance Indicators

In 2017, 1.28 TWh of power was produced, 9.22 TWh of power was distributed to customers, and 7.37 TWh of natural gas was distributed through distribution pipelines.

Electricity		2017	2016	Δ, +/-	Δ, %
Electricity produced	TWh	1.28	1.49	-0.21	-14.1
Electricity produced from renewable energy sources	TWh	0.59	0.49	0.10	21.2
Electricity distributed via medium- and low-voltage networks, etc.	TWh	9.22	8.98	0.24	2.7
Public and guaranteed supply	TWh	3.22	3.15	0.07	2.3
Distributed to users of independent suppliers	TWh	6.00	5.83	0.17	2.9
Sales on the retail market	TWh	2.12	1.78	-0.34	19.2
Number of newly connected users	thousands	29.64	29.36	0.28	1.0
Average time to connect new users	calendar days	49	66	-17	-26.5
Electricity supply quality indicators					
SAIDI, in minutes (including *force majeure*)	min.	137.83	172.92	-35.09	-20.3
SAIFI, in units (including *force majeure*)	units	1.32	1.25	0.07	5.6
Technological costs in the power distribution network	%	6.14%	6.49%		-5.5
Gas					
Volume of gas distributed	TWh	7.73	7.39	-0.02	-0.3
Volume of gas sold	TWh	11.47	11.31	0.16	1.4
Volume of gas purchased	TWh	11.88	11.77	1.11	1.0
Purchases of liquefied natural gas	TWh	6.35	7.55	-1.20	-15.9
Purchases of natural gas	TWh	5.53	4.22	1.31	31.0
Number of newly connected users	thousands	12.53	5.29	7.24	137,0
Average time to connect new users	calendar days	166	160	6	3,7
Gas supply quality indicator					
SAIDI, in minutes (including *force majeure*)	min.	1.161	0.529	0.63	119.5
SAIFI, in units (including *force majeure*)	units	0.007	0.006	0.001	16.7
Technological costs in the natural gas distribution network	%	2.13%	2.25%		-5.1

Key Financial Indicators (1)

This table provides key indicators for Lietuvos Energija group companies (audited data for 2017).

Companies of the group are at different development stages and in different situations (for example, some are at an investment stage, where they are only investing and not generating income). More detailed information about operations and results are available on each specific company's website and at www.le.lt.

mEUR (unless otherwise specified)		Revenue	Operating expenses	Net profit	EBITDA (adjusted)	Assets	Employees	ROE, %	Investments
LE group	Lietuvos energija	1100.8	132.0	93.5	238.7	2505.1	4513	9.8	253.4
LE	Lietuvos energija	3.5	9.4	105.9	-5.9	1889.3	104	8.0	0.1
ESO	eso	612.3	94.7	77.6	150.9	1277.8	2503	12.6	226.2
LEG	Lietuvos energija GAMYBA	149.8	20.0	20.5	53.7	636.3	393	5.8	1.9
ET	ENERGIJOS TIEKIMAS Lietuviško kapitalo lyderis	78.1	2.4	4.9	6.4	50.4	31	17.3	0.9
LDT	LIETUVOS DUJOS tiekimas	239.9	4.2	7.6	14.0	85.6	32	43.7	0.1
LTG	LITGAS	88.1	0.8	-6.0	1.2	42.9	16	-29.7	0.0
EnePRO	ENE PRO	31.2	14.4	-5.4	-4.4	23.0	552	-310.6	0.1
NTV	VALDOS	21.0	12.0	-4.3	9.1	103.1	175	-6.6	6.6
TIC	T/C	14.3	9.4	0.2	2.9	12.3	167	2.7	3.9

Key Financial Indicators (2)

This table provides key indicators for Lietuvos Energija group companies (audited data for 2017).

Companies of the group are at different development stages and in different situations (for example, some are at an investment stage, where they are only investing and not generating income). More detailed information about operations and results are available on each specific company's website and at www.le.lt.

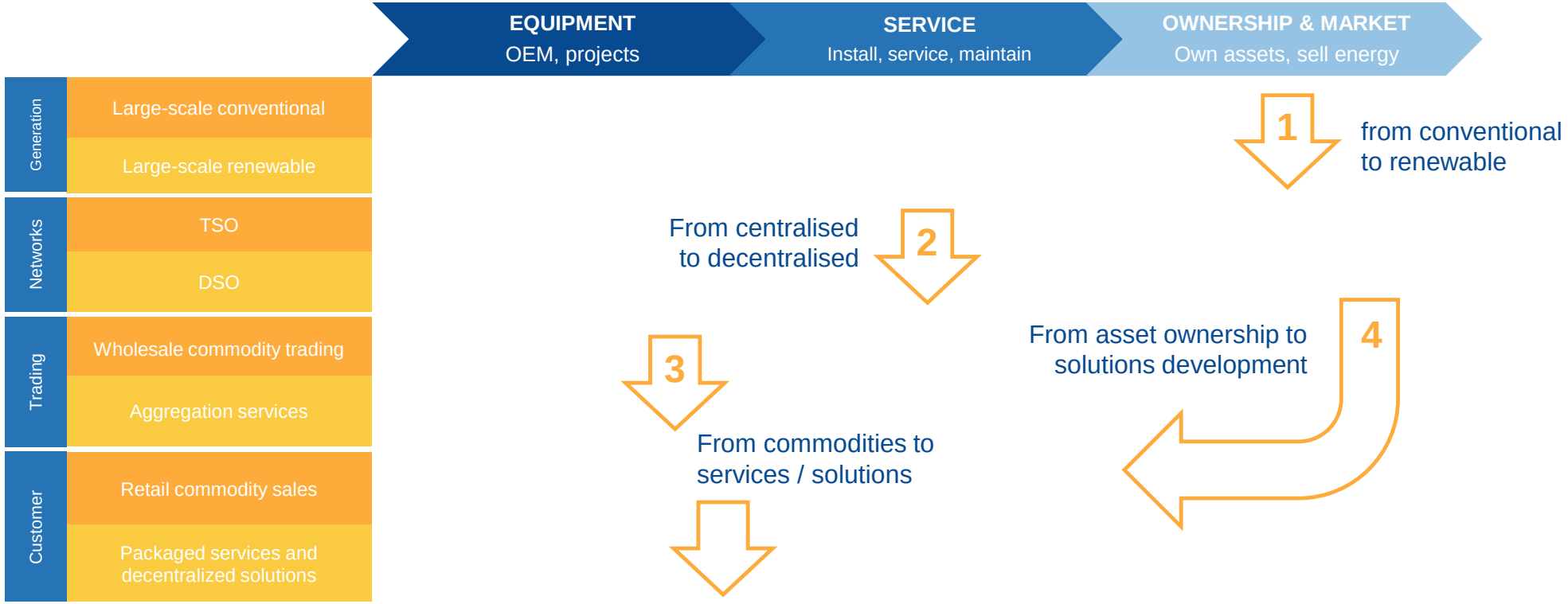
mEUR (unless otherwise specified)	Revenue	Operating expenses	Net profit	EBITDA (adjusted)	Assets	Employees	ROE, %	Investments
VAC	11.2	10.7	0.4	0.5	3.3	480	50.5	0.1
EMA	0.3	0.5	-0.2	-0.2	0.7	6	-42.3	0.3
DLC	3.8	2.5	0.4	1.3	5.6	14	9.2	0.0
VAE	0.0	0.2	-0.2	-0.2	0.1	3	-249	1.3
ESCO	0.2	0.5	-0.4	-0.4	1.9	11	-64.2	4.8
VKJ	0.0	0.5	-0.4	-0.5	33.8	22	-4.0	5.3
KKJ	0.0	0.3	-0.3	-0.3	24.0	3	-1.8	0.0
Eurakras	5.3	0.7	1.7	4.6	32.3	1	20.2	0.0
Tuuleenergia	3.5	0.5	0.7	3.0	31.4	0	58.3	0.0

Analysis of Environmental Factors

External Factors

Market Trends and Changes in the Market (1)

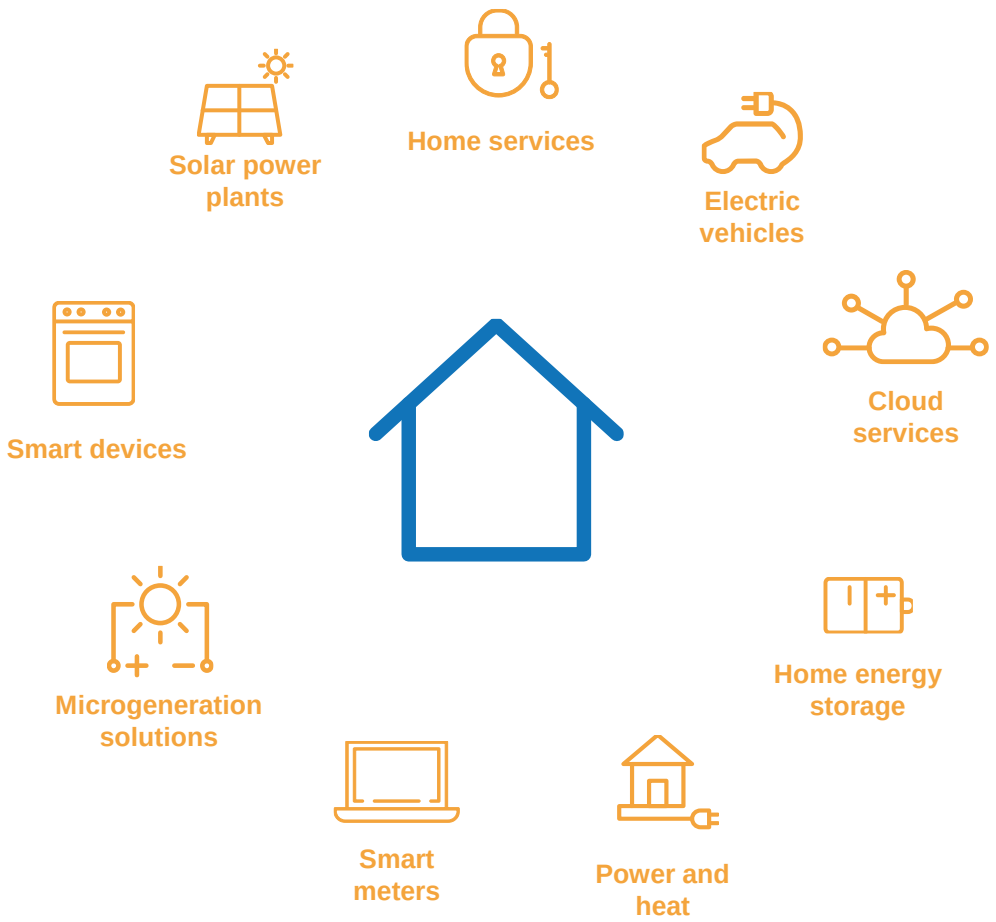
4 key value-driver changes in
European energy markets



Source: Visualisations of market trends and changes in the market summarise public information from comparable companies and other public sources.

Market Trends and Changes in the Market (2)

Growing businesses need fundamentally new competencies



- Customer focus
- Digital skills and empowerment
- Adaptation to individual needs
- Advanced financing solutions
- Critical partnerships
- Innovations
- Speed and flexibility

Source: Visualisations of market trends and changes in the market summarise public information from comparable companies and other public sources.

Market Trends and Changes in the Market (3)

Technological advances are changing energy companies' revenue structure

	Traditional services					New services	
	Production and wholesale	**Transmission**	**Distribution**	**Metering**	**Retail**	**Behind-the-meter services**	**Distributed generation**
% of revenue for a traditional utility	30-40	15-20	40-50	0-10	0-5	0-2	0-2
Drivers of value shift	Lower plant utilization	Network investments, lower regulated remuneration		Smart metering	Development of IT systems and self-service apps	Smart devices, IT	Distributed gener. equipment and financing opportunities
Direction of shift	↓	↓	↓	↑	↑	↑	↑
Projected % of revenue in a new energy company	20–30	10–15	20–30	5–15	5–10	0–10	15–20

Source: Visualisations of market trends and changes in the market summarise public information from comparable companies and other public sources.

Compliance with the National Energy Independence Strategy (1)

Energy Security

We will contribute to energy security objectives by:

- performing any tasks that are required for synchronization with CEN, including expansion of the Kruonis Pumped Storage Plant (if socio-economically justified and financially feasible);
- ensuring reliable local generation, a high level of reliable capacity, efficient system services and reliable distribution network infrastructure;
- diversifying imports and international trading of energy resources (power, natural gas and liquefied gas);
- developing new / upgrading existing generating capacity to increase the volume of local generation in Lithuania.

Renewable Energy

We will contribute to the growth of renewable energy by:

- developing and exploiting wind, solar, hydro and other renewable energy or complex projects and technologies;
- gathering and sharing experience on the implementation, operation and management of renewable energy source technologies both in Lithuania and abroad;
- developing distributed microgeneration projects and combining them with solutions for collection, storage, auto-producers, energy swaps, etc.;
- improving network parameters by facilitating procedural aspects for the development of distributed generation.

Compliance with the National Energy Independence Strategy (2)

Energy Efficiency

We will contribute to efficient energy consumption goals by:

- conducting energy efficiency projects both within the group and by providing ESCO services to the public and private sectors;
- optimizing the infrastructure and network we operate, thus reducing technical losses;
- installing smart network solutions and energy metering devices, and smart home solutions for customers;
- using means of communication to mobilize society and business to use energy efficiently and sparingly;
- implementing other advanced technologies and solutions across the entire energy value chain.

Lithuania as a Hub of Energy Innovation

We will contribute to making Lithuania an energy innovation hub by:

- creating high value-added competencies that enable the group's companies to be competitive and related industries to grow;
- investing in startups and innovative ideas in the area of Energy Tech, both through the LE group's Innovation Fund and in other accessible formats;
- collaborating with leading international companies in the development of smart and advanced products and services;
- sharing our own solutions and expertise in other countries: "exporting" know-how, products and services;
- developing the data analysis capabilities needed to transform the whole group into a data-driven organisation.

PESTEL Analysis (1)

Factors	Exposure direction*	Measures for managing exposure
Political factors		
Changing energy policy / priorities due to political changes	Negative / Positive	• Seek to ensure that key strategic decisions are timely and in the long run enshrined in legislation or strategic documents; • Respond proactively and rapidly to changed / new opportunities; • Communicate actively with all stakeholders and with the public to ensure ongoing consistent implementation of decisions that have been made / agreed.
Influence of national and international political agreements on key group projects	Negative / Positive	• Actively participate in discussions, prepare the necessary materials for decision-makers; communicate the potential impact that planned decisions' could have on the Lietuvos Energija group; • Proactively and periodically inform decision-makers about the group's operational challenges, the progress of projects; if possible, develop alternative action plans (for use in case of unfavourable decisions).
Economic/Financial factors		
Impact of business cycles on the changes in energy demand and financial results	Negative / Positive	• Regularly update gas and power demand forecasts and price dynamics for Lithuania, and integrate into operations planning; • Communicate the dynamics of energy resource prices, flows and volumes along with the relevant reasons and trends.
Growing competition	Negative	• Broaden the portfolio of diversified operations, increasing the scale of commercial activities; • Seek to reduce unnecessary / excessive regulation of commercial activities; • Actively expand energy trading activities outside Lithuania. • Clarify the value chain of the Lietuvos Energija group; • Transform into a digital organisation that is modern, flexible and data-driven in its decision-making.
Volatility in the prices of raw materials and imported power and gas	Negative	• Prepare, analyse and communicate resource price dynamics and forecasts. Integrate them into long-term plans; • Diversify the power and gas portfolio over time; • Further diversify production capacity both within Lithuania and abroad; enlarge the renewable energy resource portfolio.
Social factors		
Relatively slow growth of purchasing power in the country and sensitivity to price increases; expectations of falling energy prices;	Negative	• In pricing services, consider the interests of the most vulnerable social groups and propose energy-saving solutions; • Proactively, periodically and understandably communicate the reasons for price changes, highlighting what depends on the actions of Lietuvos Energija group companies.

*Type of impact the factor could have on the operations of the LE group.

PESTEL Analysis (2)

Factors	Exposure direction*	Measures for managing exposure
Technological factors		
Level of deterioration of existing electricity production capacity	Negative	• Seek to increase investments in extending the life of existing generation capacity and developing competitive new capacity.
Reduced consumption of gas, i.e. rising infrastructure costs (EUR / m^3 / user)	Negative	• Maintain or promote gas consumption in promising areas: through service quality, reliability, packaging (with power, energy efficiency, etc.), optimizing the costs of infrastructure maintenance; • Seek long-term regulatory stability and clarity regarding pricing components.
Necessity of digital technologies and complex modern solutions for competitiveness A sub-optimal and little-automated distribution network	Negative / Positive	• Implement the group's digitization and transformation programs (complex measures), giving them high priority; • Seek long-term regulatory stability for ongoing investment in smart network development, data analytics, other smart solutions; • Implement globally proven innovative solutions (through partnership with experienced global players / an innovation model).
Need for heat production capacity using local fuel and competition in heat sector	Negative / Positive	• Complete cogeneration plant projects on time and successfully.Delect a partner for Vilniaus Kogeneracinė Jėgainė to ensure prospects for stable long-term operation; • Seek opportunities for the use of existing infrastructure and experience / new acquisitions in Lithuania or in the region.
Environmental factors		
Stricter environmental requirements requiring additional investment	Negative/ Positive	• In planning companies' operations, assess compliance with environmental requirements; • Make energy-conservation measures a principle of 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 operations.
Legal factors		
Complex (extremely detailed / overly abstract), changing, and ambiguous legal regulation	Negative	• For any regulatory loopholes/uncertainties, proactively seek toclarify the significant aspects with decision makers (requesting written explanations, commentaries, etc.); • If 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.)
Insufficient legal and regulatory clarity and stability/consistency with regard to both regulated and commercial activities	Negative	• Promote stable and clear application of the principles of incentive regulation; • Seek consistent legal support for the internal service centre model; • Seek that regulation of commercial activities be equivalent to that of other market participants, especially when operating in multiple countries.

*Type of impact the factor could have on the operations of the LE group.

SWOT Analysis (1)

Summarizing the analysis of the internal and external environment, it is evident that significant changes are taking place in the market. The LE group's weaknesses can be mitigated and emerging threats can be dealt with. This requires exploiting strengths of the group and the opportunities offered by the market:

- The company's strategic importance and the additionally diverse financial resources that are accessible along with practical experience of their use make it possible to invest in new projects and solutions. That contributes to the diversification of production and services portfolio and higher maturity, thus increasing the return on assets and the financial value of the group. EU and other financial support should provide the basis for investment projects of strategic importance for both shareholders and society.
- Broadening and refinement of the value chain will give the LE group greater competitive advantage in the energy sector and help it achieve synergies at the level of the overall value chain. It also makes it possible to neutralize or at least stabilize the threat of rising raw material prices.
- Existing knowledge and expertise in power and gas trading can be exploited as the power and gas market develops: with the emergence of interconnections, a common Baltic market for power derivatives and Baltic market for system services, and international trading in gas.
- Increasing competitiveness will be made possible by the development and launch of new innovative services and solutions, exploiting the Innovation Fund Platform, and projects based on inter-industry partnership.
- Further and improved application of corporate governance and transparency principles in keeping with international best practices will help increase operating efficiency trust in the group.
- The protection of digital technologies and group operations that depend on them from cyber threats is being ensured by measures based on risk assessment, fulfilling the requirements of cyber-security regulations, and implementing global cyber-security good practices.

Strengths: characteristics of the company which help to achieve the established objectives and which as a whole provide advantage over other companies in the sector	**Weaknesses:** characteristics of the company which reduce the company's competitive advantage over other companies and hinder it from achieving its objectives
A value chain that is being refined with focus, big local market share for core operations, and a broad and growing portfolio of services. Ability to develop packages of services.	The insufficiently competitive and poorly diversified/decreasing production capacity of the Elektrėnai complex; long-term uncertainty regarding generation demand in Lithuania.
The competitive hydro part of the portfolio (Kaunas HP, Kruonis HPS) that's relevant for the whole region. The Kruonis HPS's expansion potential and basic preparedness for expansion.	Management of unusable generation capacity/ infrastructure. Not fully completed elimination of non-core activities is demanding resources (human and financial).
Highly specialized and well-qualified staff, experience in developing new activities, projects and services and integrating them into the group's value chain, and experience in large-scale projects and acquisitions.	Insufficient experience in international markets and cross-sectoral partnership both in the development and launch of new products and services, and in operating outside Lithuania.
The group's financial position and its stability; experience in issuing long-term bonds and borrowing from international financial institutions.	Image of a "monopolist", political vulnerability.
The strategic importance of the group at the national level.	

SWOT Analysis (2)

Summarizing the analysis of the internal and external environment, it is evident that significant changes are taking place in the market. The LE group's weaknesses can be mitigated and emerging threats can be dealt with. This requires exploiting strengths of the group and the opportunities offered by the market:

- The company's strategic importance and the additionally diverse financial resources that are accessible along with practical experience of their use make it possible to invest in new projects and solutions. That contributes to the diversification of production and services portfolio and higher maturity, thus increasing the return on assets and the financial value of the group. EU and other financial support should provide the basis for investment projects of strategic importance for both shareholders and society.
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Opportunities: External factors that can contribute to increasing the company's value	**Threats:** Likely events that may have a negative impact on the company's operations
Market growth and investments, diversification of production and services, and a longer value-creation chain as individual national markets open up. Expansion of trade in power and gas (wholesale and retail) taking advantage of a network of LNG suppliers/partners.	More and sharper competition in areas where a number of group companies operate and falling demand for system services. Possible political decisions that would limit or delay the group's expansion possibilities.
Access to varied sources of financing (loans, bonds, financial engineering, and other products): ability to combine them to undertake investments both in Lithuania and abroad, and to effectively finance the development of new services.	Poor continuity of the National Energy Independence Strategy or its implementation; dependence of operations on political decisions.
Need for contribution to implement the National Energy Independence Strategy both in terms of synchronization with CEN and network investments in Lithuania. Partnership with municipalities, public utilities and other companies, and regional projects.	Specific countries' unclear and evolving geopolitical and investment climate poses threats to investment security as well as cyber and physical security.
Partnership with companies in other industries and financial institutions to develop cross-sectorial packages of services or products. Creating new solutions through the Innovation Fund ecosystem.	An unfavourable regulatory climate that is changing and in some areas forming: system services, regulated prices, environmental protection, personal data, purchasing, financial services, decision-making, etc.
Focused growth of energy efficiency expertise and growing demand for energy savings ("negawatts") in the market makes it possible to create sustainable value creation and systemic solutions across the value chain.	Growth/unpredictability in raw material prices for electricity, gas and heat.
Efficiency and synergy in core and support activities in the refined value chain operating in Lithuania and abroad.	Digital technology plays a crucial role in the transformation into a decentralized energy system. At the same time, the growing use of intelligent devices and increasingly complex interconnected networks and systems increase vulnerability to cyber threats such as viruses, critical systems attacks, and data leakage incidents.

Integrated Planning System

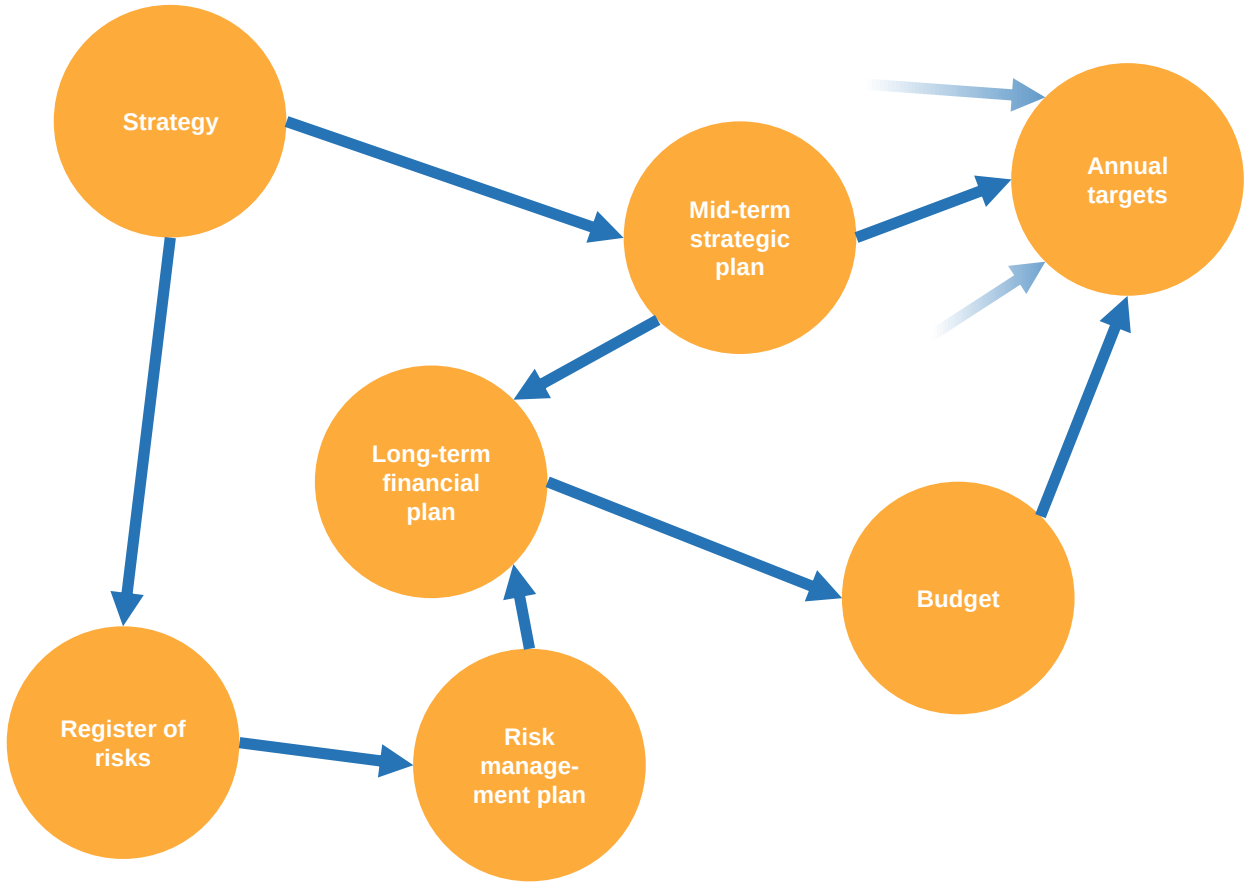
The group’s planning system is regulated by the Policy on the Integrated Planning and Monitoring System.

The strategy horizon covers the period of 2018-2030. To ensure the achievement of the strategic objectives set out in the LE group’s strategy, a mid-term operations plan shall be prepared and updated every year annual targets shall be set for the group’s companies. The operations plan is a list of planned and on-going measures (projects and tasks), setting clear, describing the expected results, and naming the responsible persons. Annual targets include the most important financial, operational or other indicators for the coming year, and priority projects or programmes. Each company's annual targets are linked to the annual personal targets of the leadership and employees of the group and its companies in such a way as to ensure the group integrates and engages with the common goals. The group will also prepare risk registers and risk management plans to enable management of risks for the entire LE group for the sake of sustainable value creation.

LE group companies prepare and update their strategies and operations plans in light of the group’s strategy. Every year, each company prepares its long-term financial plans and annual budget in line with its strategic and operations plans. Other planning documents are also prepared if necessary, including functional strategies, long-term investment plans, and so on. These documents set out the main principles for fulfilling key functions of the companies as well as the principles and objectives for major investment programmes.

The strategies of the LE group and its subsidiaries are regularly reviewed. If circumstances change so as to alter the structure of the group or the areas in which its companies operate, or have a significant impact on expected operating results, strategic directions or objectives, the strategies shall be updated.

Interlinkages between planning documents



Structure of Shareholders

Legal entity	Shareholders
Energijos Skirstymo Operatorius AB	LE – 94.98% Minority shareholders – 5.02%
Lietuvos Energijos Gamyba AB	LE – 96.82% Minority shareholders – 3.18%
Lietuvos Dujų Tiekimas UAB	LE – 100%
LITGAS UAB	LE – 100%
Energijos Tiekimas UAB	LE – 100%
Verslo Aptarnavimo Centras UAB	LE – 51% ESO – 22.25% LEG – 15% LDT – 3.75% TIC – 3.75% LITGAS– 3.75% VAE – 0.5%
Technologijų ir Inovacijų Centras UAB	LE – 50.08% ESO – 29 % LEG – 20% VAC – 0.02% LDT – 0.90%
Energetikos Paslaugų ir Rangos acija UAB	LE – 100%
Elektroninių Mokėjimų Agentūra UAB	LE – 100%

Legal entity	Shareholders
Vilniaus Kogeneracinė Jėgainė UAB	LE – 100%
NT Valdos UAB	LE – 100%
VAE SPB UAB	LE – 100%
Kauno Kogeneracinė Jėgainė UA	LE – 51% Fortum Heat Lietuva – 49%
Eurakras UAB	LE – 100%
Tuulueenergia OÜ	LE – 100%
Energijos Sprendimų Centras“ UAB	LE – 100%
Duomenų Logistikos Centras UAB	LE – 79.64% Litgrid AB – 20.36%
Lietuvos Energija Paramos Fondas	LE – 100%

Abbreviations

Abbreviation	Explanation
RES	Renewable energy sources
BSC	Balanced score card
CAPEX	Capital expenditures, investments
CEE	Central and Eastern Europe
DDO	Data-driven organisation
EBITDA	Earnings before interest, taxes, depreciation and amortization
EE	Electric energy
EMA	Elektroninių Mokėjimų Agentūra UAB
EnePRO	Energetikos Paslaugų ir Rangos acija UAB
ET	Energijos Tiekimas UAB
EU	European Union
ESC	Energijos Sprendimų Centras UAB
ESCO	Energy Service Company
ESO	Energijos Skirstymo Operatorius AB
FFO	Funds From Operations
GCSI	Global Customer Satisfaction Index
NG	Natural gas
CEN	Continental Europe Network
Kruonis PSP/ KPSP	Kruonis Pumped Storage Power Plant
Kaunas HPP	Kaunas Hydroelectric Power Plant
KKJ	Kauno Kogeneracinė Jėgainė UAB
LE	Lietuvos Energija UAB
LE group	Lietuvos Energija UAB and the its group of companies

Abbreviation	Explanation
LEG	Lietuvos Energijos Gamyba AB
EPC	Elektrėnai Power Plant Complex
LITGAS	LITGAS UAB
GW/MW	Gigawatt/megawatt – unit of measurement of power
TWh/GWh/ MWh	Terawatt-hour/gigawatt-hour/megawatt-hour – unit of measurement of power
OPEX	Operating expenses
PL	Poland
PESTEL	Political, economic, social, technological, environmental, and legal analysis
p. p.	Percentage points
TSO	Transmission System Operator
ROE	Return on equity
ROCE	Return On Capital Employed
SEE	Southeast Europe
LNG	Liquefied Natural Gas
SWOT	Analysis of Strengths, Weaknesses, Threats, Opportunities
System services	Services provided by the TSO that ensure the stability and reliability of a power system
HE	Heat energy
TIC	Technologijų ir Inovacijų Centras UAB
NTV	NT Valdos UAB
VCHP	Vilnius Cogeneration Power Plant UAB
PPL	Public Procurement Law
WACC	Weighted average cost of capital

Contents ⟶

LE 2030
Green | Smart | Global

Lietuvos energija