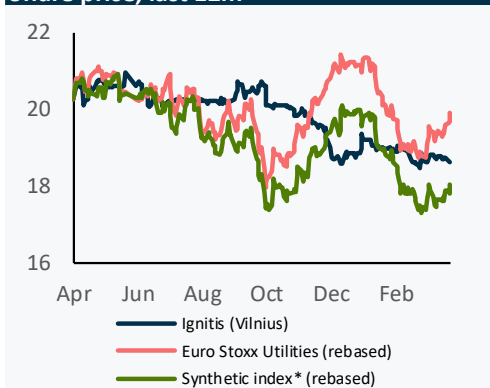


Ignitis Group

Key share data

Sector	Integrated Utilities
Ticker - Nasdaq Vilnius	IGN1L
Ticker - London Stock Exchange	IGN
Market Cap (EURm)	1,349
Net Debt (EURm)	1,318
EV (EURm)	2,667
Net debt / Equity	58%
Issued shares, m	72.4

Share price, last 12m



* Based on selected peers of Integrated (#12), Networks (#8) and Renewables (#10). See p. 57 for list of peers

Upcoming events

Ex-date	April 10, 2024
1Q24 report	May 15, 2024
2Q24 report	August 14, 2024
3Q24 report	November 13, 2024

This report is paid for by the company covered in it.

Analysts

Žilvinas Jusaitis, CFA
(+370) 606 88 919
zilvinas.jusaitis@norne.no

Justė Subatavičiūtė
(+370) 605 82 527
juste.subataviciute@norne.no

A blend of renewable growth, integrated utility benefits and solid dividends

We initiate coverage of Ignitis Group, a renewables-focused integrated utility, one of the largest groups in the Baltic states. Ignitis Group is a combination of a significant growth in renewable energy and a stable regulated distribution business, benefiting from its integrated business model. Ignitis Group trades at P/E of 6-7x and offers dividend yield of >7%. We see the fair value range between EUR 21 and 36 per share.

Summary

- **Ignitis Group is a renewables-focused integrated utility**, one of the largest groups in the Baltic states with headquarters in Vilnius, Lithuania. Ignitis Group's core business includes renewable capacity development, electricity generation and supply, as well as operating electricity and gas distribution networks. It also manages strategically important flexible generation/reserve capacity assets in Lithuania.
- **Growth story.** Ignitis Group plans to grow its installed renewable energy capacity from 1.3 GW currently to 2.2–2.4 GW by 2026 and to 4–5 GW by 2030. The 2030 target is realistic as it is largely covered by the existing combined 5.8 GW portfolio of early development pipeline. The business environment is supportive: with only 1/3 of electricity consumption covered by national generation, Lithuania is eager to grow its domestic capacities. Poland needs to transit away from coal generation, while Estonia needs to phase-out oil shale.
- **Stable but growing distribution business.** The Networks segment, comprising monopolistic electricity and gas distribution activities, has a stable and resilient business model with predictable cash flows from regulated activities. Nevertheless, it is also growing EBITDA, driven by network investments.
- **Benefiting from an integrated business model:** large customer base of the supply service will be utilised to structure offtake agreements with the Green Generation segment, enabling the build-out of the Green Generation portfolio. Generation in 2023 concluded only at 1.2 TWh while supply portfolio was 6.7 TWh leaving a gap enough to cover of ~2.5 GW of new renewables capacity
- **Strong dividends.** Under the policy to grow dividends by a min. 3% each year, dividend yield is estimated at 7.1-7.5% for the coming three years.
- **Low pricing multiples, discount to peers.** Our fair value range for Ignitis Group, based on DCF, is from EUR 21 to 31 per share with a Base-case value at EUR 28/sh., while DDM based on a constant 3% dividend growth supports EUR 25/sh. The Low-case scenario also indicates a higher price (EUR 21/sh.) than the last closing price. Ignitis Group also trades at significant discounts to peers when looking at pricing multiples.
- **Main risks:** lower electricity prices, regulatory risk, risk of an increase in required Capex and corporate income taxes.

Contents

Company Profile.....	3
Market Overview.....	7
Business Overview.....	13
Green Generation	13
Networks.....	20
Reserve Capacities	22
Customers & Solutions	23
Strategy and Plans.....	25
Estimates.....	34
Electricity price	34
Green Generation estimates.....	37
Networks estimates.....	44
Reserve Capacities estimates	46
Customers & Solutions estimates	47
Overall estimates	48
Balance sheet.....	51
Dividends	52
Valuation	54
Management and Board	64
Disclosures and Disclaimer	68

Company Profile

Ignitis grupė AB (Ignitis Group) is a renewables-focused integrated utility, one of the largest energy groups in the Baltic states with headquarters in Vilnius, Lithuania.

Ignitis Group's core business includes renewable capacity development, electricity generation and supply, as well as operating electricity and gas distribution networks. It also manages strategically important flexible generation/reserve capacity assets in Lithuania. When it comes to energy generation, Ignitis Group focuses entirely on green energy development – onshore- and offshore- wind, solar, hydro, waste and biomass. The group has the largest client portfolio in the Baltics of around 1.4 million and operates the largest distribution network in the Baltics. It is operating in the Baltic states (Lithuania, Latvia, Estonia), Poland and Finland.

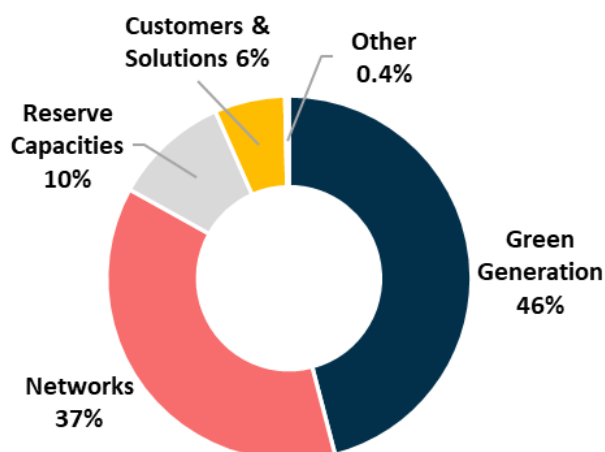
Ignitis Group's revenue ended at EUR 2.6bn in 2023 (EUR 1.9bn expected for 2024 by us) and Adjusted EBITDA at EUR 484.7 (EUR 430-480m guided for 2024). The group invested EUR 937m in 2023 and guides EUR 850-1,000m in investments in 2024. The number of employees at the end of 2023 was 4,405.

Ignitis Group operates in four segments:

- **Green Generation:** generation of electricity from renewable energy sources including hydro, wind, solar, biomass and waste-to-energy.
- **Networks:** operation, maintenance, management and development of electricity and natural gas distribution networks in Lithuania.
- **Reserve Capacities:** provision of ancillary services to ensure stability and security of Lithuania's electricity system.
- **Customers & Solutions:** supply of electricity and gas, wholesale trading and balancing, green energy solutions for businesses and households, installation and operation of electric vehicle charging stations and energy efficiency projects.

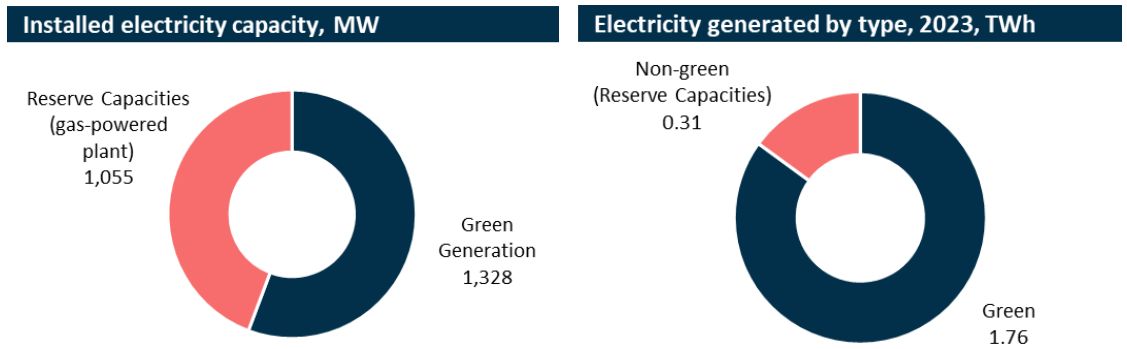
Green Generation has lately been generating around half of Ignitis Group's Adjusted EBITDA, while Networks around 35-40%. Reserve Capacities generated 10% of the group's Adjusted EBITDA in 2023. Meanwhile, Customers & Solutions is a low-margin business, generating less than 1% of Adjusted EBITDA during the last 12 months, but an extraordinary strong result in Customers & Solutions in 2023 generated 6% of Adjusted EBITDA.

Adj. EBITDA, 2023



Source: Ignitis Group, Norne Securities

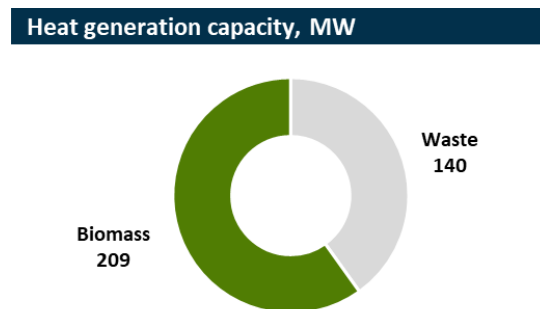
Ignitis Group has installed “green” electricity capacity of 1,328 MW; additional 1,055 MW is in a gas-powered plant that mostly serves as a reserve capacity. Utilization of the reserve capacity is low, hence 85% of all the electricity generated by Ignitis Group in 2023 was “green”.



Source: Ignitis Group, Norne Securities

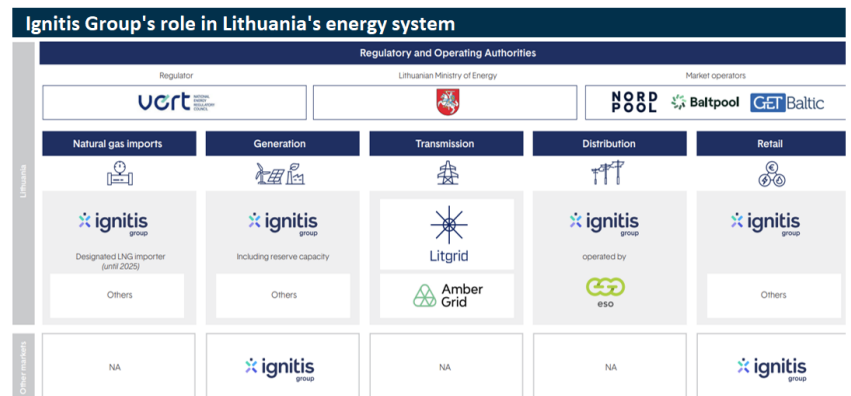
The company’s total electricity generation as well as its share of “green” production is set to grow in the coming years: 911 MW of new green projects is now under construction and 4.2 GW is in the pipeline of different stages.

Meanwhile, Ignitis Group’s heat generation is entirely “green”: it is powered by waste and biomass with a capacity of 140 MW and 209 MW respectively, making a total of 349 MW.



Source: Ignitis Group, Norne Securities

Ignitis Group is an important part of Lithuania’s energy system, contributing through generation of electricity, management of distribution network, imports of LNG and retail sales.



Source: Ignitis Group

Ignitis Group originates from the Lithuanian state-controlled energy company Lietuvos Energija. In October 2020, Ignitis Group implemented its IPO, raising EUR 450m of equity capital by offering 26.92% of the shares to institutional and Baltic retail investors at a price of EUR 22.50/sh. The current free float of the company's capital is 25.01% following buybacks and its cancellation.

The shares of Ignitis Group are being traded on Nasdaq Vilnius exchange and GDRs (Global Depository Receipts) on the London Stock Exchange. Each GDR represents one Ignitis Group ordinary share. The company's market capitalisation is around EUR 1.4 billion.

Ignitis stock listings			
	Nasdaq Vilnius	LSE	Combined
Type	Ordinary registered shares (ORS)	Global Depository Receipts (GDR)	-
ISIN-code	LT0000115768	Reg S: US66981G2075 Rule 144A: US66981G1085	-
Ticker	IGN1L	IGN	-
Nominal value, EUR	-	-	22.33 per share
Number of shares (share class)	-	-	72,388,960 (one share class)
Number of treasury shares (%)	-	-	-
Free float, shares (%)	-	-	18,105,203 (25.01%)
ORS vs GDRs split	71.0%	29.0%	100%

¹ As of closing trading market price.

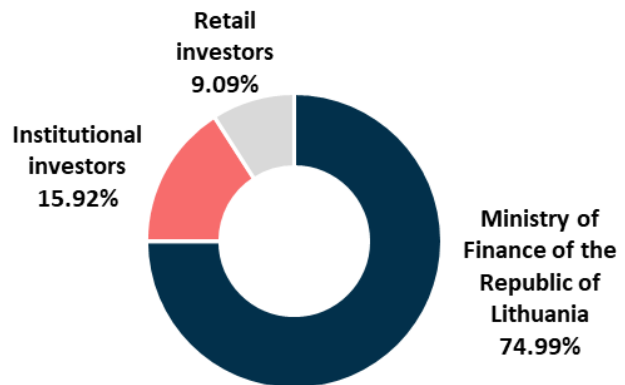
² VWAP – volume-weighted average price.

³ In 2022, the total (ORS and GDRs) turnover was EUR 105.84 million (EUR 78.20 million on Nasdaq Vilnius exchange and EUR 27.64 million on LSE), whereas the average daily turnover totalled to EUR 0.45 million (EUR 0.31 million on Nasdaq Vilnius exchange and EUR 0.14 million on LSE).

Source: Ignitis Group, Norne Securities

Seeing Ignitis Group as key to the energy security of Lithuania, the Government of Lithuania maintains a controlling shareholding of 74.99% through the Ministry of Finance.

Shareholder composition (end of Q4 2023)



Source: Ignitis Group, Norne Securities

Ignitis Group's corporate structure is presented below:



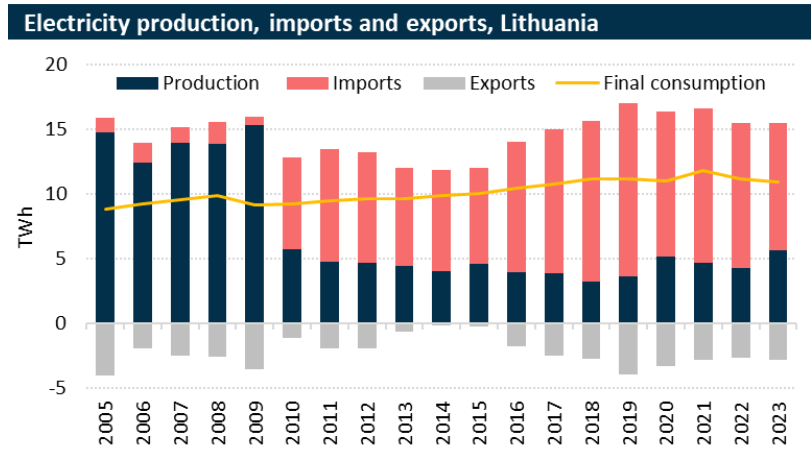
Source: Ignitis Group

Market Overview

Since Lithuania is the key market for Ignitis Group, we will be mostly concentrating on Lithuania in this chapter.

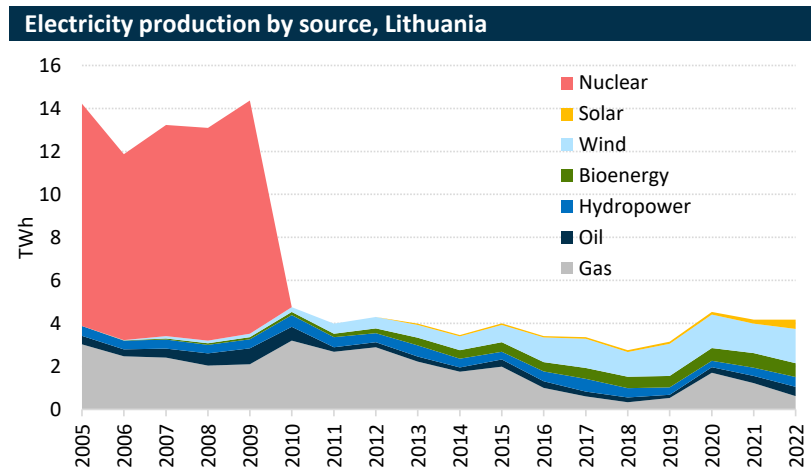
Lithuanian electricity market

Following the decommissioning of the Ignalina nuclear power plant in late 2009, Lithuania's domestic electricity generation decreased significantly and the country imports most of its electricity needs.



Source: Litgrid, Norne Securities

Renewable energy now dominates domestic electricity production, accounting for more than two-thirds of the total electricity produced in the country (primarily from wind and hydro).

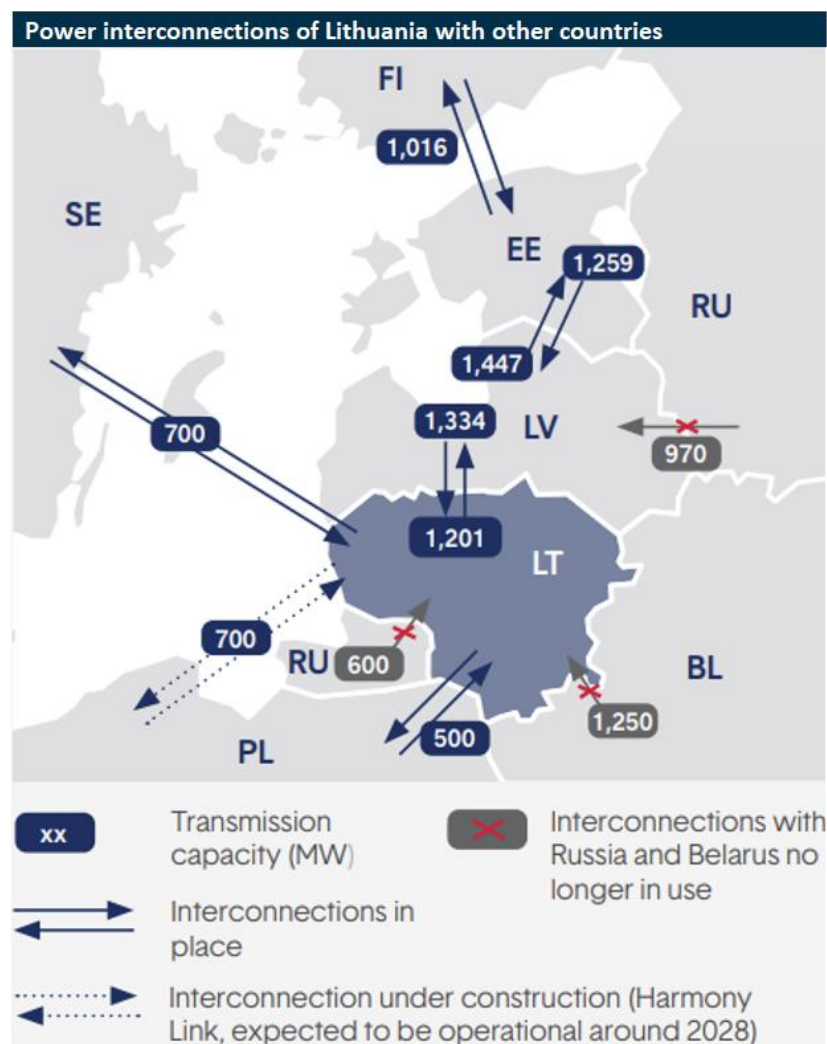


Source: Our World In Data, Norne Securities

In 2023, the share of final electricity consumption covered by national generation has considerably improved to approximately 52% vs 38% recorded in the previous year. The government has an ambitious target to grow domestic electricity production to 70% of consumption by 2030 and 100% in 2050. This will be done by developing renewable energy: the country aims for renewables share in electricity consumption of 45% by 2030 and 100% by 2050.

Particularly great potential is seen in the offshore wind development in the Baltic Sea. Electricity generation using offshore wind is more efficient than onshore due to the higher intensity of winds in an open sea. Lithuanian offshore potential amounts to 4.5 GW, easily covering the electricity demand of the entire state.

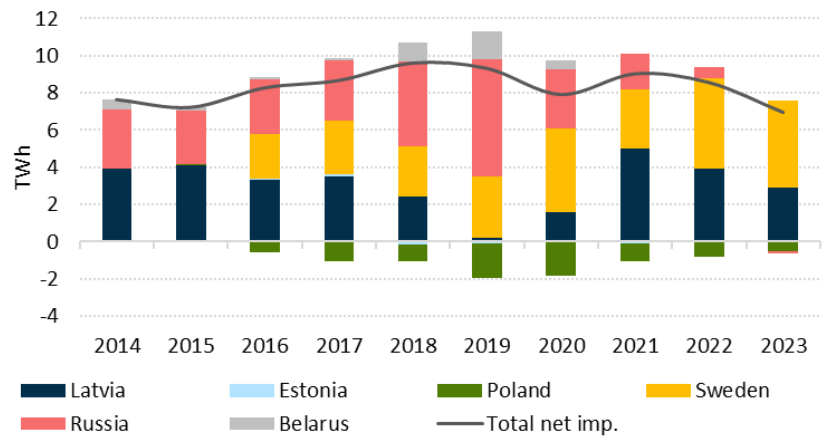
With the decommissioning of the Ignalina nuclear power plant in 2009, Lithuania went on to become a net importer of power depending heavily on Russia and Belarus. Since then, investments have been made in major new interconnections with Poland and Sweden to reduce dependency on Russian and Belarusian imports. At the end of 2015, the interconnection with Poland, LitPol Link, started operating with 500 MW transfer capacity in both directions. The interconnection with Sweden, NordBalt Link with 700 MW transfer capacity in both directions, started operating in early 2016. The Harmony Link will add another 700 MW with Poland when it becomes operational around 2028 (and will probably be laid onshore instead of a submarine interconnection planned earlier). There is also a connection with Latvia (1,201 MW export and 1,334 MW import). Through Latvia, Lithuania also receives electricity from Estonia (Estonia – Latvia 1,259 MW link) and Finland (Finland – Estonia 1,016 MW link).



Source: Ignitis Group

Meanwhile, the old links with Russia and Belarus have been abandoned. In November 2020, Lithuania, together with neighbouring Latvia and Estonia, ceased electricity imports from Belarus after the country commissioned its Astravets nuclear power plant, which is close to Vilnius, the capital of Lithuania, and deemed unsafe. Since autumn 2021, Lithuania has also stopped electricity imports from Russia. Some power flow was still present after that, but it was finally stopped completely in 2Q22 after Europe's Nord Pool power market stopped Russian electricity trading. The existing power interconnections are enough to cover Lithuania's demand needs, despite the halt of power imports from Russia and Belarus.

Electricity trade balance (net imports) by country, Lithuania

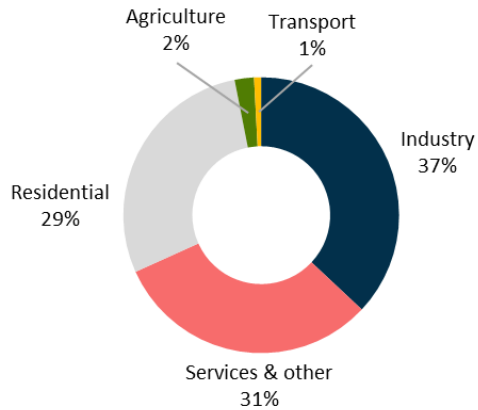


Source: Litgrid, Norne Securities

Despite being a member of the European Union since 2004 and integrated in the Nordic market, Lithuania’s power system remains separate, as it forms part of the synchronously operating joint system BRELL (Belarus, Russia, Estonia, Latvia and Lithuania) with power frequency regulated in Russia. The synchronisation of the electricity networks of the Baltic states with Western Europe will be implemented in February 2025.

Most of the electricity in Lithuania is consumed by the industrial sector (37% in 2023). The residential sector accounted for 29% of consumption.

Electricity consumption, Lithuania, 2023



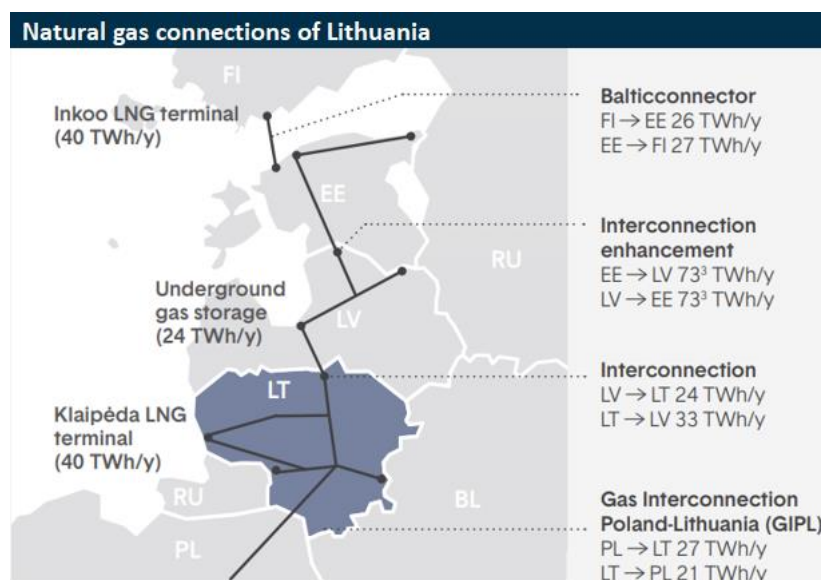
Source: Litgrid, Norne Securities

Lithuania is currently undergoing the final stage of liberalisation of the retail electricity market, abandoning a regulated monopoly structure in the household sector. The first two stages of the liberalisation for the household sector were implemented in 2021-2022 and the final third stage, involving the least consuming households (<1,000 kWh per year), should be completed at the beginning of 2026.

Lithuanian natural gas market

Lithuania has no domestic natural gas production and is thus fully dependent on imports. Until 2014, Lithuania was fully dependent on imports of Russian gas through the pipeline from Belarus, which also transits gas to the Russian exclave of Kaliningrad. Thanks to the Klaipeda liquefied natural gas (LNG) terminal starting operations at the end of 2014, Lithuania diversified its gas supply. The interconnection with Latvia also provides Lithuania access to the Incukalna underground gas storage facility in Latvia (there is no underground storage in Lithuania) as well as to Latvian and Estonian gas markets, with the latter interconnected with Finland through a Balticconnector subsea pipeline (since 2020), and gives these countries access to the LNG terminal in Klaipeda. In May 2022, a gas interconnection Poland-Lithuania (GIPL) was also launched, effectively integrating the Baltic states and Finland with the European gas market.

Lithuania suspended its purchases of Russian nat. gas from Gazprom at the beginning of 2Q22 by replacing it with LNG cargoes, mainly from Norway and the US. Furthermore, on 1 July 2022, a law prohibiting natural gas imports from Russia and other countries posing a threat to the country's national security entered into force. Existing LNG and pipeline connections are fully covering the nat. gas needs of Lithuania (consumed 15.7 TWh in 2022).



Lithuania's retail gas market for households is highly concentrated and governed by regulated prices.

Market players in Lithuania

Producers. The electricity value chain starts with the process of generating electric power from sources of primary energy, including fossil fuels (like natural gas) and renewables (like hydro, wind or solar power). Ignitis Group is the largest electric power producer in Lithuania. Since Lithuania does not have natural gas production, supply is ensured by imports through the LNG terminal in Klaipėda or pipelines from Latvia and Poland. The designated LNG importer in Lithuania is Ignitis Group.

Transmission System Operator (TSO). The electricity TSO has the responsibility for long-distance transmission of electrical energy to electrical substations. Transmission operators build and maintain the necessary high voltage capacity network. In Lithuania the electricity TSO is Litgrid. A natural gas TSO has a corresponding function in the natural gas market. In Lithuania, the natural gas TSO is Amber Grid. The TSO is a natural monopoly and is therefore regulated.

Distribution System Operator (DSO). The electricity DSO converts high voltage electricity to low voltage for distribution to end-users. A natural gas TSO has a corresponding function in the natural gas market. In Lithuania, the DSO of both the electricity and natural gas is Ignitis Group through its subsidiary ESO (Energijos Skirstymo Operatorius). The DSO is a natural monopoly and is therefore regulated.

Retailers. Retailers sell electricity and gas to the end users, both the private households and businesses. The major electricity retailer in Lithuania is Ignitis Group, followed by Enefit and Elektrum. Lithuania is undergoing the last stage of liberalisation of the electricity retail market from a regulated monopolist (Ignitis Group) to many unregulated retailers, but Ignitis Group remains with the largest share of customers.

Exchange. The trading of electricity in Lithuania, where producers sell the energy to retailers, occurs on the Nord Pool exchange. The trading of natural gas occurs on the natural gas exchange GET Baltic, which also encompasses Latvia, Estonia, and Finland.

Regulator. The Lithuanian energy sector is regulated and supervised by National Energy Regulatory Council (NERC) which is an independent national regulatory authority.

Other “home” markets of Ignitis Group

In Latvia, hydro plays a big role in the overall energy mix. There is also an abundance of biomass. The country implemented full liberalisation of the electricity retail market in 2015 – all household consumers are able to select their preferred suppliers.

In Estonia, oil shale traditionally has been the main source of electricity. With pressure from the EU to reduce carbon emissions, the country needs to transition to renewables in energy generation. Since 2013, the Estonian electricity market has been completely open, and consumers are free to choose a service provider.

Finland is among the least fossil-fuel-reliant countries as a large share of domestic energy production derives from nuclear and renewable sources. The Government of Finland has pledged to make Finland carbon-neutral by 2035 and carbon-negative thereafter. The country is progressing towards self-sufficiency, with renewable energy sources covering over 40% of consumption.

Poland is by far the biggest market of all the markets of Ignitis Group’s operations. The country has sufficient generation capacity, although served mostly by coal-fired power plants. With increasing pressure on the country to reduce its dependence on coal due to high carbon emissions, Poland will see a slow yet steady shift towards renewables.

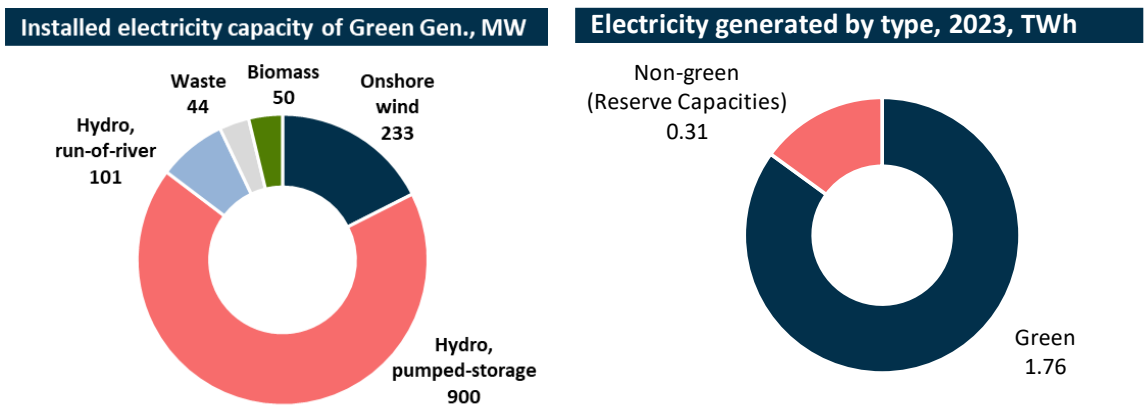
Electricity, TWh (2023)			Nat. gas, TWh (2023)
	Consumption	Generation	Consumption
Lithuania	11.7	6.2	14.9
Latvia	6.5	5.7	8.2
Estonia	8.1	4.6	3.4
Finland	79.1	74.0	13.4
Poland	166.9	164.8	179.9

Source: Ignitis Group

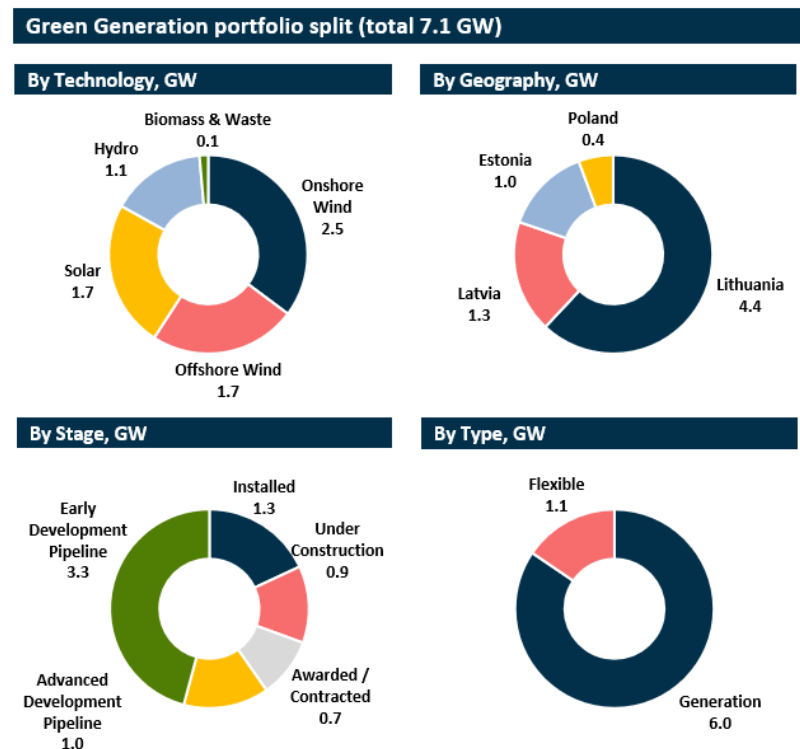
Business Overview

Green Generation

The Green Generation segment of Ignitis Group is focused on the generation of electricity through sustainable energy sources including hydro, wind (onshore and offshore), solar, biomass and waste – by developing projects in Lithuania and neighbouring countries: Latvia, Estonia and Poland. The Green Generation portfolio currently consists of 1.3 GW installed capacity, 911 MW capacity under construction, 700 MW awarded / contracted (large offshore wind projects in Lithuania and Estonia, on a 100% basis), 955 MW advanced development pipeline (projects where grid connection and land is secured) and 3,251 MW early development pipeline (only land secured). Based on installed capacity, Ignitis Group is the largest energy company in Lithuania and number two in the Baltics after Latvenergo AS. The following charts show the split of the Green Generation’s installed capacity and electricity generated in 2023 by type:



Meanwhile the next charts represent total portfolio, including pipeline:



Revenues in the Green Generation segment are generated through either internal power purchase agreements (PPAs) with the Customers & Solutions segment, external PPAs, renewable energy long-term support schemes (FiP – feed-in premium; CfD – contract for difference) or sales to the market through Nord Pool Exchange.

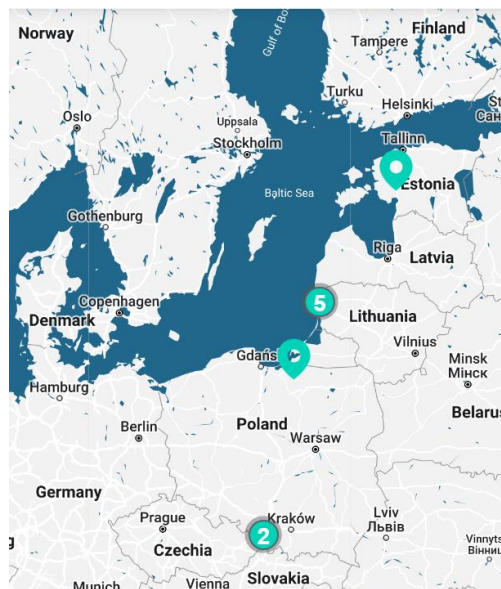
In addition, part of income is generated through Lithuanian state-regulated activities, related to secondary power reserve services to the transmission system operator (TSO) provided by Kruonis pumped-storage hydroelectric plant.

Onshore wind

The conditions are favourable for the development of onshore wind energy in Lithuania and other Baltic states: there are no natural barriers (such as mountains) that can block the wind.

Ignitis Group currently operates four onshore wind farms in Lithuania, one in Estonia and one in Poland, with a combined capacity of 233 MW. The installed project portfolio is growing rapidly: two wind farms in Lithuania and two in Poland are under construction with expected commercial operation date (COD) in 2024-2025 – they will add up to 487 MW capacity. Additional two hybrid projects in Latvia, combining onshore wind and solar energy, are in an advanced development pipeline stage (land and grid connection have been secured and environmental impact assessment (EIA) completed). All these projects are 100% owned by Ignitis Group.

Locations of Ignitis Group's onshore wind projects:



Onshore wind assets

	Country	Ownership	COD ¹	Capacity, MW	Electricity generation, annual avg, GWh	Load factor ⁴	Revenue model ²	Proportion of secured revenue	OPEX, last 12m or expected, kEur/MW	Investment EURm
Operating										
Vėjo gūsis	Lithuania	100%	2008–2010	19.1	46	27%	PPA (internal)	70%	53	-
Vėjo Vatas	Lithuania	100%	2011	14.9	33	25%	PPA (internal)	73%	61	-
Tuuleenergia	Estonia	100%	2013–2014	18.3	49	31%	PPA (internal) / FiP for 12 MW	70% (PPA)	56	-
Eurakras	Lithuania	100%	2016	24.0	73	35%	PPA (internal)	72%	45	-
Pomerania	Poland	100%	2021	93.9	272	33%	CfD	100%	45	128
Mažeikiai	Lithuania	100%	2023	63.0	192	35%	PPA (internal)	65%	28-32	82
Under construction				233.2	665.4	33%		82%		210.0
Silesia I	Poland	100%	Q1 2024	50.0	-	-	CfD	100%	-	~75
Silesia II	Poland	100%	H2 2024	137.0	-	-	CfD / PPA	100%	-	~240
Kelmė WF I	Lithuania	100%	2025	105.4	-	-	PPA	65%	-	~190
Kelmė WF II	Lithuania	100%	2025	194.6	-	-	-	0%	-	~360
Advanced development pipeline (land and grid connection secured)				487.0						
Latvian hybrid portfolio II	Latvia	100%	2025	~70 (wind & solar)	-	-	-	-	-	~90
Latvian hybrid portfolio I	Latvia	100%	2025-2027	~260 (wind & solar)	-	-	-	-	-	~270
Early development pipeline (land secured)										
LV onsh. WF portf. I: proj. 2&3	Latvia	0% ³	2026-2027	~90	-	-	-	-	-	~110
Plungė WF project	Lithuania	100%	2026-2030	<218	-	-	-	-	-	~300
Greenfield portfolio	LT, LV PL	100%	2025-2030	~1,943 (wind & solar)	-	-	-	-	-	-

¹ COD – Commercial operation date.

² PPA – Power purchase agreement; FiP – Feed-in premium (fixed premium to the electricity market price); CfD – Contract for difference (if the power producer sells electricity in the market at a price that is below the agreed fixed price, the power producer receives a payment from the counterparty for the difference; conversely, if the electricity is sold at a price above the agreed price, the power producer pays the difference to the counterparty).

³ Ownership will be 100% after construction permits are granted or prior grid deposit is paid.

⁴ Total wind farms load factor was calculated using weighted average. Mažeikiai WF is included in total load factor calculations starting from October 2023, when WF started working in full capacity.

Source: Ignitis Group, Norne Securities

Offshore wind

Ignitis Group has recently secured two large offshore wind development projects in the Baltics by winning tenders together with partners, one in Lithuania (COD until 2030) and one in Estonia (COD post 2030). This was in line with the company's goal and we understand Ignitis Group will probably stay away from additional offshore wind tenders in the region with similar timing of development. That is because of the capital intensity that offshore projects require: as Ignitis Group has noted, delivering two offshore projects at the same time would be difficult to finance and would create tension for the leverage metrics.

In addition, Ignitis Group has a 5% minority stake in the Moray West offshore wind project in the UK, with a purpose of gaining an experience in offshore wind project development.

Offshore wind projects

	Country	Ownership	Partner	COD	Capacity, MW	Revenue model	Proportion of secured revenue
Under construction							
Moray West ¹	UK	5%	Ocean Winds	2025	882	CfD / PPA	85%
Awarded							
Lithuanian offshore WF	Lithuania	51%	Ocean Winds	2029	700	-	0%
Liivi 1&2 areas	Estonia	na	Copenhagen Infrastructure Partners	~2035	1,000-1,500	-	0%

¹ Moray West offshore wind project capacity is 882 MW. However, as the Group owns a minority stake (5%), the capacity is not consolidated.

Source: Ignitis Group, Norne Securities

700 MW Lithuanian project

In October 2023, Ignitis Group together with a partner Ocean Winds were confirmed as winners of the 700 MW Lithuanian first-ever offshore wind tender, after submitting the highest development fee of EUR 20m. Ignitis Group's stake will be 51% and Ocean Winds' 49%. The maritime area for the offshore wind farm is located at the nearest 36 km from Lithuania's Baltic Sea coast, covering approximately 120 km². The winner was granted the right to use that area for electricity production for 41 years. Subject to obtaining the relevant permits, contracting suppliers and securing financing, the project is expected to become operational until 2030 (COD expected in 2029). The offshore wind farm should generate up to 3 TWh of electricity annually, which would meet up to 25% of Lithuania's current electricity demand. It will operate under market conditions.

Ocean Winds, Ignitis Group's strategic partner for offshore wind projects development, is a joint venture of EDP Renewables and Engie, large European energy companies which manage 30 GW of renewable energy sources globally.

1-1.5 GW Estonian project

In December 2023 and January 2024, Ignitis Group together with Copenhagen Infrastructure Partners P/S won the auction-based competitive tenders for the development of offshore wind in the Liivi 2 and Liivi 1 sea areas in Estonia, having placed the highest bids in the amount of EUR 1.723m and EUR 1.165m respectively. The adjacent sites will be developed as a single offshore wind project. The maritime area of both Liivi 1 and Liivi 2 is located in the Gulf of Riga, northwest of Ruhnu Island, near Estonia's Baltic Sea coast covering in total of approximately 193 km².

While the theoretical potential capacity of both sites is calculated to be 2.3 GW, depending on environmental impact assessment results, site optimization as well as other factors, the actual capacity of the offshore wind park is expected to be 1–1.5 GW. The project is expected to become operational around 2035.

Moray West project (UK)

Ignitis Group is a minority shareholder in 882 MW Moray West offshore wind project in the UK with a 5% stake. The majority shareholder is Ocean Winds, Ignitis Group’s partner in the 700 MW Lithuanian offshore wind project. The Moray West project has already reached a financial close with expected COD by the end of 2025. Taking a stake in the Moray West wind farm allows the Group to gain experience and valuable know-how in offshore wind project development, which will be used to develop offshore wind energy in Lithuania and the neighbouring countries. We believe Ignitis Group may exit this project eventually, before it becomes operational.

Solar

Ignitis Group has three solar energy projects under construction in Lithuania, Latvia and Poland, with a combined capacity of 291 MW. There are also a number of projects in Lithuania and Latvia in the advanced development pipeline. All projects are 100% owned by Ignitis Group.

Solar projects

	Country	Ownership	COD ¹	Capacity, MW	Revenue model ²	Proportion of secured revenue	Investment EURm
Under construction							
Polish solar portfolio II	Poland	100%	2024	30.0	CfD	100%	~18
Tauragė solar project I	Lithuania	100%	2024	22.1	Merchant	0%	~16
Latvian solar portfolio I	Latvia	100%	2025	239	Merchant	0%	~178
Advanced development pipeline (land and grid connection secured)							
Latvian hybrid portfolio II	Latvia	100%	2025	~70 (wind & solar)	-	0%	~90
Latvian hybrid portfolio I	Latvia	100%	2025-2027	~260 (wind & solar)	-	0%	~270
Tume solar project	Latvia	100%	2026	<300	-	0%	~180
Jonava solar project	Lithuania	100%	2026	252	-	0%	~200
Jurbarkas solar project	Lithuania	100%	2026	43.1	-	0%	-
Tauragė solar project II	Lithuania	100%	2026	29.4	-	0%	-
Early development pipeline (land secured)							
Greenfield portfolio	LT, LV PL	100%	2025-2030	~1,943 (wind & solar)	-	0%	-

Source: Ignitis Group, Norne Securities

Hydropower

Ignitis Group manages two hydropower plants in Lithuania: a regular run-of-river hydropower plant in Kaunas and a pumped-storage power plant near the town of Kruonis.

Kaunas HPP:



Kruonis PSHP:



Kaunas Hydroelectric Power Plant (HPP)

Kaunas Hydroelectric Power Plant (HPP) is the largest renewable energy power plant in Lithuania with a capacity of 100.8 MW, generating 372 MW of electricity in 2023. The plant started operations in 1959 but underwent a major overhaul in 2010. The plant has low variable costs and is able to earn positive EBITDA even at low electricity prices.

Kruonis Pumped Storage Hydroelectric Power Plant (PSHP)

Kruonis Pumped Storage Hydroelectric Power Plant (PSHP) is the only power plant of its kind across the Baltics, located north of Kruonis town in Kaišiadorys region, Lithuania. With a generation capacity of 900 MW, it is one of the largest energy storage facilities in Europe. Kruonis PSHP's purpose is to balance generation and consumption of electricity as well as prevent and eliminate failures in the energy system. Kruonis PSHP also serves as Lithuania's secondary power reserve. The existing operating units of the plant were completed from 1992 to 1998.

When the load on the energy system is low and there is an excess energy with lower-than-average electricity price (for example, at night) Kruonis PSHP units, are working on pump mode and raise water from the Kaunas lagoon to the artificial upper basin of 303 ha, located 100 meters above the water level of the Kaunas lagoon. When energy demand increases (usually in the daytime), Kruonis PSHP can work as a normal hydroelectric power plant. For the prevention and liquidation of systemic accidents, it is important that Kruonis PSHP units can provide fast reserve power – they are able to connect to the network at full capacity in less than 2 minutes. The efficiency factor of the cycle is 0.74 (for each 100 MWh consumed to pump the water upwards, 74 MWh is generated from downward-running water), which is offset by the benefits of more favourable electricity sales price achieved and reserve capabilities.

Kruonis PSHP has four operating units (4 x 225 MW) and can perform up to 300 cycles per year (complete cycle consists of complete filling and draining of the upper reservoir), running at full load for 10 hours per cycle.

The plant is now undergoing expansion – the 5th unit of 110 MW is under construction with COD expected by the end of 2026. It will provide extra flexibility, allow more balancing and ancillary services. With the completion of the new unit, the generation capacity of the plant will reach 1,010 MW. In total, the infrastructure of the plant supports the installation of eight power units.

Kruonis PSHP's activities are split into regulated and commercial ones:

- **Regulated activity:** Kruonis PSHP is responsible for the provision of secondary power reserve to the TSO (transmission system operator) with up to 369 MW of installed capacity – effectively 450 MW is allocated solely for this service as it requires two units of Kruonis PSHP's capacity, representing half of Kruonis PSHP's overall capacity. Regulated EBITDA related to this service is based on a rate of return calculated as Regulated Asset Base (RAB) times WACC as set by the National Energy Regulatory Council (NERC), plus covering depreciation and amortisation expenses.

- **Commercial activity:** The remaining two units with a combined capacity of 450 MW are allocated for commercial activities – generating electricity for sales on the spot market, with the aim of earning a positive spread between electricity acquisition price (used for pumping) and sales price, large enough to compensate for the efficiency loss. Typically, such spread can be achieved between night (low) and day (high) prices of electricity.

The 5th unit (110 MW) of the Kruonis PSHP, which is under construction, will be used for systemic services and not for merchant activity.

Hydropower assets

	Country	Ownership	COD	Major overhaul / lifetime extension	Capacity, MW	Electricity generation, annual avg 2022-2023, GWh	Load factor	Revenue model ²	Proportion of secured revenue	Investment EURm
Operating										
Kruonis PSHP (pumped-storage)	Lithuania	100%	1992-1998	-	900	532	7%	Merchant	0%	-
Kaunas HPP	Lithuania	100%	1959	2010	101	375	42%	PPA	75%	-
Under construction										
Kruonis PSHP expansion	Lithuania	100%	2026		110	-	-	Merchant	0%	~150

Source: Ignitis Group, Norne Securities

Cogeneration (CHP) power plants

Ignitis Group operates two modern cogeneration power plants in Vilnius and Kaunas that use waste and biofuel to generate energy. Cogeneration is the simultaneous heat and electricity generation with the purposeful utilisation of generated heat, thus achieving greater efficiency. Standard power plants do not take advantage of generated heat, but in cogeneration power plants it is mostly used for central heating or industrial processes.

Cogeneration power plants (or combined heat and power plants, CHP) ensure lower heat prices for urban consumers, additional local electricity generation at a competitive price and solve waste management problems (waste unfit for recycling is used). As Ignitis Group's CHP plants mainly use local fuel – biomass and municipal waste – they also contribute to the energy independence of the state. Lithuanian government considers Ignitis Group's Vilnius and Kaunas CHP plants as economic projects important to the state.

CHP plants provide revenue to Ignitis Group from three main streams:

- Selling heat to city district heating networks.
- Selling electricity to customers through the Customers and Solutions segment or on the Nord Pool Exchange.
- Providing waste incineration services for regional waste treatment facilities for a certain local gate fee per ton of waste.

Biofuel and Waste-to-energy assets

Energy source	Country	Ownership	COD	Electricity capacity, MW	Heat capacity, MW	Electricity generation, annual avg or expected, GWh	Heat generation, annual avg or expected, GWh	Waste incineration amount, annual avg, thous. t.	Biofuel volumes, GWh	Revenue model	Proportion of secured revenue	COGS and OpEx, annual avg, EURm	Investment EURm	
Operating														
Kaunas CHP	Waste	Lithuania	51%	Q3 2020	24	70	159	359	201	-	PPA	90%	17.8	-
Vilnius CHP waste unit	Waste	Lithuania	100%	Q1 2021	20	70	108	435	165	-	PPA	95%	18.9	-
Vilnius CHP biomass unit	Biofuel	Lithuania	100%	Q1 2024	73	169	-	-	-	PPA	80%	-	270	
Elektrėnai biomass boiler	Biofuel	Lithuania	100%	2015	-	40	-	87	-	Merchant	0%	-	-	

Source: Ignitis Group, Norne Securities

Vilnius CHP plant:



Vilnius Combined Heat and Power (CHP) Plant

A waste-to-energy unit of the Vilnius CHP plant started operations in March 2021 with electricity capacity of 20 MW and heat capacity of 70 MW. A biomass unit has reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023. The total power plant's electricity capacity hence now amounts to 70 MW and the heat capacity 219 MW. The plant will cover about 40% of the central heating demand in Vilnius and cover the electricity demand of 320,000 households.

The plant had a total investment cost of approximately EUR 420m, partly funded by the European Union. Ignitis Group currently owns 100% of the Vilnius CHP plant but will need to sell a 49% stake based on the requirements of the EU CapEx grant received for the project.

Kaunas CHP plant:



Kaunas Combined Heat and Power (CHP) Plant

The waste-fired CHP plant in Kaunas commenced operations in August 2020. It has electricity capacity of 24 MW and heat capacity of 70 MW. The plant's capacity is enough to cover up to 30% of the total heating needs of the city of Kaunas and provide electricity to 130,000 households. Ignitis Group owns 51% of the plant, while 49% is held by Fortum.

Networks

The Networks segment comprises Ignitis Group's electricity and natural gas distribution businesses. The core activities in this segment are to operate, maintain, manage and develop electricity and natural gas distribution networks in Lithuania and to ensure their safe and reliable operation, as well as the supply of last resort service (supply of electricity to customers who have not selected an independent supplier under the established procedure, or an independent supplier selected by them does not fulfil its obligations or terminates activities).

Ignitis Group, through its subsidiary Energijos Skirstymo Operatorius (ESO), has a natural monopoly on the distribution of electricity and gas in Lithuania, with a distribution network that covers nearly the entire territory of Lithuania. ESO serves 1.9 million electricity and 0.6 million gas customers throughout Lithuania, takes care of 128 thousand kilometres of power lines and cables and 10 thousand kilometres of gas distribution pipelines.

Regulation

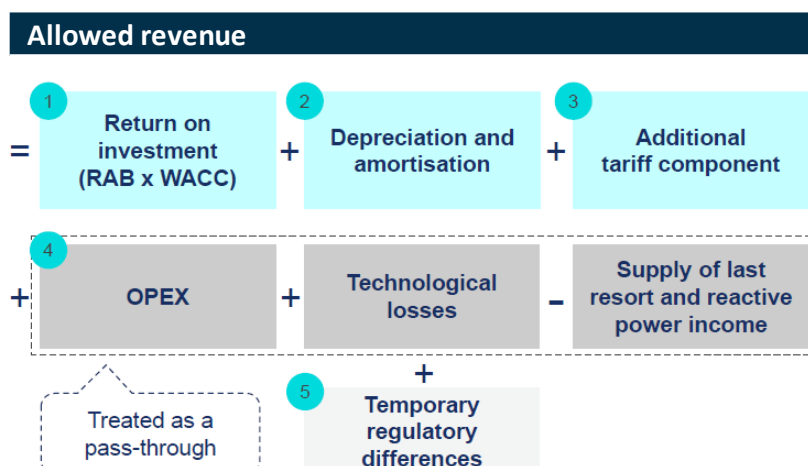
Being natural monopolies, the electricity and gas distribution businesses of the Networks segment are entirely regulated. Revenues are based on the allowed revenue levels for electricity and gas distribution that are set by the National Energy Regulatory Council (NERC) each year.

The allowed revenues are based on a principle of allowing the Distribution System Operator (DSO) (being Ignitis Group's subsidiary ESO) to earn a reasonable return on the capital employed in the distribution business, including being reimbursed for the costs incurred in this business:

- Costs reimbursed include related operating expenses, technological losses (which encompass network losses, electricity for own needs and commercial losses), and depreciation and amortisation of the distribution assets.
- The reasonable return on investments is calculated as the Regulated Asset Base (RAB) (which represents capital invested in the distribution business) times the WACC (cost of capital deployed – or reasonable rate of return).

ESO earns the allowed revenue through tariffs paid by customers, specified as distribution services.

Below is an illustration of the calculation of the allowed revenue:



Source: Ignitis Group

According to this, Adjusted EBITDA calculation is basically as follows:

Adjusted EBITDA = (RAB x WACC) + Depr. & amort. (D&A) + Additional tariff component

...with all the components in this calculation set annually by the NERC.

RAB is calculated essentially this way:

RAB (t) = RAB (t-1) + (Approved investments – Investments covered by customers – Grants) – D&A

Excessive collection of investment return in 2018-2021

There was a row recently in Lithuania over the excessive return on investment collected by ESO from customers during 2018-2021. NERC, in cooperation with ESO, had modelled investments into the renewal of the electricity distribution infrastructure for 2016-2021 in order to improve the efficiency of the distribution, based on which the allowed return on investment was set. In 2021, an assessment by NERC concluded that the company had invested nearly 30% lower amount than planned into the distribution infrastructure over 2018-2021 and thus collected EUR 213.7m excessive revenues. The regulator claimed that the investments were made into different areas than required – connection of new customers and expansion of the network, while ESO claimed that this happened due to a change in the methodology of RAB calculation implemented by the regulator in 2021 which was applied retrospectively.

ESO has already reimbursed part of the amount to customers through lower energy tariffs, with EUR 157.7m remaining to be reimbursed. Initial schedule agreed with NERC projected full reimbursement after 15 years, during 2032-2036. However, after pressure from the society, it was recently shortened: two years and three months (April 1, 2024 – June 30, 2026) for households (EUR 57.1m) and seven years and nine months (April 1, 2024 – December 31, 2031) for businesses (EUR 100.6m). All the reimbursements will be made through lower electricity distribution tariffs to customers.

Reimbursement of excess tariffs for 2018-2021

Period	To households (EURm)	To businesses (EURm)	Total (EURm)
2024	19.3	0.8	20.2
2025	18.9	0.8	19.7
2026	18.9	9.0	27.9
2027	-	18.0	18.0
2028	-	18.0	18.0
2029	-	18.0	18.0
2030	-	18.0	18.0
2031	-	18.0	18.0
Total	57.1	100.6	157.7

Source: NERC

To maintain sustainable ESO leverage level, NERC also upgraded the methodology for calculating the additional tariff component. It is linked to the leverage level cap of 5.5x (ESO net debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

Reserve Capacities

The Elektrėnai Complex:



The Reserve Capacities segment operates the largest electricity generation facility in Lithuania, the gas-fired Elektrėnai Complex, with a total gross installed capacity of 1,055 MW. The Elektrėnai Complex provides regulated system services (isolated regime services – ensuring availability of capacity to generate necessary electricity volumes in case Lithuania is disconnected from the international network) to the Transmission System Operator (TSO), Litgrid, thus ensuring stability and security of Lithuania’s electricity system. It also has an option to generate electricity for sales in the market, when profitable.

The Elektrėnai Complex contains two gas-fired reserve power units (units 7 and 8) with a 300 MW capacity each, and the combined cycle turbine (CCGT) unit with a capacity of 455 MW. The construction of the currently operational reserve power units (units 7-8) were completed between 1971 to 1972, with a major refurbishment of unit 8 from 2003 to 2009. Construction of the CCGT unit was completed in 2012 at a cost of EUR 376m.

Elektrėnai Complex (electricity)

Unit	Country	Ownership	Energy source	COD	Capacity, MW	Electricity generation, annual avg 2022-2023, GWh	Load factor	OpEx, annual avg 2022-2023, EURm	Regulatory D&A, EURm
CCGT	Lithuania	100%	Gas	2012	455	268	6.7%	0.9	7.6
Units 7-8	Lithuania	100%	Gas	2003-2009	600	-	-	-	3.0

Source: Ignitis Group, Norne Securities

Of the total 1,055 MW capacity, 891 MW are used for isolated regime services (260 MW provided by unit 7, 260 MW by unit 8 and 371 MW by CCGT).

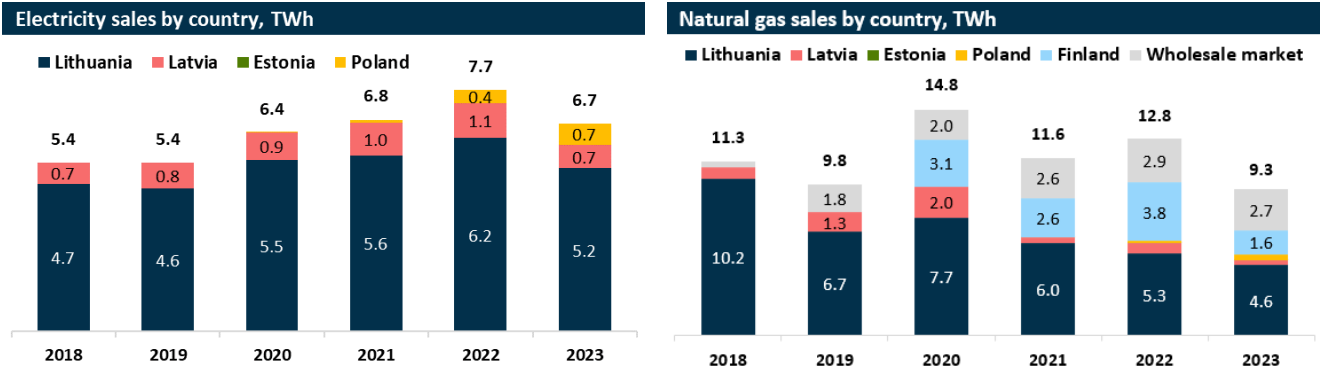
The revenues of the Reserve Capacities segment related to the systemic services are regulated, and equal costs plus depreciation and amortisation of the respective assets, hence regulated EBITDA = regulated D&A. On top of that, Ignitis Group is also able to earn additional return by selling electricity generated from CCGT at market prices, with the decision to generate depending on the ability to fix a positive clean spark spread (the difference between the combined cost of gas and emission allowance, and the price of electricity).

By ensuring the isolated regime, the Reserve Capacities segment will contribute to the synchronisation of the Baltic states with the power network of continental Europe, to be effective in February 2025. After the synchronisation of Lithuania’s power grid with the continental European network, the isolated regime services are expected to be phased out. Ignitis Group then aims to leverage the Reserve Capacities’ assets to provide new ancillary services for local generators, such as frequency containment reserve, automatic frequency restoration reserve and manual frequency restoration reserve. Power reserve services will also be provided in neighbouring countries: Ignitis Group has already won Polish capacity mechanism auction for ensuring 250 MW capacity availability in 2027 for EUR 16m.

Customers & Solutions

The Customers & Solutions segment is engaged in the supply of electricity and gas, wholesale trading and balancing, green energy solutions for businesses and households, installation and operation of electric vehicle charging stations and energy efficiency projects.

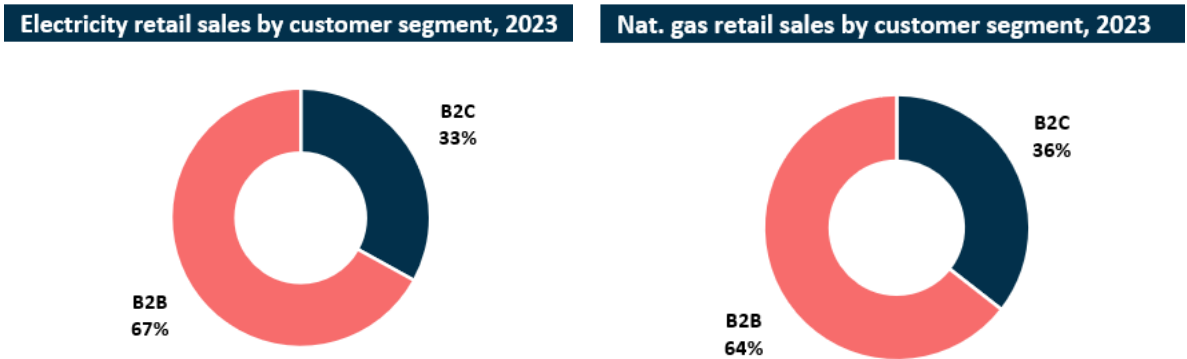
Ignitis Group operates its Customers & Solutions segment across Lithuania, Latvia, Estonia, Finland and Poland, and is the largest supplier of electricity and gas in the Baltic states based on the number of customers (1.4m and 0.6m respectively). Although Ignitis Group is expanding its Customers & Solutions business in other countries, Lithuania remains the key market.



Source: Ignitis Group, Norne Securities

Ignitis Group also views this segment as making an important contribution to the expansion of the renewables portfolio of the Green Generation segment by helping to secure long-term offtake contracts for future renewables generation.

About two-thirds of the company’s both electricity and gas supplies go to B2B (business to business) segment and about one-third to B2C (business to consumer) segment.



Source: Ignitis Group, Norne Securities

We calculate that the Customers & Solutions segment purchases about 1/10 of its total electricity volumes internally from the Green Generation segment. The rest is purchased from the Nord Pool power exchange.

Revenues in this segment are mostly generated through commercial contracts, but some activities in Lithuania are regulated, including public electricity supply businesses, B2C gas supply and designated liquefied natural gas (LNG) supply.

Ignitis Group serves as a designated supplier of the mandatory volume for the LNG terminal in Klaipėda, meaning that it is responsible for ensuring supply of the minimum quantity required to ensure the necessary operation of the LNG terminal, until the end of 2024. The mandatory supply volume is 4 standard size LNG cargoes per year until the end of 2024, secured in the contract between Ignitis Group and Equinor. The difference between the price paid for purchasing LNG cargoes under the contract and an average price of imported gas to Lithuania shall be covered and compensated to Ignitis Group using LNG terminal security component, which is paid by the final consumers of natural gas in Lithuania.

Liberalisation of Lithuanian electricity market

Lithuania is currently undergoing the final stage of liberalisation of the retail electricity market, abandoning a regulated monopoly of Ignitis Group in the household sector. The first two stages of the liberalisation for the household sector were implemented in 2021-2022 and the final third stage, involving the least consuming households (<1,000 kWh per year), should be completed at the beginning of 2026. The third stage includes around 420,000 customers of Ignitis Group out of the total of 1.7 million. The electricity supply tariffs for this group of customers are currently regulated (“public electricity supply”).

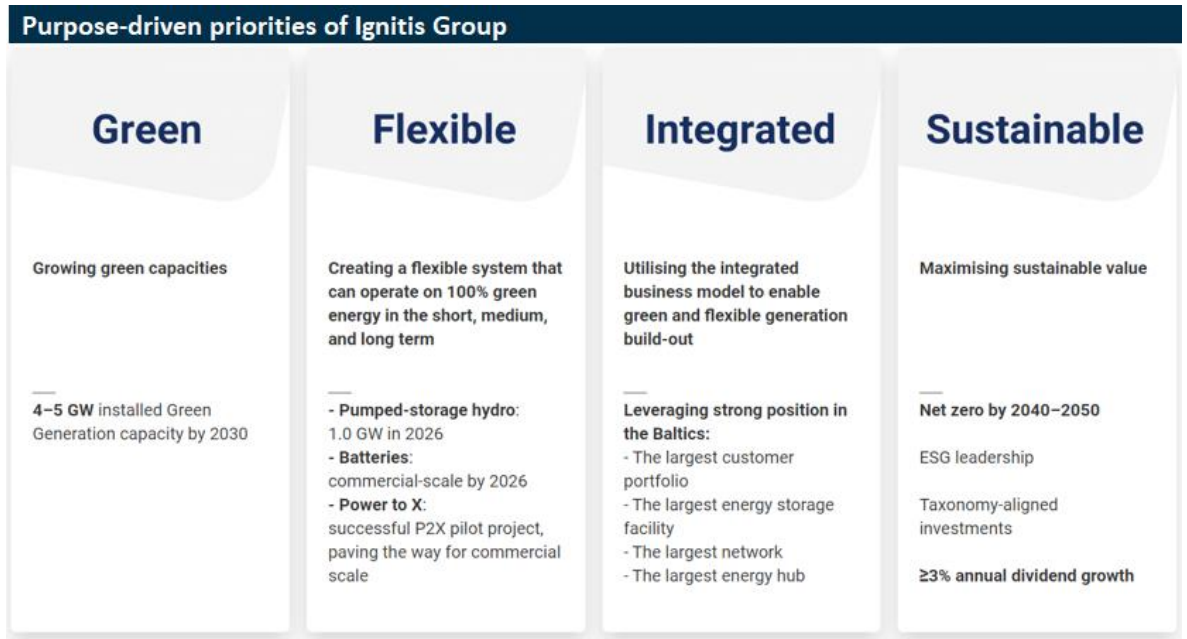
The final stage of the liberalisation will inevitably lead to some reduction in the number of customers for Ignitis Group as some of them will choose different power suppliers, hence leading to reduced volumes of electricity supplied. However, the loss of volumes supplied should not be significant: 75% of consumers have chosen to stay with Ignitis Group in the previous stages of the liberalisation during 2020-2022 (with the competitors Elektrum and Enefit taking ~15% and ~10% market shares respectively), and the volumes consumed by this group of customers is relatively small – about 18% of total household market consumption, despite constituting more than half of the number of households.

Estonia and Latvia meanwhile have already liberalized retail electricity prices in 2013 and 2015 respectively.

Strategy and Plans

Ignitis Group has set its purpose to create a 100% green and secure energy ecosystem. The company aims to fulfil it by leading the regional (Lithuania and the Baltics) transition into a climate-neutral, secure and independent energy ecosystem and contributing to Europe’s decarbonisation by facilitating renewable energy flows from Northern to Central Europe (incl. Germany).

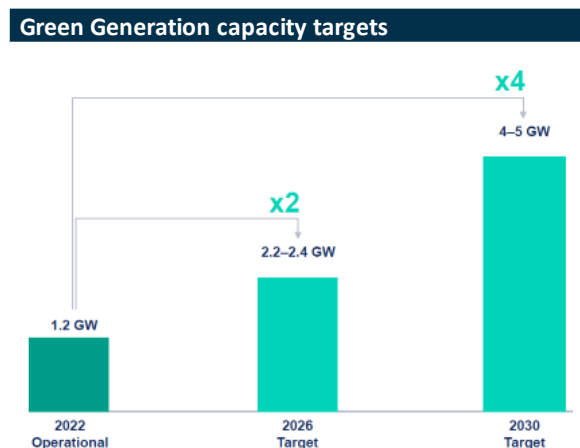
Ignitis Group is focusing on four purpose-driven priorities:



Source: Ignitis Group

Priority: Green

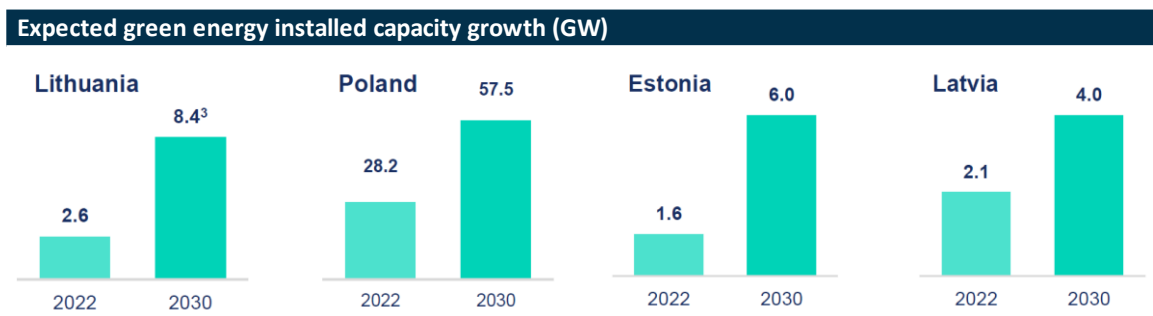
Ignitis Group plans to grow Green Generation installed capacity to 2.2–2.4 GW by 2026 (from 1.33 GW currently), and to 4–5 GW by 2030, on a gross basis (includes 100% of capacity in projects which Ignitis Group owns >50%). The focus will be on developing offshore wind and onshore hybrid (wind and solar) – hybrid technology generation ensures a more stable generation profile and higher utilisation of available grid capacities. Area of operation will continue to be the Baltic states and Poland, but the company will explore new opportunities in other EU markets undergoing energy transition.



Source: Ignitis Group

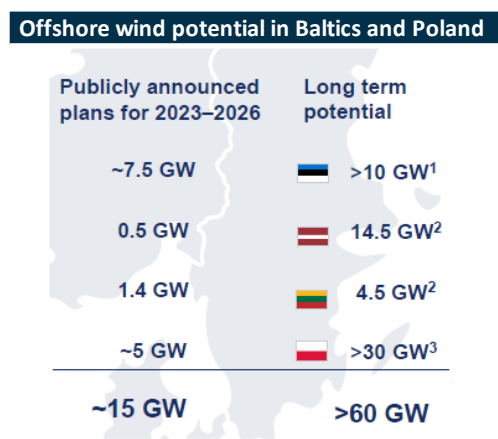
Ignitis Group sees significant opportunities to grow the renewables portfolio in the “home” market:

- **Lithuania: structural electricity deficit.** Only ~1/3 of electricity consumption in Lithuania is covered by national generation. The country aims to become self-sufficient, therefore, a significant build-out of domestic generation assets is expected.
- **Poland: transition away from coal generation.** Coal generation represented >70% of the generation mix in Poland in 2022. This is expected to gradually decline and be replaced by renewable energy.
- **Estonia: Phase-out of oil shale.** Around 63% of Estonia’s electricity production in 2021 was from oil shale, and there is a growing need to develop new renewable capacities to cover the phase-out of oil shale.
- **EU: REPowerEU.** The European Commission has set out a plan to make Europe independent of Russian fossil fuels well before 2030. This will result in +680 GW of onshore wind and solar, and +85 GW of offshore wind capacity additions (by 2030 vs. 2022).



Source: Ignitis Group

There is particularly great potential for offshore wind development in the Baltics and Poland. As we have commented, however, Ignitis Group has fulfilled its goals for project wins at the moment (one project in Lithuania with COD until 2030, and one more project “home” markets with COD post-2030) and will probably not bid for more offshore projects with similar timing of development, to avoid tension for the leverage metrics.



Source: Ignitis Group

In the longer term, the Baltic states and the Nordic countries, being the zone of structural oversupply (excess renewable energy sources), should become substantial suppliers of electricity and hydrogen for Central Europe (incl. Germany) which is the zone of structural undersupply (renewable energy source deficit).

In growing its green energy portfolio, Ignitis Group aims to partner with strategic investors to adopt new technologies or enter new markets. Asset rotation strategy will also be utilised, meaning that Ignitis Group intends to sell up to 49% stake in each Green Generation project, except hydro, in order to capture value premium (by selling de-risked assets, typically after completion of construction) and recycle capital for further growth.

Priority: Flexible

Growth in renewables will lead to an increase in the demand for energy storage and balancing. Ignitis Group aims to create a flexible system that can operate on 100% green energy in the short, medium, and long term.

- Short-term storage should be ensured by batteries – Ignitis Group is targeting commercial-scale batteries by 2026.
- Middle-term storage should be ensured by the existing pumped-storage hydro plant that will reach 1 GW capacity in 2026 and effectively serves as an enormous battery with very large balancing capacities that enable future renewable energy growth in the region.
- Long-term storage should be ensured by Power-to-X (or P2X) development, which means using renewable electricity to create an energy carrier like hydrogen, which can then power transport or be used in industry. Ignitis Group will pursue the development of a pilot project, leading to the full commercialization of Power-to-X technologies in the longer term.

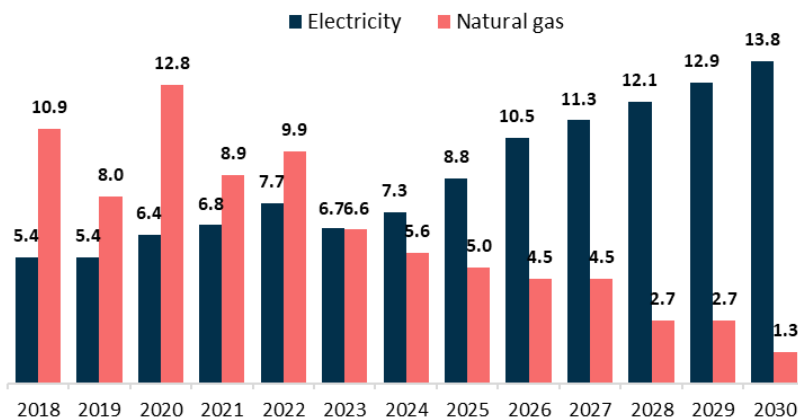
Priority: Integrated

Ignitis Group aims to utilise its integrated business model to enable green and flexible capacity build-out. This is being done by utilising large customer base of supply service to structure offtake agreements with the Green Generation segment (Customer & Solutions segment structures internal power purchase agreements (PPAs) with Green Generation), enabling build-out of the Green Generation portfolio.

While Ignitis Group generated 1.2 TWh of electricity during the last reported 12 months (excluding opportunistic assets: Kruonis pumped-storage plant and Elektrėnai plant of the Reserve Capacities), the volumes supplied to clients (Customers & Solutions segment) amounted to 6.7 TWh. Hence, there was a gap of 5.4 TWh between the supplied and generated volumes. This gap is enough to cover about 2.5 GW of new Green Generation capacities (assuming the whole surplus of electricity supply of 5.4 TWh can be utilised for new wind and solar generation offtake with a 57/43 split between wind and solar with load factors of 35% and 12% respectively).

The capacity to support the Green Generation build-out should further grow together with the planned expansion of the electricity supply portfolio of the Customers & Solutions segment. Ignitis Group expects to grow its electricity sales from 6.7 TWh in 2023 to about 10.5-10.9 TWh in 2026 and keep expanding it afterwards. This will be driven by transition from gas to electricity on the grounds of green transition and energy independence – Ignitis Group aims to optimise retail gas supply portfolio from 9.9 TWh in 2022 and 6.6 TWh in 2023 to about 5.0 TWh in 2026 and plans to keep reducing it afterwards.

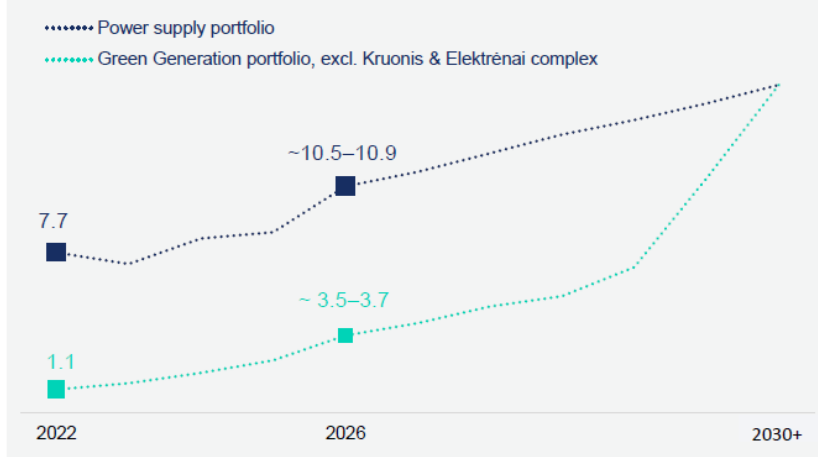
Electricity and gas retail sales, TWh



Source: Ignitis Group

As depicted in the following graph, Ignitis Group aims to fully cover its electricity supply portfolio with its own Green Generation portfolio in the longer term.

Electricity generated vs supplied, TWh



Source: Ignitis Group

As part of electrification, Ignitis Group plans to build a leading EV public charging network in the Baltics (responsibility of the Customers & Solutions segment). The target is to reach ~50% market share of public EV charging infrastructure in the Baltics in 2026 by building more than 3,000 charging points (compared to 376 as of the end of 2023).

Priority: Sustainable

Ignitis Group plans at least 85-90% of its CapEx in 2023-2026 to be aligned to the EU Taxonomy (classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals). The sustainable share of adjusted EBITDA (meaning adj. EBITDA from EU Taxonomy-aligned activities) in 2026 will reach at least 75%.

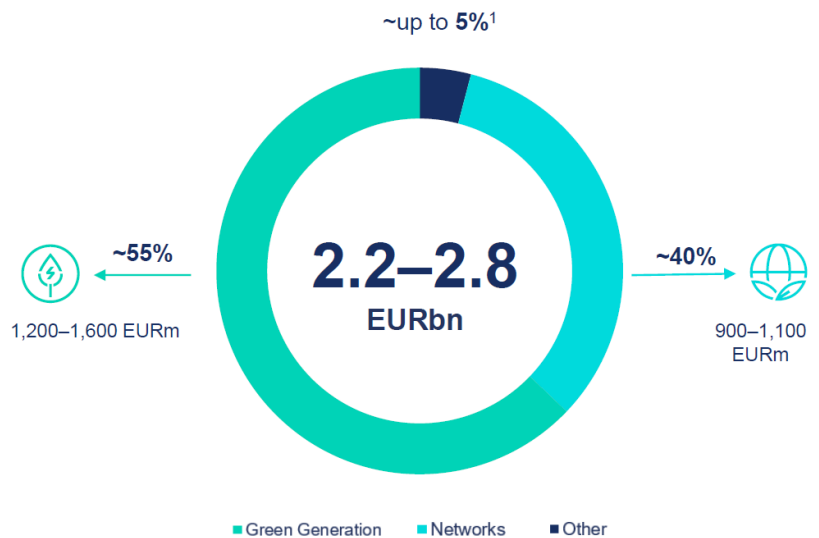
Ignitis Group plans to halve its greenhouse gas (GHG) emissions by 2030 vs. 2020 (Vilnius CHP is not included since it began operations in 2021), aligning with 1.5 °C scenario, and targets net zero emissions by 2040–2050.

Investment program

Ignitis Group is planning to invest a total of bn in 2023–2026. These will mostly be directed towards renewable energy capacity growth as well as electricity network expansion and maintenance:

- Around 55% of investments (EUR 1.2-1.6 bn) will be aimed towards Green Generation capacity expansion.
- Around 40% of investments (EUR 0.9-1.1 bn) will be made in the Networks segment to ensure resilient and efficient electricity distribution network, and expansion to enable the energy transition in Lithuania (electrification): transport electrification/EV charging, industrial electrification, heating electrification.
- Up to 5% of investments will be directed towards Reserve Capacities and Customers & Solutions segments, IT and other areas.

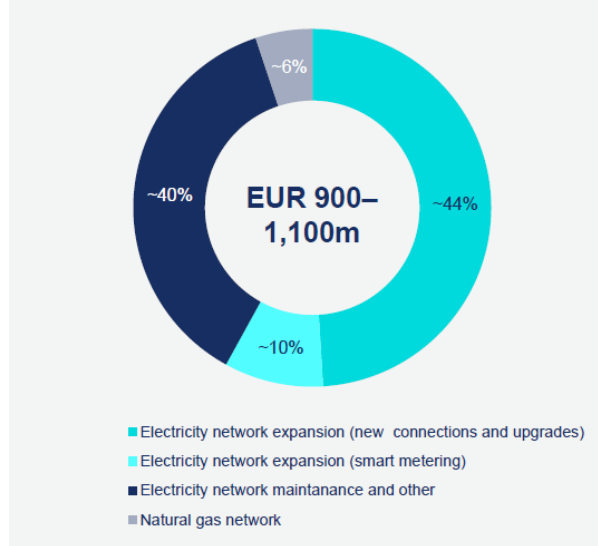
Investment plan for 2023–2026



¹ Includes Reserve Capacities, Customers & Solutions, IT and other investments
Source: Ignitis Group

In the Networks segment, around 54% of investments will be made in electricity network expansion (44% in new connections and upgrades and 10% in smart meter rollout), 40% in electricity network maintenance (network modernization, automation and digitisation) and 6% in natural gas network.

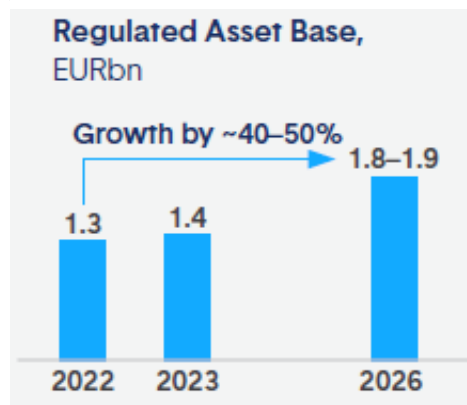
Networks, investments over 2023–2026, EURm



Source: Ignitis Group

The investments should lead to a substantial growth in the Regulated Asset Base (RAB) of the Networks segment, from EUR 1.4 bn in 2023 to EUR 1.8–1.9 bn in 2026.

Networks, Regulated Asset Base, EURbn



Source: Ignitis Group

Ignitis Group has also submitted the Networks 10-year investment plan for the 2022–2031 period, foreseeing total investments of around EUR 2.5 bn, to NERC for review.

Debt targets

Ignitis Group is targeting Net debt/Adjusted EBITDA level of < 5.0x in 2023–2026.

The company expects to maintain a solid investment-grade credit rating of BBB or above (S&P) over the 2023–2026 period. Ignitis Group currently has BBB+ (stable outlook) credit rating from an international credit ratings agency, S&P Global Ratings, which was affirmed in October 2023 after being first awarded in June 2017.

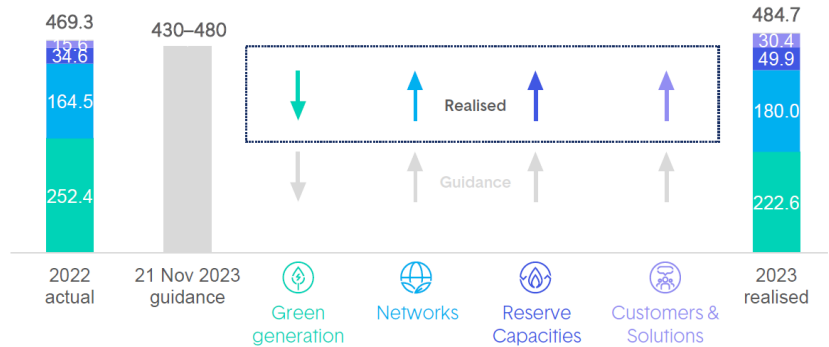
Green Generation projects will be 60–75% financed with debt.

Adjusted EBITDA guidance

Ignitis Group has guided its Adjusted EBITDA for 2023 at EUR 430–480m compared to delivered figure of EUR 484.7m. In the 4Q results, basically all segments considerably beat the consensus expectations, which led to the exceeded Adjusted EBITDA guiding.

Adj. EBITDA, EURm, guidance vs fact 2023

Adjusted EBITDA^{APM}
EURm



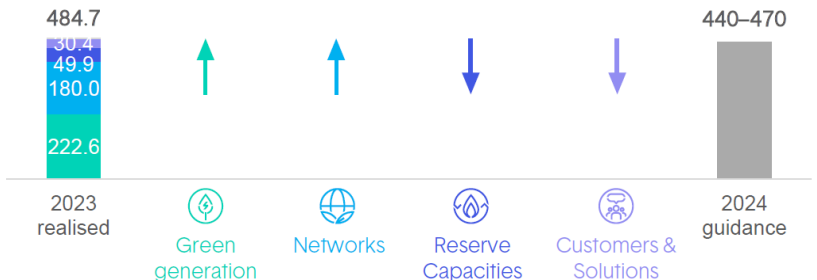
Source: Ignitis Group

Adjusted EBITDA is supposed to more accurately present the results compared to simple EBITDA as it indicates the amount that was actually earned in the reporting period by eliminating the temporary regulatory differences (differences between the permitted return set by the regulator NERC and the actual return for the period) – in essence, Adj. EBITDA reflects allowed earnings for each period.

As for 2024, Ignitis Group guides adjusted EBITDA in the range of EUR 440–470m, lower vs 2023 driven primarily by an expected decrease in Reserve Capacities and Customers & Solutions due to better than unusual results in 2023.

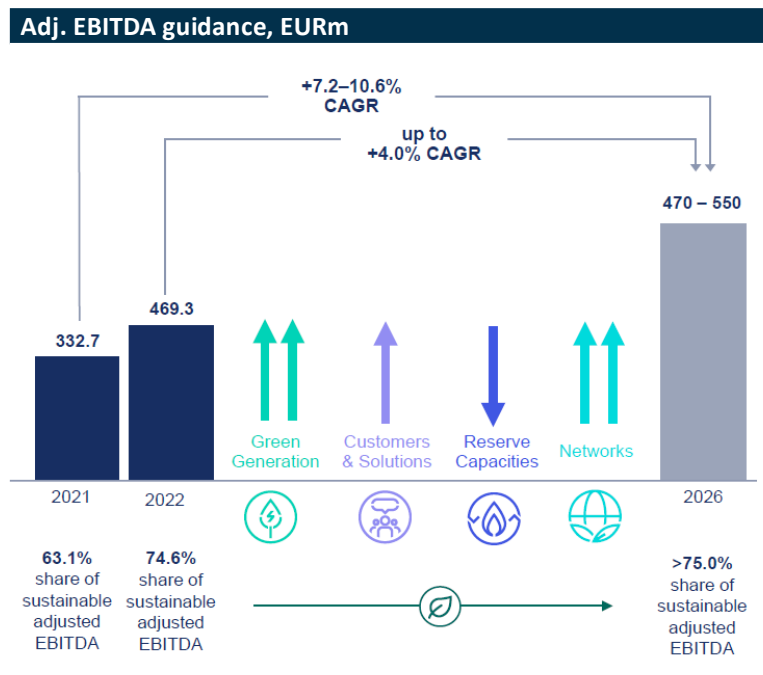
Adj. EBITDA guiding for 2024, EURm

Adjusted EBITDA^{APM}
EURm



Source: Ignitis Group

In 2026, Ignitis Group is expecting adjusted EBITDA to be within the range of EUR 470–550m.

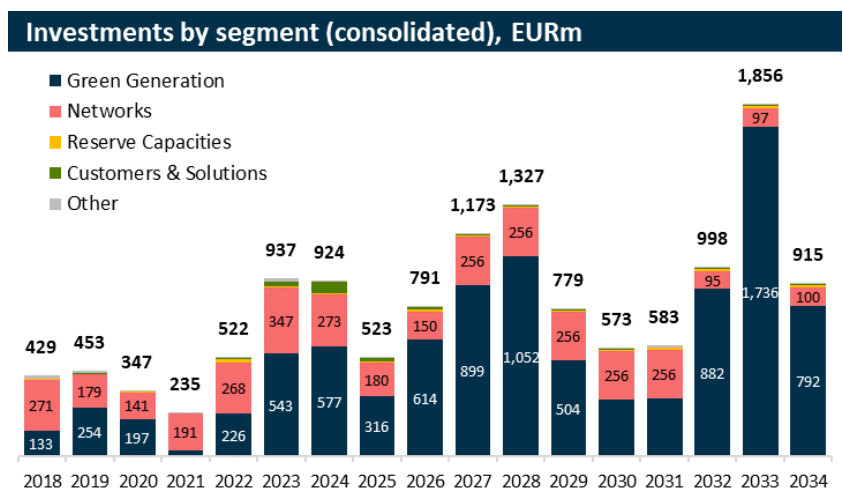


Source: Ignitis Group

Ignitis Group expects average adjusted ROCE level in 2023–2026 of 6.5–7.5%.

Investments guidance

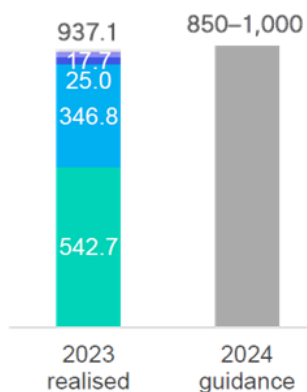
Ignitis Group’s investments ended at EUR 937m in 2023 vs EUR 522m in 2022. In the Green Generation segment investments were mostly directed towards new onshore wind farm projects in Lithuania and Poland, mainly in Kelmė WF I and II, Silesia WF I and II, Vilnius CHP’s biomass unit as well as Kruonis PSHP expansion project. In the Networks segment it was driven by investments in electricity distribution network expansion, caused by higher contractor fees and higher number of new connections, and smart meter roll-out.



The investments in 2024 are guided to land in the range EUR 850-1,000m: in the Green Generation segment it will be mostly driven by projects Kelmé WF I and II, Latvian solar portfolio I as well as Kruonis PSHP expansion project.

Investments guidance for 2024, EURm

Investments APM
EURm



Green Generation will account for most of Ignitis Group's investments in the coming years, followed by Networks. Note that although Networks will probably continue investing into expansion beyond the end of the 10-year investment plan, i.e. after 2031, for valuation purposes we assume only maintenance investments to be continued.

Dividend policy

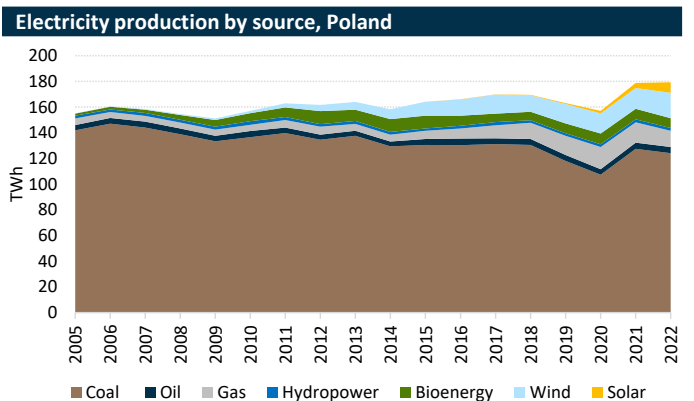
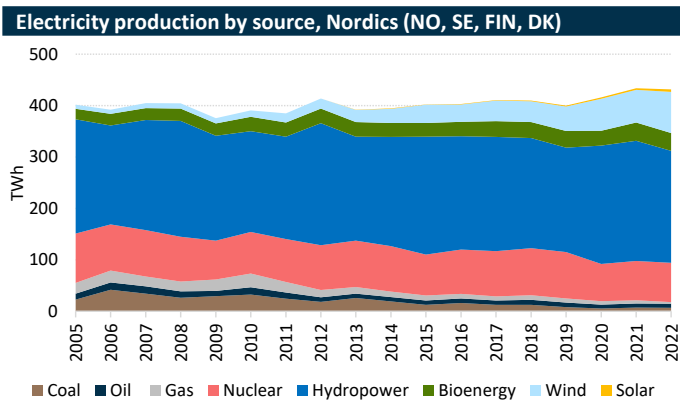
Ignitis Group commits to its dividend policy, which was approved in September 2020, to grow the dividend to shareholders by a minimum of 3% each year. The company intends to distribute a dividend of EUR 1.286 per share for 2023, corresponding to EUR 93.1m and a yield of 6.8-6.9% for ordinary registered shareholders and global depository receipt holders (based on year-end closing prices).

Estimates

Electricity price

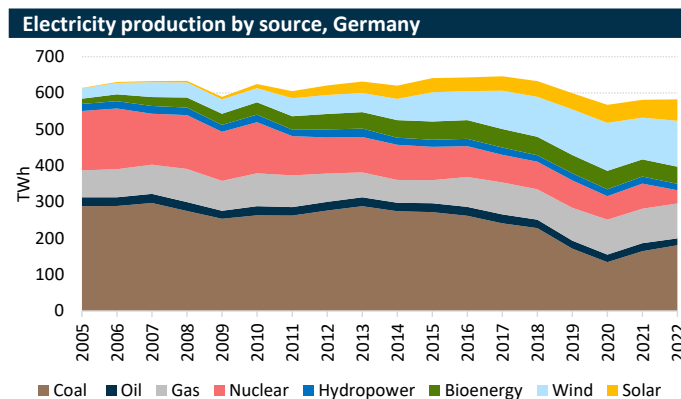
Electricity price is one of the key drivers of Ignitis Group’s financial performance, particularly for the Green Generation segment where most of the company’s production is generated. As there is no futures market for the electricity price in Lithuania, to help us forecast it, we will be using futures of other markets that are interconnected with Lithuania through cables and therefore are influencing the price in Lithuania: Scandinavia and Poland.

The Nordic System price, representing the joint electricity market of Norway, Sweden, Finland and Denmark, usually is lower than the electricity price in Lithuania, which may be easily explained by the abundance of cheap hydropower in Norway. On average during 2018-2023, the electricity price in Lithuania was 82% higher than the Nordic System price. Meanwhile compared to the price in Poland, the price in Lithuania had an average discount of 5% over the same period. It may be noticed that electricity in Poland is mainly produced using coal which is not the cheapest source of energy.



Source: Our World In Data, Norne Securities

We have also noticed that electricity price in Lithuania has historically had a very good correlation with electricity price in Germany (R^2 0.95 since 4Q20), trading at an average discount of 1% to it. This may be partly explained by relatively similar power generation source structure in both countries, with large exposure to renewables and gas, though the major part of Lithuania’s power needs is imported.

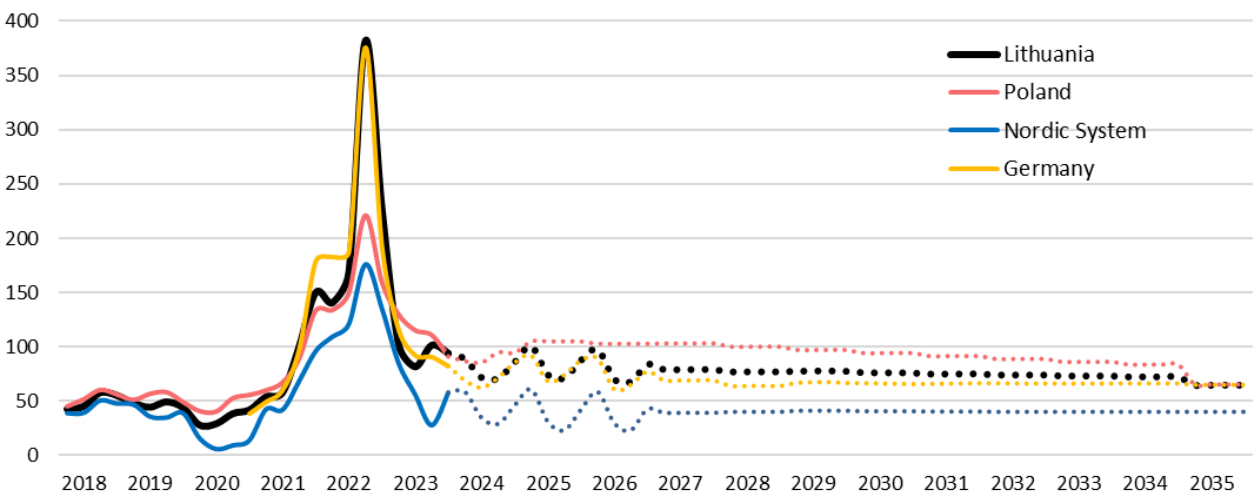


Source: Our World In Data, Norne Securities

We forecast electricity price for Lithuania by constructing an equal-weighted index of the futures for the Nordics (from Nasdaq), Poland (from TGE) and Germany (from CME Group) – 1/3 weight each), also applying historical average discounts/premiums to Lithuanian price on each of them.

For 2035, which we choose as a normalised year in our valuation model due to the expected commencement of operations at the giant Estonian offshore wind project, we apply a normalised electricity price of 65 EUR/MWh for Lithuania, as well as for other markets of operation (Poland, Estonia and Latvia) for the sake of simplification. This approximately reflects the level of power prices of ~ 50 EUR/MWh before the Russia-related turmoil in the gas market began in 2021, plus some inflation effect.

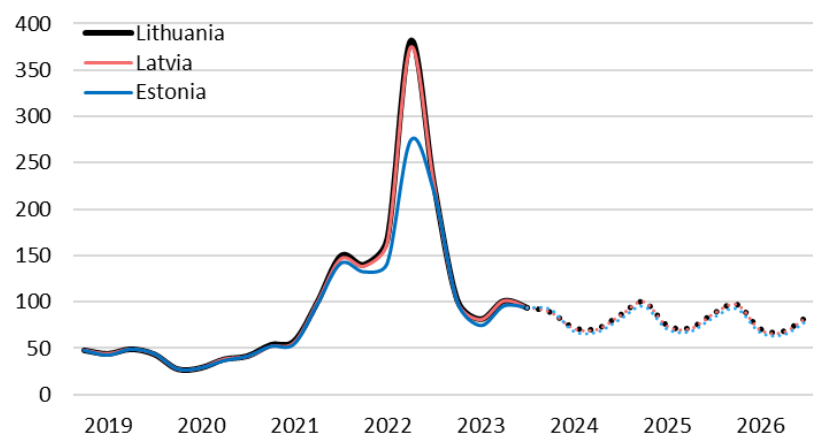
Electricity market price, historical and estimates, EUR/MWh



Source: Nord Pool, Nasdaq, TGE, CME Group, Norne Securities

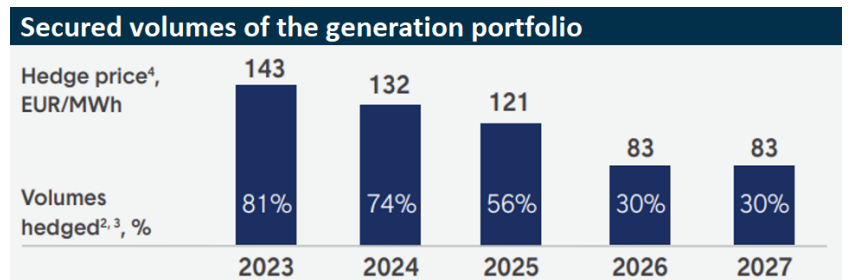
Electricity prices in Latvia and Estonia have historically had strong correlation with electricity price in Lithuania. Latvia historically had a small average discount of 1% since 2018 and Estonia an average discount of 5%. We apply these small discounts to the Lithuanian price in order to derive the forecasts for Latvia and Estonia, with the exception of 2035 where we apply 65 EUR/MWh for all the markets.

Electricity market price, EUR/MWh



Source: Nord Pool, Norne Securities

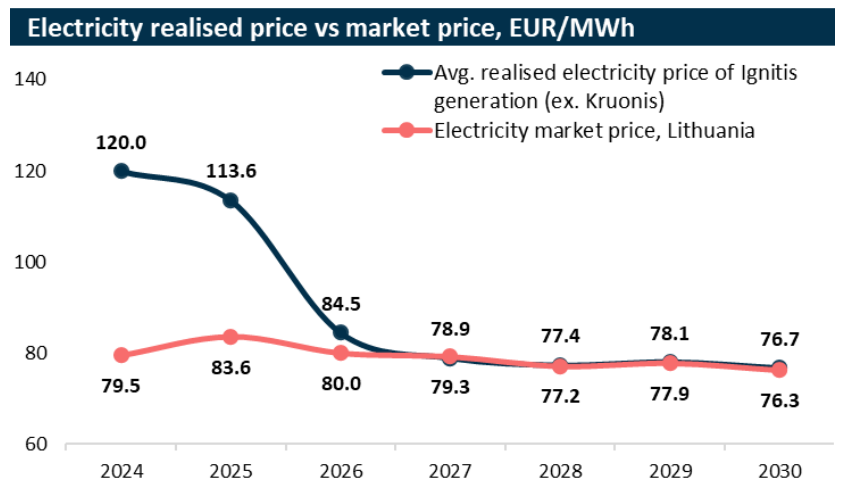
Not all of the generation portfolio is exposed to spot prices of electricity – a large part of the expected production has been secured fixed prices under contracts – PPAs (internal and external) and CFDs. The following graph shows the proportion of generation portfolio (excluding Kruonis PSHP and Elektrėnai plant (Reserve Capacities)) with fixed price contracts and the average price in those contracts.



Total volumes exclude Kruonis PSHP and Elektrėnai plant (Reserve Capacities)

Source: Ignitis Group

The prices that have been earlier secured for 2024-2025 are substantially above our market price estimates for the corresponding period. Both contract coverage level and the average price in the contracts drop in 2026, which will have a negative impact on earnings.



Source: Norne Securities

Green Generation estimates

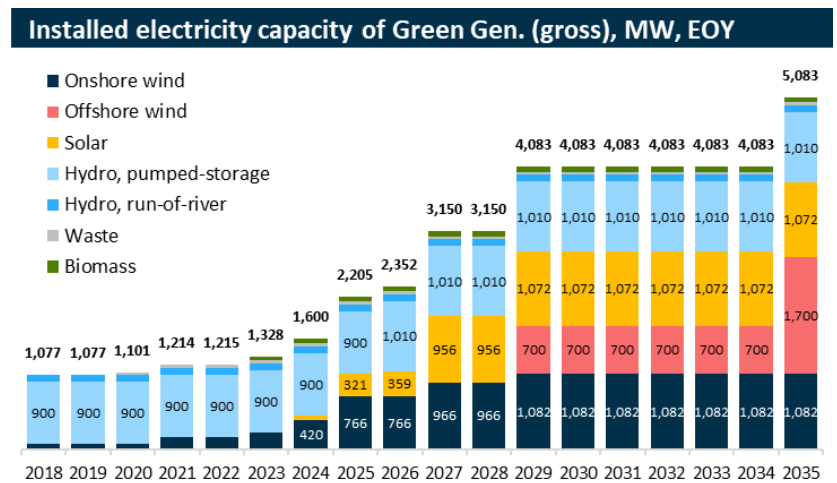
Capacity development

Based on projects currently under construction and in the “advanced pipeline” category (Awarded/Contracted projects), which have a high chance of realization due to secured land and grid connection, we estimate the Green Generation installed capacity to reach 2.2-2.4 GW at the end of 2026 (from 1.33 GW currently), which is in line with the company’s target of 2.2-2.4 GW. We cautiously assume that three solar projects with planned COD in 2026 and a combined capacity of up to 955 MW in the advanced development pipeline will start operating in early 2027, as we allow for some delay compared to the currently planned timeline. Please also note that we use probability weighting for unsecured projects in the pipeline.

For 2030, where the company targets to reach 4-5 GW installed capacity, our estimate is based on the lower-point of the guidance, 4.0 GW (please note that the total portfolio pipeline is higher, but we use probability rates for projects in early development phases in the pipeline). We see the capacity goal as realistic:

- It is largely covered by the existing combined 3.9 GW portfolio of installed, under-construction, awarded/contracted projects and advanced development pipeline. Hence, only 0.6 GW new projects should be added, potentially from the early development pipeline (projects with land secured) that amounts to 2.4 GW.
- The existing supply portfolio supports developing of about 2.3 GW of new capacities, covering a large part of the 3.15 GW new capacities targeted.
- Considering competition for green energy projects, Ignitis Group has a strong competitive position in the region being the leader in Lithuania and 2nd largest in the Baltics based on installed green generation capacity.

After 2030, while Ignitis Group is likely to add further new projects, for valuation purposes we conservatively assume no new capacity additions except the giant Estonian offshore wind project that has already been won, adding 1 GW gross capacity (on 100% basis) in 2035 (we cautiously include the lower end of the expected capacity of 1–1.5 GW).



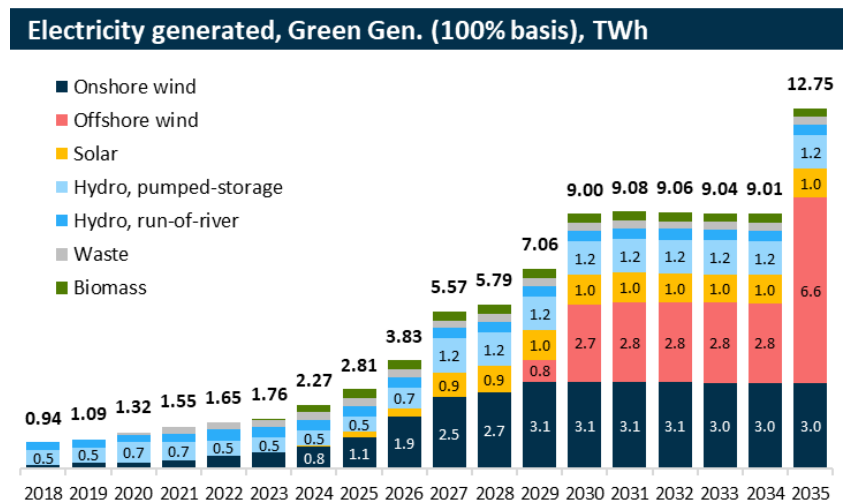
Source: Norne Securities

Electricity production volumes

We are applying the following load factors for the green energy projects:

- Operating wind farms: based on three-year historical averages disclosed by the company on individual projects (25-35%).
- New onshore wind farms: 37.5%, based on the indicated range of 35-40%, and a degradation of 0.3% annually. Silesia I and Silesia II will have lower load factor (~25%) due to older technology used.
- Offshore wind farms: 47.5%, based on the indicated level of “up to 50%” (we assume 45-50%), and a degradation of 0.3% annually.
- New solar parks: 12%, with a degradation of 2% the first year and a total of 15% during the next 25-30 years (~0.5% annually).
- For the first years of operations we apply lower load factors due to testing period and working in not full capacity

Electricity production volume estimates for the hydro and CHP plants are based on historical two- or three-year seasonal averages. Our total electricity production estimates for Ignitis Group are depicted in the following graph:

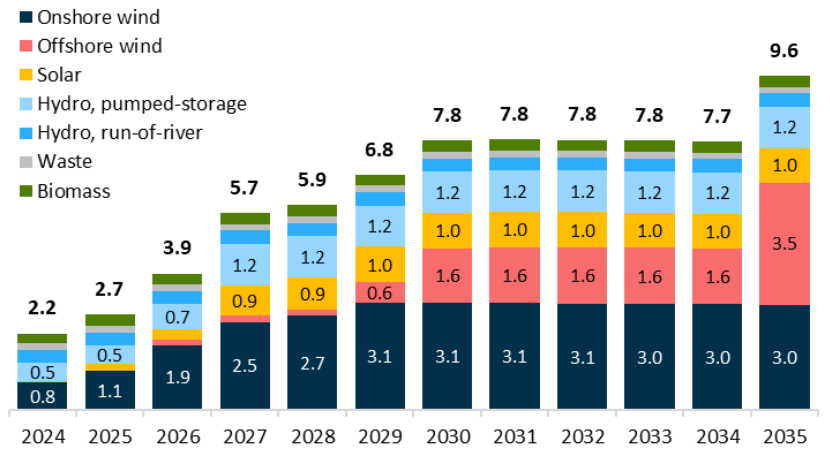


Source: Norne Securities

Note that the share of wind, especially offshore, in the total generation structure is bigger than in terms of capacity, which is explained by higher load factor of the wind parks compared to solar, also low utilisation of the total capacity of the pumped-storage hydro plant (~7%).

Furthermore, Ignitis Group does not fully own the offshore wind projects it has won – the stake is 51% in the Lithuanian project and assumed also 51% in the Estonian project, as well as a 51% interest in the Kaunas CHP plant. To reflect this, we are also showing electricity volumes under “proportionate” recognition for Ignitis Group (i.e. based on its ownership share in each project).

Electricity generated, Green Gen. (proportionate), TWh

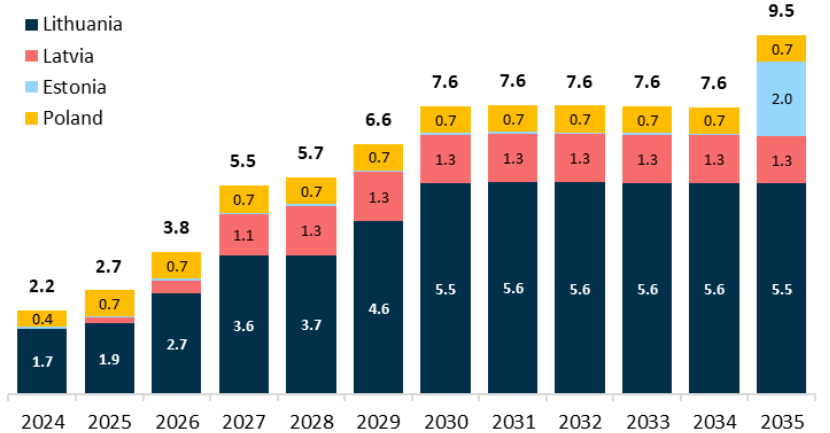


Source: Norne Securities

All in all, we project a significant growth in green electricity production volumes of Ignitis Group in the coming years based on projects in the pipeline, from 1.8 TWh in 2023 to 3.8 TWh in 2026, 9.0 TWh in 2030 and 12.7 TWh in 2035 under 100% basis (7.6 TWh in 2030 and 9.5 TWh in 2035 under proportionate recognition).

Majority of the green energy generation of Ignitis Group will remain in Lithuania, followed by Latvia and Poland. Estonia, however, will make a significant contribution from 2035 together with the start of operations of the offshore project.

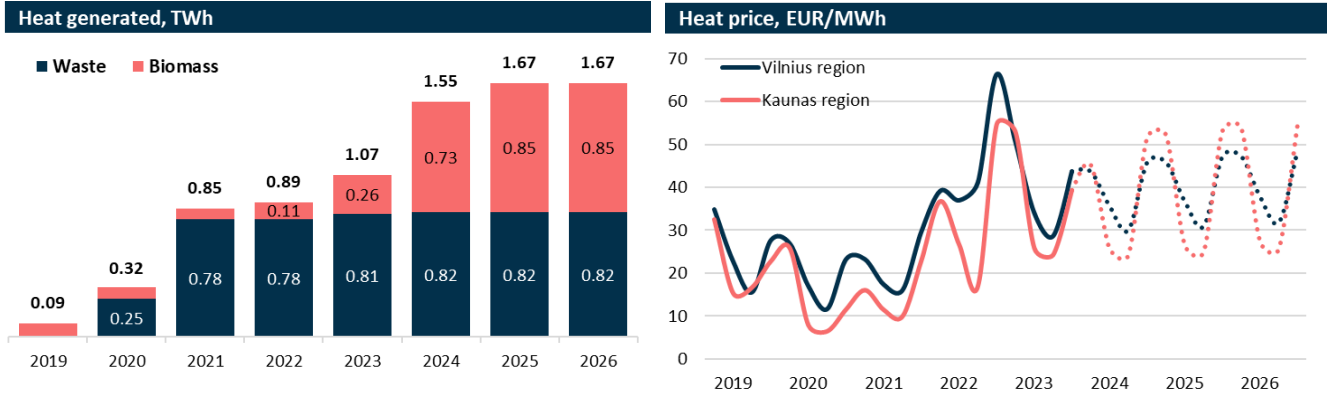
Electricity generated by country, Green Gen. (proportionate), TWh



Source: Norne Securities

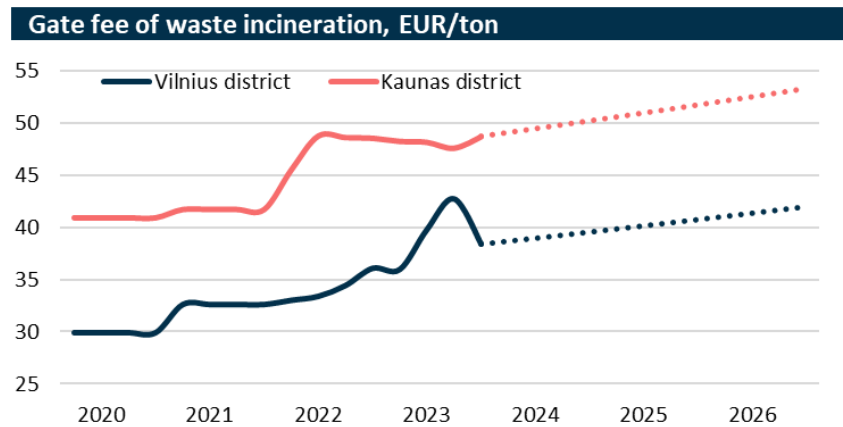
Income from heat production and waste incineration

We forecast heat production volumes for the CHP plants based on historical seasonal averages and guided long-term average volumes for the newly built Vilnius biomass unit. Our heat price estimates for Lithuania are also based on historical seasonal levels with a slight inflationary increase. We calculate that the heat business generates about EUR 60m revenues annually for Ignitis Group (including the fresh capacity).



Source: Ignitis Group, Baltpool, Norne Securities

Ignitis Group also receives fees for waste incineration by its CHP plants which use waste as an energy source. The waste-fired CHP plants incinerate ca. 350 tons of waste to generate 1 GWh of combined energy (heat and electricity). For the estimation of waste incineration fees, we simply apply a small inflationary increase (3% annually) from the latest numbers. We calculate Ignitis Group generates ca. EUR 18m revenues annually from waste incineration.



Source: Ignitis Group, Norne Securities

Regulated activities

The regulated activities of Green Generation – provision of secondary power reserve services to the TSO by the Kruonis pumped-storage hydro plant – is generating an insignificant share of total EBITDA, around EUR 2m per year. Regulatory EBITDA is calculated based on the formula:

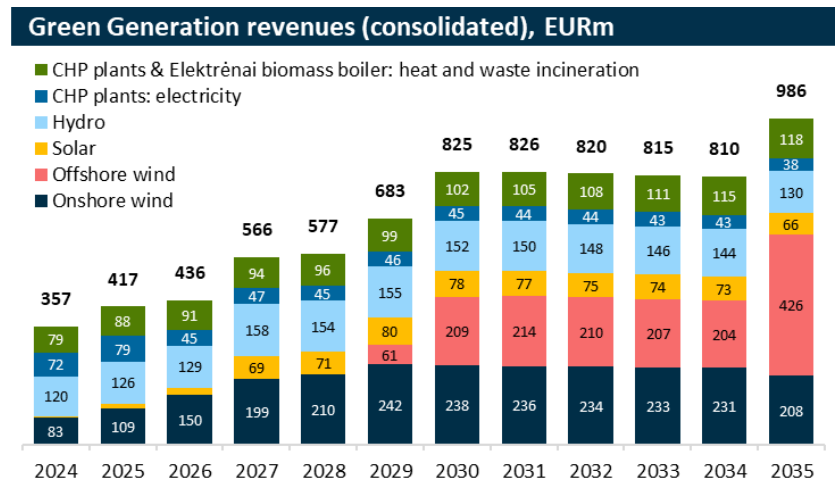
$$EBITDA = RAB \times WACC (regulatory) + D\&A (regulatory)$$

The RAB approved by the regulator (NERC) for 2023 was EUR 14.7m, regulatory WACC 3.99% and regulatory D&A EUR 1.3m

Note that the systemic services of the Kruonis PSHP are expected to cease being regulated after the synchronisation of Lithuania’s power grid with the continental European network in February 2025. Prices of systemic services will then be based on market terms. We assume market-based revenues for systemic services to remain at the same level as during the regulatory period.

Revenues and EBITDA

Based on the unveiled volume and price estimates, we derive the following revenue forecasts for Green Generation (consolidated), split into activities:



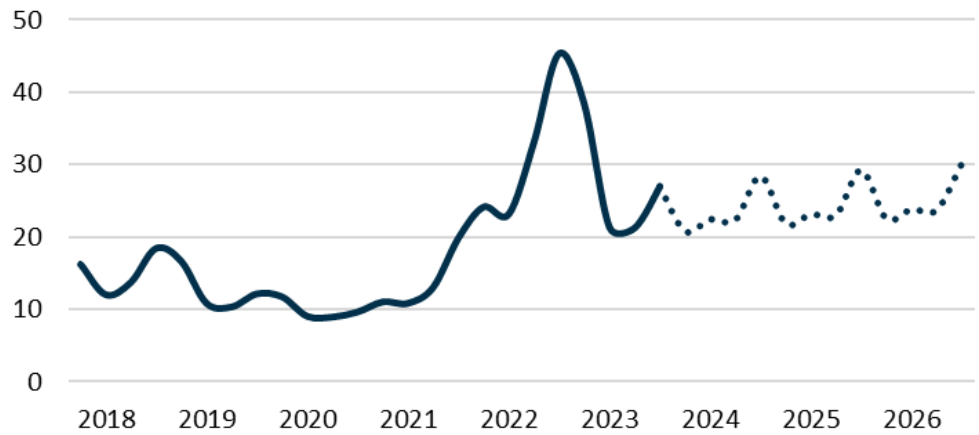
Source: Norne Securities

Turning to costs, operating expenses (OpEx) are comprised of salaries, repair & maintenance and other expenses. Our OpEx estimates for the operating onshore wind farms are based on the last 12-month data for individual projects (42-65 kEUR/MW annually), while for new onshore wind 35 kEUR/MW, for offshore wind twice higher – 70 kEUR/MW, and for solar 10 kEUR/MW. We are also applying annual inflationary increases of 3%.

For salaries in particular, growth in Lithuania was robust lately. Average salaries in the country grew around 12% in 2023 and we assume a growth of 8% in 2024, serving also as an estimate for Ignitis Group. From 2025 onwards, a more moderate growth of 5% is assumed. We also account for increased number of employees and other related services in new projects (legal, financial, insurance etc).

In the CHP plant powered by biomass, there are costs associated with the purchases of biomass. Biomass volumes used will approximately equal combined volumes of electricity and heat produced, in terms of GWh, according to the company. For biofuel price estimates, we use a small inflationary increase on the latest historical data.

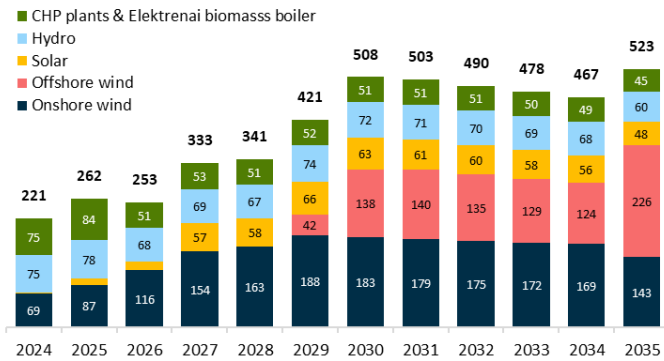
Biofuel market price, EUR/MWh



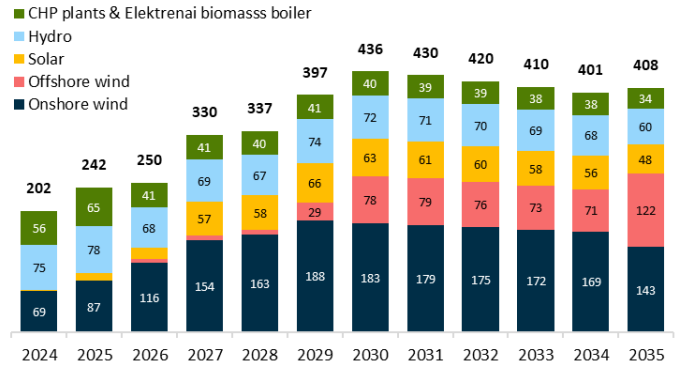
Source: Baltpool, Norne Securities

The following are our estimates for the Green Generation EBITDA, consolidated and proportionate.

Green Generation adj. EBITDA (consolidated), EURm

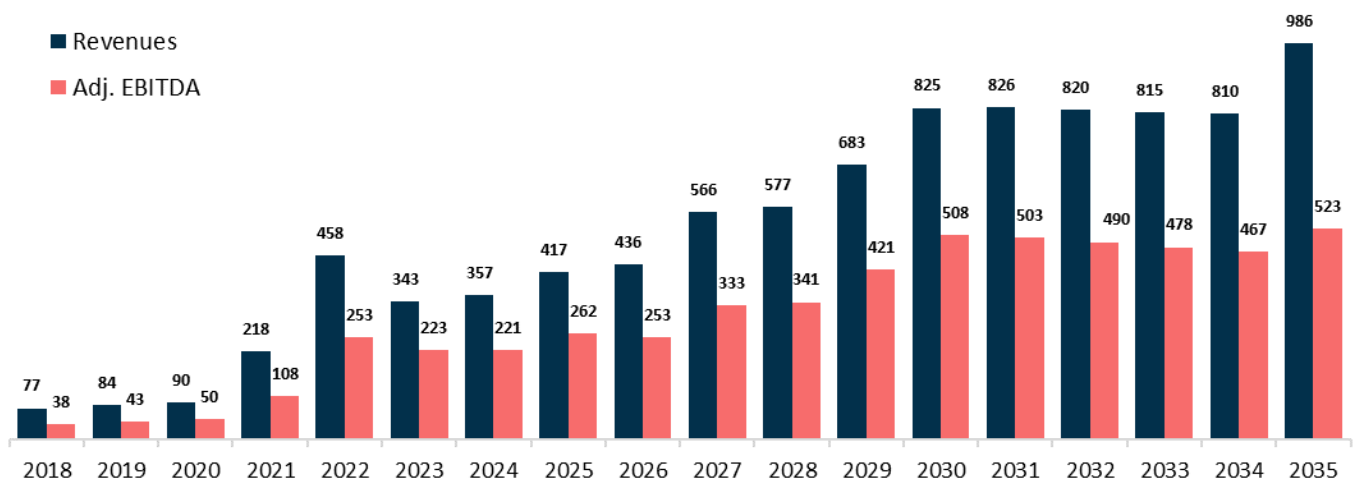


Green Generation adj. EBITDA (proportionate), EURm



Source: Ignitis Group, Norne Securities

Green Generation results (consolidated), EURm



Investments

Ignitis Group provides CapEx estimates for the projects under construction. For other projects, our capex estimates are based on the following company's indications:

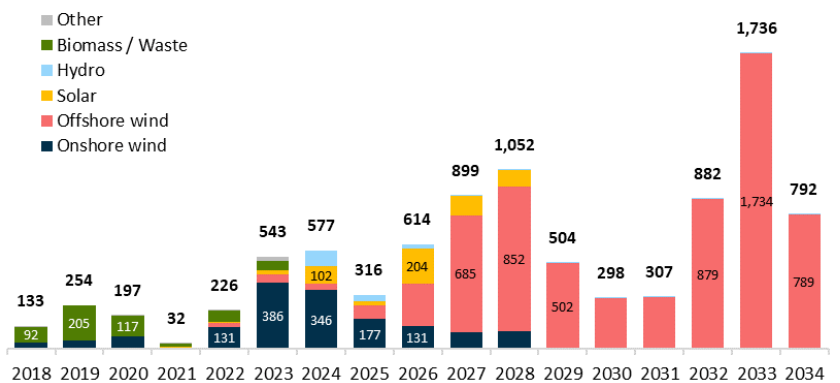
- offshore wind projects: EUR 3m/MW
- onshore wind projects: EUR 1.5m/MW
- solar projects: EUR 0.7m/MW

We are also applying inflationary increases (3% per year) since present.

Construction of onshore wind parks takes about 2 years, offshore wind 3 years and solar 1 year.

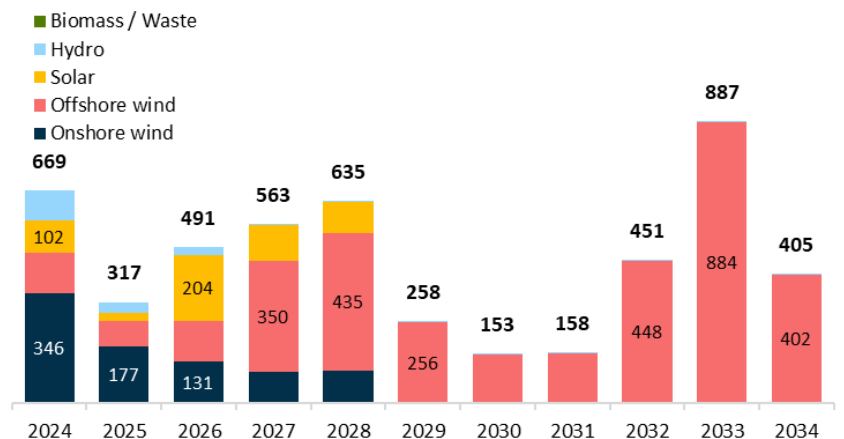
As we have already commented, although Ignitis Group will likely continue adding new projects after 2030, for valuation purposes we conservatively assume no additional projects after 2030, except the huge offshore wind project in Estonia which is planned to start operating in 2035 and which is weighted by probability rate of success. The offshore wind projects are capital-intensive and should make up a significant majority of Ignitis Group's CapEx since 2027.

Investments in Green Generation (consolidated), EURm



Source: Ignitis Group, Norne Securities

Investments in Green Generation (proportionate), EURm



Source: Norne Securities

Networks estimates

Being a natural monopoly in the electricity and gas distribution in Lithuania, the Networks segment is 100% regulated.

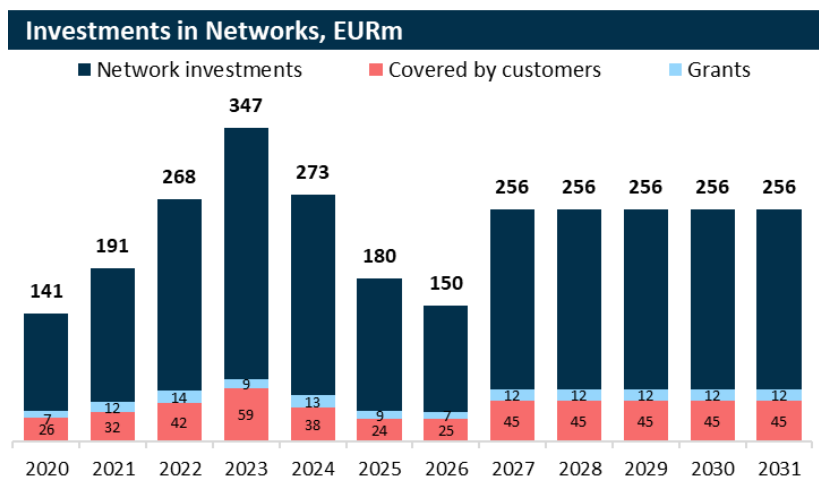
The key factors determining earnings of this segment are RAB (Regulated Asset Base) and allowed WACC, both set by the regulator (NERC) on an annual basis. Combining electricity and nat. gas distribution businesses, the RAB for 2024 was set at EUR 1,584m (from EUR 1,429m for 2023) and WACC set at 5.08% (from 4.14%). Regulatory D&A is EUR 79.3m and additional tariff component EUR 28.0m. These figures participate in the calculation of Adjusted EBITDA allowed by the regulators:

Adjusted EBITDA = (RAB x WACC) + Depr. & amort. (D&A) + Additional tariff component

RAB may be forecasted this way:

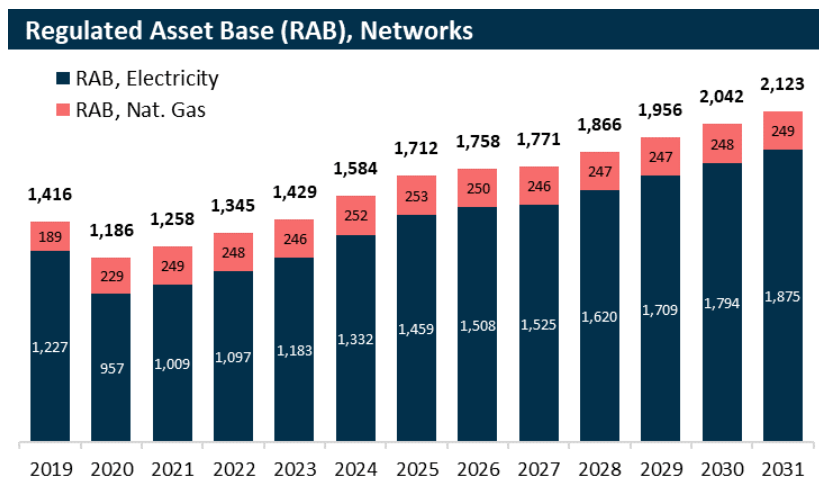
RAB (t) = RAB (t-1) + (Approved investments - Investments covered by customers - Grants) - D&A

The following are our estimates for investments in the Networks, based on the investment plan 2023-2026 and the 10Y investment plan for 2022-2031.



Source: Ignitis Group, Norne Securities

Note that new customer connections and upgrades are partially (30.7%, 3-year average) covered by customers. Also, maintenance investments are partially (11.0%, 3-year average) covered by EU funds (“grants”). These both are excluded from RAB calculation.



Source: Ignitis Group, Norne Securities

We forecast investments to grow the RAB to EUR 1.8bn in 2026, hence we cautiously estimate the lower end of the guided level of EUR 1.8-1.9 bn.

The regulator applies the following methodology in setting allowed WACC:

Networks regulated WACC					
Parameter	Electricity		Natural gas		Methodology
	2023	2024	2023	2024	
(1) Risk-free rate	1.42%	2.86%	2.32%	2.86%	1. Set annually. 2. Calculation: the average Lithuanian government bond yield at issue of the last 12 months with a maturity of 9.5-10 years ¹ . Fixed at 5.0%.
(2) Equity risk premium	5.00%	5.00%	4.43%	5.00%	
(3) Levered beta	0.779	0.769	0.720	0.761	1. Set annually. 2. Calculation: 2.1. unlevered beta is equal to sector average beta based on data published by the Council of European Energy Regulators (CEER) ² . 2.2 levered beta is determined by applying a 50/50 D/E ratio and a 15% income tax rate.
(4) Corporate income tax	15%	15%	15%	15%	Corporate income tax rate in Lithuania.
Cost of equity (pre-tax)	6.25 %	7.89 %	6.48 %	7.84 %	-
(5) Cost of debt	2.09%	2.30%	2.32%	2.21%	1. Set annually. 2. Calculation: the lower of (1) the effective interest rate on ESO debt or (2) the average of the interest rates on outstanding euro-denominated loans to non-financial corporations/companies with a maturity of more than one year, published by the Bank of Lithuania (hereinafter - BoL average). 3. Additional incentive: if the actual ESO cost of debt is lower than the BoL average, an additional incentive is applied, calculated as the difference between the average cost of debt of the sector ³ and the actual ESO cost of debt. If the difference is positive, it is added to the ESO cost of debt as incentive, if negative, no penalty is applied.
Cost of debt (pre-tax)	2.09%	2.30%	2.32%	2.21%	-
(6) D/(D+E)	50%	50%	60%	50%	Fixed at 50%.
WACC (pre-tax)	4.17%	5.09%	3.99%	5.03%	-

1. If there have been no auctions with such maturity in the last 12 months (until 1 July of the current year), the closest lower duration bonds are used.

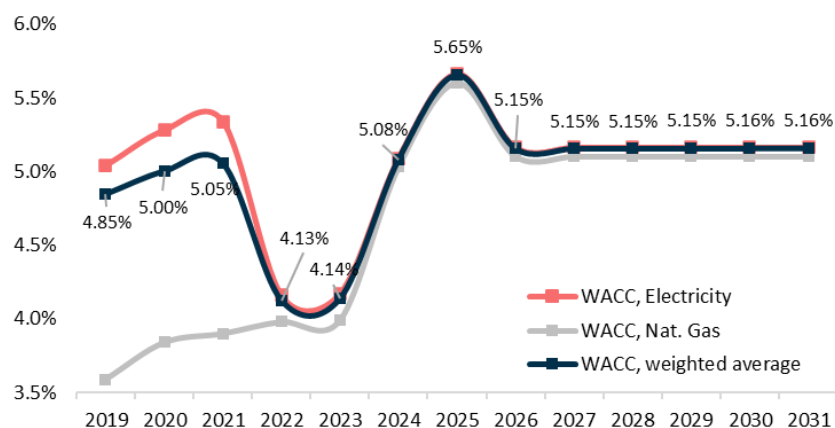
2. CEER reports are available [here](#).

3. The cost of debt of the relevant sector does not include loans provided by international financial institutions in which Lithuania is a member and their list is published on the website of the Ministry of Finance of the Republic of Lithuania (e.g., the European Investment Bank, the International Monetary Fund, the Nordic Investment Bank, etc.).

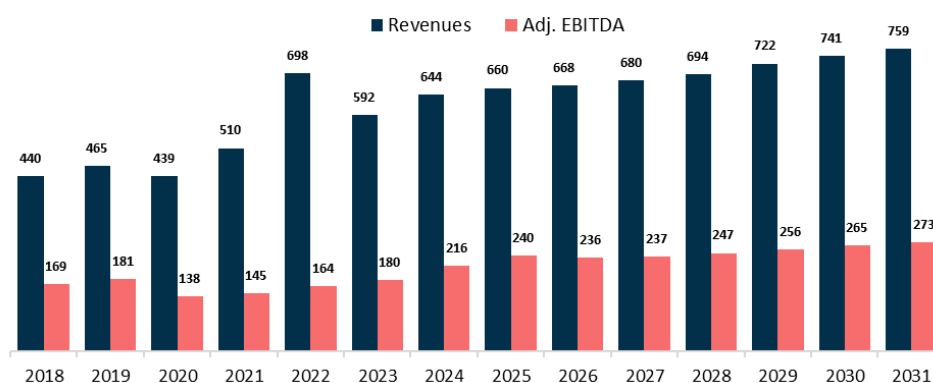
Source: Ignitis Group

Since Lithuania's 10Y government bond yield is currently around 3.5%, we assume it to be applied as the risk-free rate when NERC set WACC for the next year, 2025, in mid-2024. This implies a combined WACC of 5.65% which we apply in our estimates for 2025. For 2026, we assume Lithuania's 10Y government bond yield to drop to 3.0% due to expected interest-rate cuts by the ECB, implying a combined WACC of 5.15% from 2026.

Regulatory WACC, Networks



Source: Ignitis Group, Norne Securities



Source: Ignitis Group, Norne Securities

To maintain sustainable ESO leverage level, NERC also upgraded the methodology for calculating the additional tariff component. It is linked to the leverage level cap of 5.5x (ESO net debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

Reserve Capacities estimates

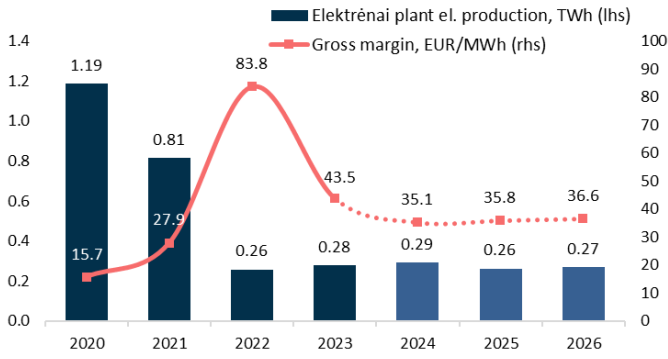
The revenues of the Reserve Capacities segment related to the systemic services (isolated regime services to the TSO) are regulated. Allowed EBITDA equals regulated D&A, which was set at EUR 10.6m for 2023.

As we have already commented, after the synchronisation of Lithuania's power grid with the continental European network in February 2025, the isolated regime services are expected to be phased out. Ignitis Group then aims to leverage the Reserve Capacities' assets to provide new ancillary services for local generators, such as frequency containment reserve, automatic frequency restoration reserve and manual frequency restoration reserve. We assume EBITDA from unregulated systemic activities to remain the same as during the regulated period. For 2027, Ignitis Group has won Polish capacity mechanism auction for ensuring 250 MW capacity availability in 2027 for EUR 16m. From 2028 onwards, we are adding half of this amount – EUR 8m – each year assuming 50% chance to win new auctions in Poland.

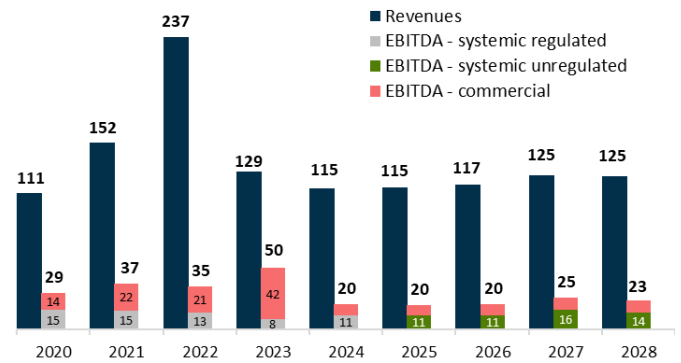
When it comes to commercial electricity production, the key elements to forecast are production volumes and the gross margin, since the decision to generate depends on the ability to fix a positive clean spark spread (the difference between the combined cost of gas and emission allowance, and the price of electricity). We forecast production volumes based on two-year historic averages, and the gross margin is estimated based on the average level since 2020, which is around EUR 33/MWh.

The segment has low investment needs, we estimate about EUR 3m per year.

Elektrénai plant operations



Reserve Capacities results, EURm



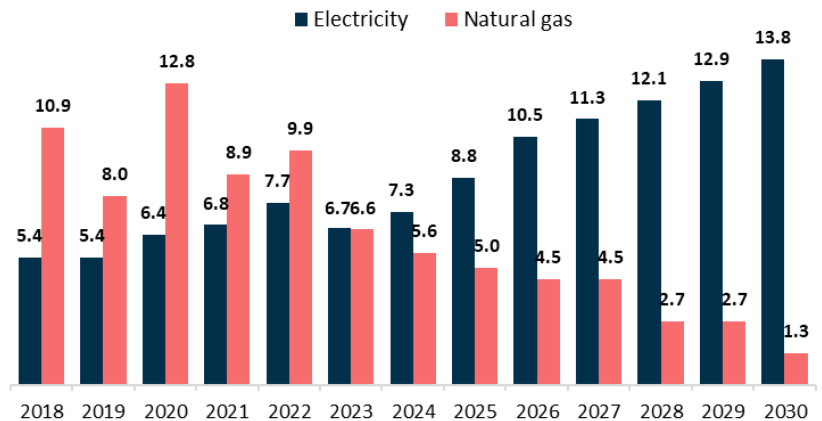
Source: Ignitis Group, Norne Securities

Note that EBITDA from commercial activities was boosted in 2023 by a gain on hedging.

Customers & Solutions estimates

The key elements in forecasting EBITDA for the Customers & Solutions segment are electricity and gas sales volumes and a gross margin. We forecast the sales volumes based on the company's guidance, where gas sales are gradually replaced with electricity sales (electrification).

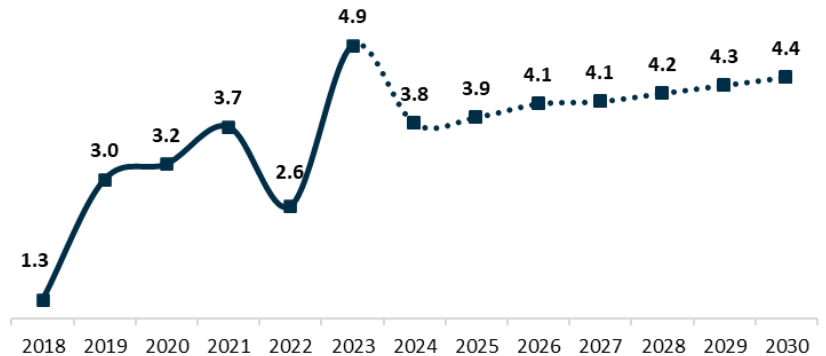
Electricity and gas retail sales, TWh



Source: Ignitis Group, Norne Securities

The gross margin of the combined electricity and nat. gas sales since 2021 averaged 3.5 EUR/MWh, and we are applying it to our forward estimates with a slight inflationary increase.

Gross margin, electricity & gas sales combined, EUR/MWh

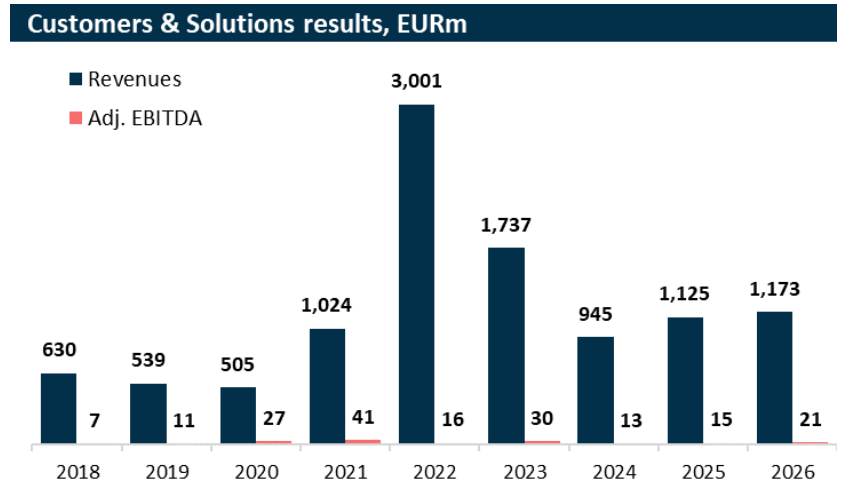


Source: Ignitis Group, Norne Securities

Investment needs in this segment are generally low, with the exception of the planned up to EUR 115m investments in the development of EV charging network in the Baltics which we apply for 2023-2026.

As we have commented earlier, part of activities in Customers & Solutions is regulated, including public electricity supply for clients belonging to the 3rd stage of the liberalisation, B2C gas supply and designated LNG supply. Allowed EBITDA in public electricity supply activity is calculated as RAB x WACC, which were EUR 8.3m (RAB) and 3.09% (WACC) for 2023 and hence regulated EBITDA is insignificant, around EUR 0.3m.

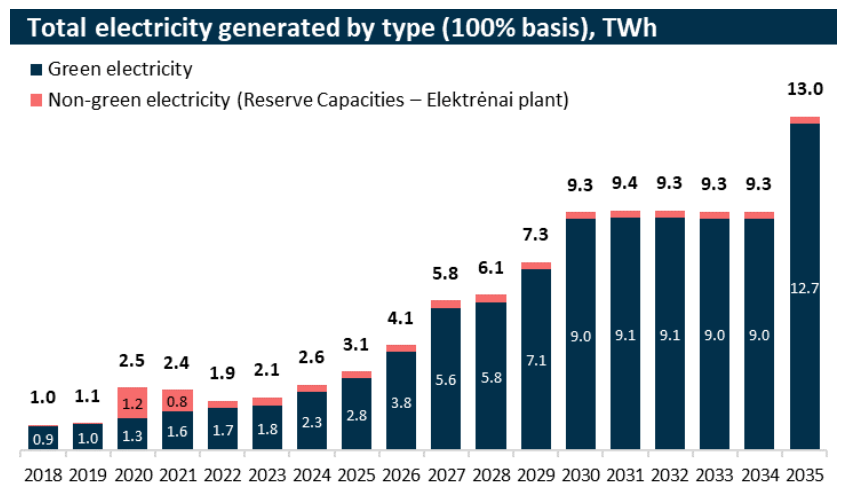
As the following graph confirms, Customers & Solutions is a high revenue – small margin business.



Source: Ignitis Group, Norne Securities

Overall estimates

While Ignitis Group is already predominantly a renewable energy producer, growing renewable production while maintaining the same gas-powered capacity (Reserve Capacities) will increase the renewables share further:

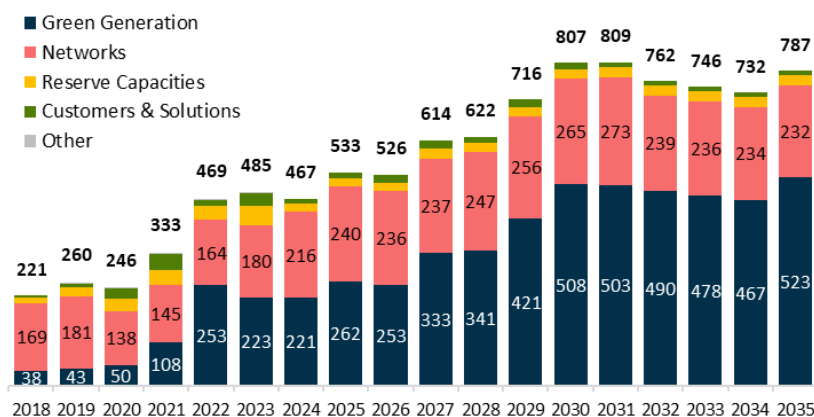


Source: Ignitis Group, Norne Securities

Overall EBITDA of Ignitis Group will grow substantially in the coming years driven by new renewable energy projects and investments into Networks which will increase RAB, and therefore increase the allowed EBITDA.

Our 2024 adj. EBITDA estimate of EUR 467m is in the higher end of the company's guided range of EUR 440–470m. Our 2026 adj. EBITDA estimate of EUR 526m is at the upper end of the guided range of EUR 470–550m.

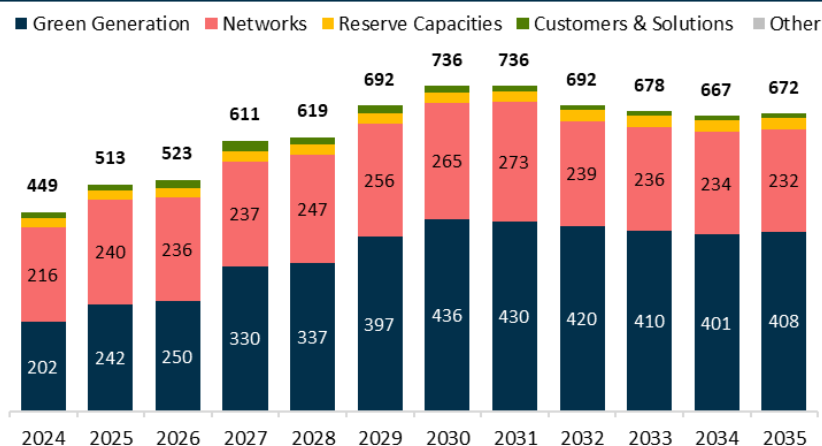
Adj. EBITDA by segment (consolidated), EURm



Source: Ignitis Group, Norne Securities

The proportionate EBITDA growth estimates are more moderate, obviously due to only half of the offshore wind projects included.

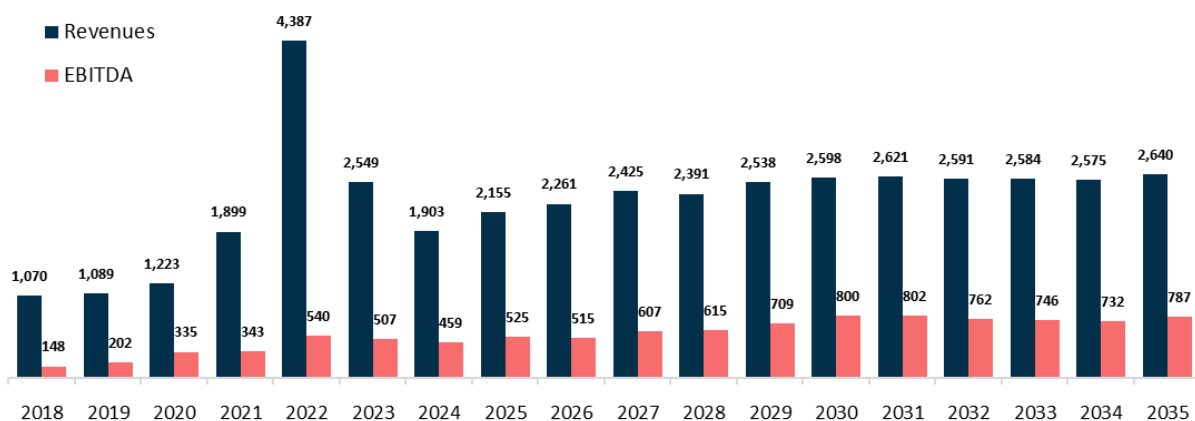
Adj. EBITDA by segment (proportionate), EURm



Source: Ignitis Group, Norne Securities

The following graph represents overall Ignitis Group's revenues and the reported (unadjusted) EBITDA:

Ignitis Group results, EURm



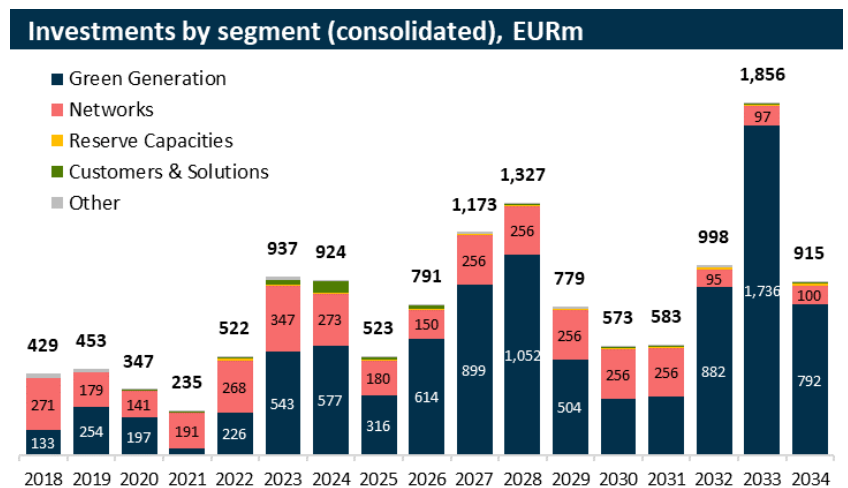
Source: Ignitis Group, Norne Securities

The corporate profit tax rates are the following in the countries of Ignitis Group's operation:

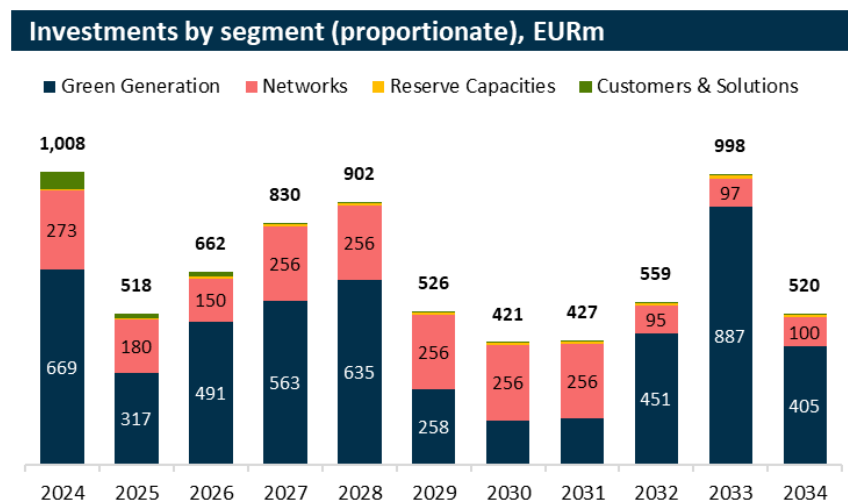
- Lithuania: 15%;
- Estonia: 0% for reinvested and retained profits, 20% for distributed profits;
- Latvia: 0% for reinvested and retained profits, 20% for distributed profits;
- Poland: 19%.

For the activities in Estonia and Latvia, we assume profits will be distributed and therefore taxed at a rate of 20%. Lithuania is expected to account for around 70-80% of EBITDA going forward (part of group companies (ESO, CHP's, new onshore wind and solar projects) have tax reliefs related to "Investment projects" according to Lithuanian legislation, thus historically effective tax rate for the Group was below 15%) and we estimate the effective corp. tax rate to be slightly below 15%, but increase in later years to just above 15% once the share of EBITDA in Latvia and Poland steadily increase over time.

Green Generation will account for most of Ignitis Group's investments in the coming years, followed by Networks. Note that although Networks will probably continue investing into expansion beyond the end of the 10-year investment plan, i.e. after 2031, for valuation purposes we assume only maintenance investments to be continued.



Source: Ignitis Group, Norne Securities



Source: Norne Securities

Balance sheet

At the end of 2023, Ignitis Group had gross debt of EUR 1,633m, including lease liabilities. Net debt position was EUR 1,318m or up from EUR 986m in 2022. Equity ratio (Equity/Assets) was 0.43.

The group has three bond issues of EUR 900m in total. Two of them (EUR 600m) are green bonds (to finance green generation projects).

Outstanding bond issues

	2017 issue	2018 issue	2020 issue
ISIN-code	XS1646530565	XS1853999313	XS2177349912
Currency	EUR	EUR	EUR
Nominal amount	300,000,000	300,000,000	300,000,000
Coupon	2.000	1.875	2.000
Maturity	17 July 2027	10 July 2028	21 May 2030
Credit rating	BBB+	BBB+	BBB+

Source: Ignitis Group

Debt summary, EURm

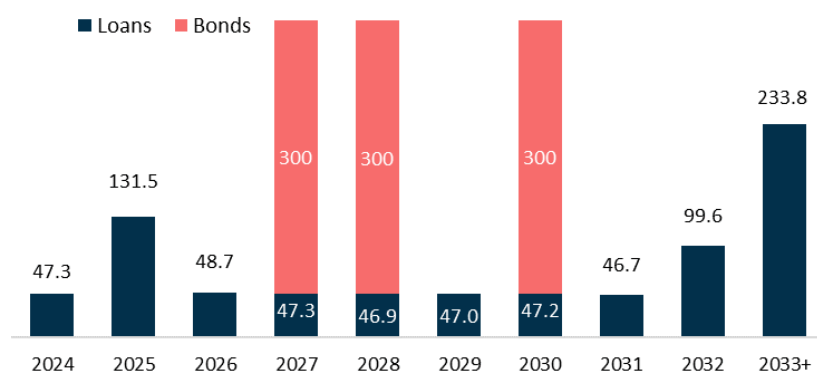
	Outstanding as of 31 Dec 2023	Effective interest rate (%)	Average time to maturity (years)	Fixed interest rate	Euro currency
Bonds (incl. interest)	900.9	1.96	5.3	100.0%	100.0%
Non-current loans including current portion of non-current loans	597.2	3.11	7.0	63.9% ¹	86.4%
Bank overdrafts, credit lines, and current loans	87.6	5.61	1.3	0.0%	100.0%
Lease liabilities	47.5	-	6.1	-	100.0%
Gross Debt ^{APM}	1,633.2	2.59	5.8	78.5%	95.0%

¹ As of 31 December 2023, one loan with a floating interest rate (with a residual value of EUR 110 million) was classified as fixed interest rate loan because an interest rate swap was carried out for this loan.

As of end-2023, the effective interest rate on debt was 2.59% or up from 2.54% in 3Q23. 79% of gross debt was subject to a fixed interest rate. 95% of the total debt was in EUR, and 5% in PLN.

Source: Ignitis Group

Repayment schedule of debt, EURm



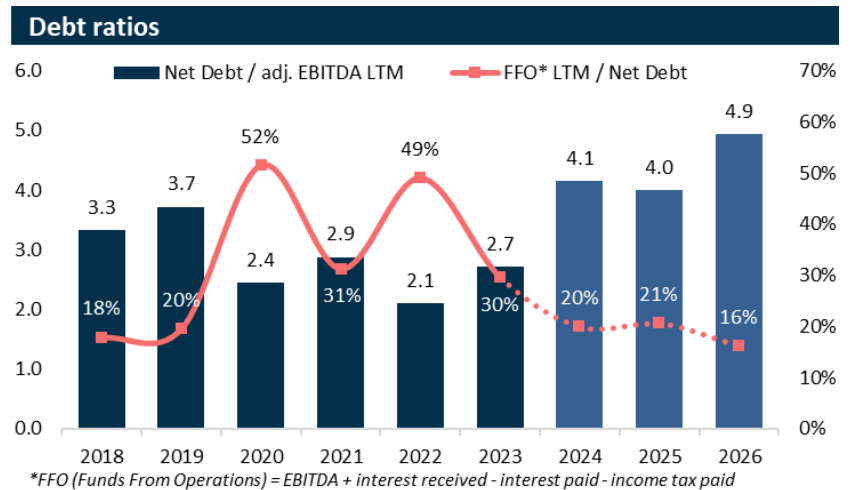
Source: Ignitis Group, Norne Securities

As of 31 December 2023, the Group's liquidity reserve amounted to EUR 873m: EUR 205m in cash and cash equivalents, EUR 110m in short-term deposits, also six credit line facilities available in six separate banks with a total undrawn limit of EUR 558m.

Ignitis Group currently has BBB+ (stable outlook) credit rating from S&P, which was affirmed in October 2023 after being first awarded in June 2017.

Ignitis Group aims to finance its Green Generation projects 60-75% with debt.

Ignitis Group is targeting Net debt/Adjusted EBITDA level of < 5.0x in 2023-2026. The ratio landed at 2.7x at the end of 2023, and we estimate it rising to 4.5x by the end of 2026.

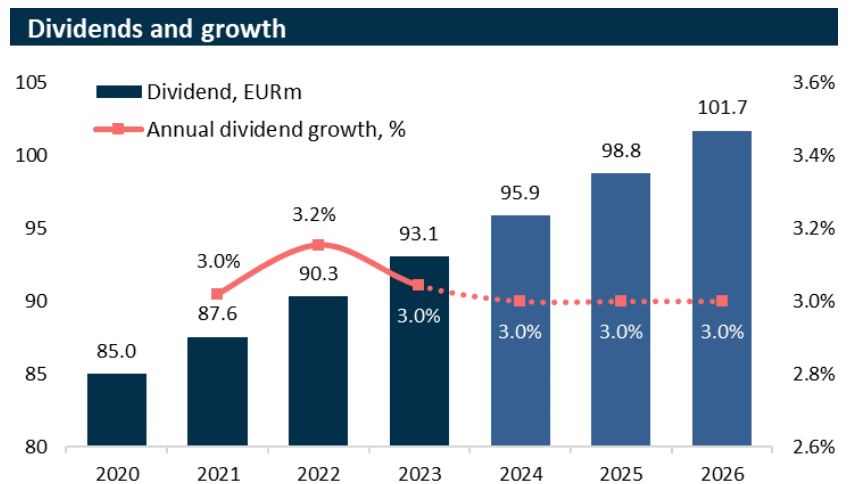


Source: Ignitis Group, Norne Securities

In our model, we assume Ignitis Group will use new debt to fund 74% of its CapEx in the forecasted period up till 2035. That is the upper end of the company’s funding target. The rest should be financed from operating cash flows.

Dividends

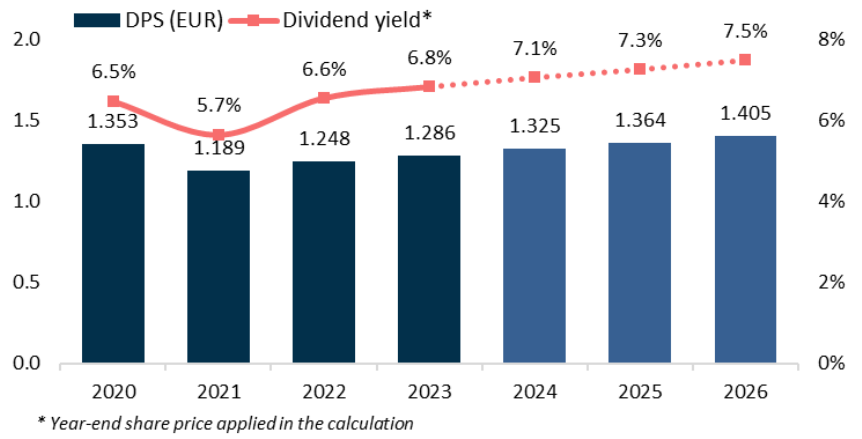
The dividend policy of Ignitis Group, which was approved in September 2020, is to grow the dividend to shareholders by a minimum of 3% each year, starting in 2020, during which the dividend of EUR 85m was paid. Since then, dividends were grown at a stable minimum rate of 3% each year, and we expect this to continue. Dividends are being paid semi-annually.



Source: Ignitis Group, Norne Securities

This represents annual dividend yield range of 6.8-7.4% in 2023-2026.

Dividends per share (DPS) and yield

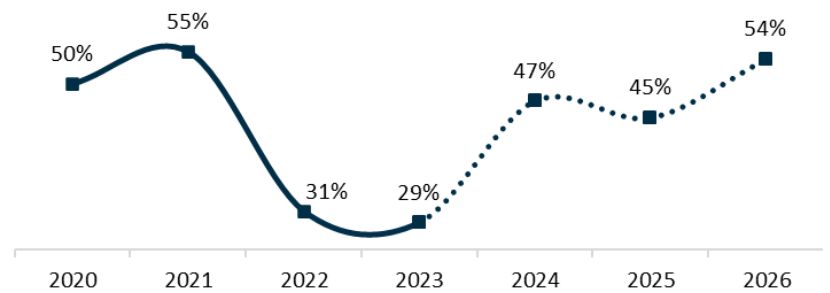


Source: Ignitis Group, Norne Securities

Dividend yield is estimated at 7.1-7.5% for the coming three years.

The dividend payout ratio (from net profit) should stay in the range of 35-52% till 2026, which is basically in line with the last three years and is not demanding given high investment needs and capital-intensive projects.

Dividend payout ratio



Source: Ignitis Group, Norne Securities

We think the probability of more than 3% growth in dividends is limited: paying more for a particular year would increase the base for payments in the following years under the current dividend policy, which may be demanding in light of investment needs in the coming years.

Valuation

We base our valuation of Ignitis Group on a DCF model. We use 2035 as the normalised year as we expect this to be the first full year of generation from the large offshore wind project in Estonia. We apply normalised electricity price of 65 EUR/MWh in 2035 for all the markets of Ignitis Group's operations and apply normalised CapEx assumptions which only include maintenance-investments as well as average annual investment level required to replace the producing assets after the end of their useful lifetime (which is ~30 years for onshore wind and solar, and ~35 years for offshore wind installations).

We are applying WACC of 5.6% for Ignitis Group, assuming Lithuania 10-Year Government Bond Yield of ~3.66% debt ratio of 55%, cost of debt (before tax) of 4.1% (average IGN bold yield to maturity), and beta of 0.75.

Due to the stable share price performance, the actual adjusted beta of the Ignitis Group stock is 0.498 (unadjusted 0.247) vs. STOXX Europe 600 index since the listing of Ignitis Group. We may expect sensitivity to increase together with the growth of exposure to renewable energy going forward. However, while one might assume that the beta will gravitate towards 1 over time, we still believe that in the near term it should still remain well below 1. Having said that, we make an adjustment to beta by giving 50% weight to current adjusted beta and 50% weight assuming that beta moves towards the market mean, which is 1. The result is a beta of 0.75 which we are applying in our valuation of Ignitis Group.

We derive a DCF value of EUR 31.5 per share for Ignitis Group.

DCF model

Proportionate basis EURm	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e (normalised year)
<i>Electricity market price Lithuania, EUR/MWh</i>	80	84	80	79	77	78	76	75	74	73	73	65
<i>Electricity production (proportionate), TWh</i>	2.20	2.74	3.92	5.67	5.89	6.78	7.76	7.80	7.78	7.75	7.74	9.63
Revenues	1,889	2,140	2,258	2,422	2,387	2,524	2,563	2,584	2,554	2,548	2,539	2,486
EBIT	259	290	280	330	334	390	428	423	384	373	365	305
Tax on EBIT	-37	-42	-41	-50	-51	-59	-64	-63	-58	-56	-55	-47
<i>Income tax rate</i>	14.3%	14.6%	14.7%	15.1%	15.2%	15.1%	15.0%	15.0%	15.0%	15.0%	15.0%	15.4%
EBIT less tax	222	248	238	280	283	332	364	360	326	317	310	258
Depreciation & amortization (+)	181	215	233	274	278	294	301	306	308	305	302	367
Investments	-965	-491	-635	-780	-852	-476	-372	-377	-557	-996	-517	-367
Change in working capital	178	-19	-32	25	7	-40	-15	-11	3	0	0	0
Free Cash Flow to the Firm	-383	-47	-196	-200	-284	110	277	277	81	-374	95	258
NPV of FCFF	-363	-42	-166	-161	-217	79	190	180	50	-217	52	135

WACC	
Debt ratio	55%
Cost of debt (after tax)	3.4%
Risk free rate*	3.7%
Beta	0.75
Market risk premium	6.0%
Cost of equity	8.2%
WACC	5.6%

Assumptions	
L.t. growth	2.0%
Shares, m	72.4

Valuation	
Net debt (-)/cash (+)	-1,318
NPV cash flow:	
Explicit period	-482
Terminal value	4,078
Total NPV cash flow	3,596
Equity value	2,279
Value per share, EUR	31.5

*Lithuania 10Y govt. bond yield (approx.)

The following table represents DCF value under different combinations of WACC and long-term growth rate:

Sensitivity of DCF to WACC and long-term growth, EUR/sh.						
		L.t. growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	4.0%	54.7	71.1	95.6	136.4	218.1
	4.5%	39.5	50.5	66.0	89.3	128.0
	5.6%	18.7	24.3	31.5	41.0	54.2
	6.1%	12.2	16.4	21.8	28.6	37.6
	6.6%	6.9	10.2	14.3	19.3	25.8
	7.1%	2.6	5.3	8.4	12.3	17.1
	7.6%	-0.9	1.2	3.7	6.7	10.4

We have also looked into sensitivity of the DCF value to electricity price, one of the key assumptions in the model:

Sensitivity of DCF to electricity price					
Electricity market price 2035, EUR/MWh (LT, LV, EE, PL)	55	60	65	70	75
DCF, EUR/sh.	15.4	23.4	31.5	39.5	47.6

Finally, we arrive at the fair value range for the Ignitis Group stock, which is based on the DCF value with a 10% discount on top to account for various risks related to estimates (e.g. renewable energy projects not being realised due to increased costs) as well as market related issues (e.g. Lithuania as a frontier market, geopolitical aspect, liquidity). We see the Low-case scenario, assuming electricity prices for the normalised year of 60 EUR/MWh, gives fair value of EUR 21/sh, which is around 13% higher than the last closing price. The High-case scenario, assuming electricity price of 70 EUR/MWh, yields fair value of EUR 36/sh. The Base-case fair value is indicated at EUR 28/sh under electricity price of EUR 65/MWh.

Fair value range		
	Electricity market price 2035, EUR/MWh	Fair value (DCF with 10% discount), EUR/sh.
Low Case	60	21.1
Base Case	65	28.3
High Case	70	35.6

We may also apply the Dividend Discount Model (DDM) approach for valuation since Ignitis Group is a dividend-paying entity. With a stable dividend growth rate, the most suitable (and simple) variation would be the Gordon growth model:

$$\text{Stock Value} = D_1 / (k - g)$$

where:

D_1 = next dividend payment per share

k = cost of equity

g = constant growth rate of dividends

The calculation points to a fair value of the stock of EUR 25.3/sh., which equals and/or not far away from the base-case fair value under DCF.

DDM (Dividend Discount Model)	
Dividend next 12m, EUR/sh.	1.305
Cost of equity	8.2%
Growth of dividends (constant)	3.0%
Fair value of stock, EUR	25.3

Ignitis Group trades at EV/EBITDA multiples of 5.2 – 5.8x and P/E of 6.2 - 7.2x for 2024-2026 under our estimates, while dividend yield is 7.1 - 7.5%. Looking at a group of select relevant European integrated utilities, Ignitis Group trades at significant discounts to peer medians. Under our estimates, EV/EBITDA of Ignitis Group is 20% lower than peer median value for 2024 and 30% lower for 2025. The discount in P/E is even greater at 41% and 45% respectively. Dividend yield of Ignitis Group is also higher, 7.1-7.5% vs. peer median of 5.3-6.2%.

Ignitis Group is a combination of renewable energy and networks business. Looking at the selected peers of Networks and Renewable businesses separately, the discount to peer multiples becomes even larger.

Possible explanations for the low valuation may be small market / small company discounts (most peers are larger and from bigger countries), Lithuania as a frontier market which entail a valuation discount vs Western Europe, also geopolitical risk considerations (most peers are from Western Europe). Despite that, looking into the local peers e.g. Enefit (Eesti Energia) – the Estonian renewable company still trades at significant premium vs Ignitis Group for EV/EBITDA and P/E, while Enefit offers a much lower dividend yield compared to Ignitis Group.

Peer comparison

Company	Source	Mcap (EURm)	EV (EURm)	EV/EBITDA			EV/EBIT			P/E			Dividend yield		
				2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Ignitis Grupe AB	Norne	1,349	2,667	5.8	5.1	5.2	9.7	8.7	9.4	6.7	6.2	7.2	7.1%	7.3%	7.5%
Ignitis Grupe AB	Bloomberg*	1,349	2,662	5.7	5.4	na	10.0	9.3	na	7.8	7.5	na	7.1%	7.3%	na
Integrated															
CEZ AS	Bloomberg*	17,708	23,906	4.8	5.2	5.9	6.4	7.9	9.6	13.0	14.2	10.5	7.0%	6.2%	7.0%
EDP - Energias de Portugal SA	Bloomberg*	15,071	38,702	7.7	7.5	7.3	12.5	12.4	11.7	12.0	12.1	11.7	5.6%	5.7%	5.7%
Endesa SA	Bloomberg*	17,792	27,823	5.7	5.4	5.3	9.7	9.1	8.9	10.7	9.6	9.1	6.6%	7.4%	7.8%
Enel SpA	Bloomberg*	60,878	138,959	6.3	6.2	6.0	9.6	9.5	9.3	9.0	8.9	8.8	7.5%	7.8%	8.0%
Engie SA	Bloomberg*	37,942	72,148	5.2	5.3	5.4	8.1	8.4	8.5	8.8	9.5	10.0	8.0%	7.5%	7.2%
EVN AG	Bloomberg*	4,371	5,799	7.6	7.5	7.3	13.6	13.4	12.7	9.9	10.5	10.6	3.3%	3.0%	2.9%
E.ON SE	Bloomberg*	33,637	65,740	7.6	7.4	7.2	11.9	11.9	11.6	11.8	12.0	12.2	4.3%	4.5%	4.7%
Iberdrola SA	Bloomberg*	73,450	149,458	10.0	9.5	9.2	15.9	15.2	14.5	14.5	13.9	13.5	5.0%	5.2%	5.4%
Naturgy Energy Group SA	Bloomberg*	19,683	34,007	7.0	7.0	6.9	11.0	11.4	11.6	11.4	12.5	12.7	6.8%	6.7%	6.8%
Public Power Corp SA	Bloomberg*	4,320	7,300	4.3	3.9	3.5	8.5	7.5	6.3	11.1	8.8	6.2	3.6%	5.4%	8.8%
SSE PLC	Bloomberg*	20,847	33,127	9.0	8.2	7.7	12.2	11.4	10.8	10.5	9.8	9.7	3.7%	4.0%	4.3%
Verbund AG	Bloomberg*	23,781	26,624	8.2	8.7	10.2	9.7	10.5	13.4	13.9	15.0	18.7	3.8%	3.5%	2.9%
Average		27,457	51,966	6.9	6.8	6.8	10.8	10.7	10.8	11.4	11.4	11.1	5.4%	5.6%	6.0%
Median		20,265	33,567	7.3	7.2	7.0	10.4	10.9	11.2	11.2	11.3	10.5	5.3%	5.5%	6.2%
Networks															
Elia Group SA/NV	Bloomberg*	7,326	16,913	11.6	9.4	7.5	20.5	16.5	12.8	20.2	18.3	16.6	2.1%	2.1%	2.1%
Enagas SA	Bloomberg*	3,592	7,189	9.5	10.3	10.6	16.8	18.9	19.7	13.8	15.7	15.7	8.8%	8.2%	8.0%
Italgas SpA	Bloomberg*	4,332	11,323	8.6	8.3	7.9	14.5	13.9	13.3	9.2	9.1	8.8	7.0%	7.2%	7.5%
National Grid PLC	Bloomberg*	46,599	96,134	12.0	11.1	10.3	17.6	16.3	14.9	15.4	14.4	13.9	5.4%	5.5%	5.6%
Redeia Corp SA	Bloomberg*	8,490	14,539	10.8	10.4	9.5	18.2	17.3	15.1	17.0	16.5	14.6	5.3%	5.3%	5.5%
REN - Redes Energeticas Nacionais SGPS SA	Bloomberg*	1,464	4,158	8.3	8.3	8.2	17.1	17.3	17.4	12.3	12.9	13.1	6.8%	6.8%	6.8%
Snam SpA	Bloomberg*	14,707	29,111	10.7	10.2	9.7	17.2	16.5	15.9	12.4	12.0	11.7	6.6%	6.9%	7.0%
Terna - Rete Elettrica Nazionale SpA	Bloomberg*	15,449	24,746	10.2	9.9	9.1	15.6	15.5	14.3	15.6	16.3	15.4	4.8%	4.9%	5.0%
Average		12,745	25,514	10.2	9.7	9.1	17.2	16.5	15.4	14.5	14.4	13.7	5.9%	5.9%	6.0%
Median		7,908	15,726	10.5	10.0	9.3	17.1	16.5	15.0	14.6	15.1	14.3	6.0%	6.2%	6.2%
Renewables															
Acciona Energia SA	Bloomberg*	6,585	10,635	8.2	8.1	8.0	13.8	13.6	13.2	17.2	17.9	17.4	2.3%	2.3%	2.2%
Alerion Cleanpower SpA	Bloomberg*	1,003	1,477	8.0	7.7	5.9	14.2	16.3	7.5	13.4	15.7	10.2	2.3%	1.4%	4.2%
Encavis AG	Bloomberg*	2,713	4,636	14.1	12.6	10.9	26.4	23.0	18.8	29.9	27.3	26.0	0.0%	0.0%	0.0%
Enefit Green AS	Bloomberg*	847	1,264	9.7	8.6	na	15.5	13.8	na	13.4	12.7	na	3.7%	4.0%	na
ERG SpA	Bloomberg*	3,466	5,149	9.1	8.4	8.1	16.3	15.3	15.2	15.6	15.0	15.6	4.3%	4.3%	4.4%
Neoen SA	Bloomberg*	3,993	7,022	12.9	10.2	8.6	21.5	16.9	13.7	44.1	33.0	26.0	0.6%	0.8%	0.8%
RWE AG	Bloomberg*	23,007	26,965	5.1	5.2	4.9	8.2	9.2	8.5	11.1	13.2	13.2	3.6%	3.8%	4.1%
Scatec ASA	Bloomberg*	981	3,252	9.6	8.1	8.0	15.2	12.1	11.4	15.5	11.9	9.9	0.7%	1.5%	na
Voltaia SA	Bloomberg*	942	2,376	9.2	7.9	6.9	19.1	16.2	12.0	56.0	40.3	20.5	0.7%	0.9%	3.1%
Ørsted AS	Bloomberg*	21,234	30,491	8.4	7.0	6.8	13.6	10.8	11.0	16.8	12.4	12.9	3.9%	3.7%	3.2%
Average		6,477	9,327	9.4	8.4	7.6	16.4	14.7	12.4	23.3	19.9	16.9	2.2%	2.3%	2.7%
Median		3,090	4,893	9.2	8.1	8.0	15.4	14.6	12.0	16.2	15.4	15.6	2.3%	1.9%	3.1%

* Consensus

Risks

- **Electricity price.** Ignitis Group's electricity generation business (Green Generation and the commercial production volumes at Reserve Capacities) could be adversely affected by decreases in electricity prices. Prices could fluctuate greatly depending on the macroeconomic environment, prices for energy sources used in production of electricity like nat. gas, prices in neighbouring countries (Sweden, Finland, Poland, Estonia, Latvia), cross border capacities, weather conditions – temperatures, wind flow, hydrological situation. Ignitis Group's exposure to fluctuations in electricity prices for its supply business is generally the opposite to that for its generation business – for the supply business, decreases in the market price for electricity generally have a positive effect on the results, though the effect is limited by the low-margin profile of the supply business. Persistently low market price of electricity could also put the renewable energy growth plans at risk due to negative effect on project IRRs, particularly for the high-cost large offshore wind projects.
- **Regulatory risk.** Ignitis Group is subject to regulations in Lithuania, particularly the Networks segment which is 100% regulated and generates a significant portion of Ignitis Group's EBITDA. These regulations are complex and subject to change. Particularly, Ignitis Group's financial performance could be adversely affected by lowering of the allowed rate of return (WACC) for the distribution business set by the regulator annually, or changes in the RAB calculation through lower approved investments, leading to lower RAB than expected, which would eventually negatively affect EBITDA.
- **Renewable growth risk.** Ignitis Group plans a significant expansion of the renewable energy generation capacity in the coming years. This is associated with risks of project delays and/or unforeseen increases in the capital expenditures required.
- **State' majority ownership risk.** The Republic of Lithuania, which is a majority shareholder of Ignitis Group with a 75% stake, might have a great influence over the management of the company and may pursue decisions that reflect the Government policy, and its interests may differ from or conflict with those of other shareholders.
- **Risk related to the reimbursement of excessive investment return for 2018-2021.** Although Ignitis Group has found an agreement with the regulator to reimburse the outstanding EUR 157.7m to the clients over 2024-2031, which is faster than according to the initial agreement, there may be pressure from the Lithuanian politicians to return the amount even faster, which may put dividend offering at risk.
- **Growth in prosumers.** Growing number of electricity prosumers (individuals who both consume and produce), related to high energy prices and government's support schemes for solar parks, may reduce the demand for electricity generated by Ignitis Group. The share of prosumers and producers in the total number of distribution customers at the end of 2023 was relatively low at 3.3%, but the growth rate is substantial with a near-doubling over 2023.
- **Risk of higher corporate taxes.** Corporate profit tax rate is relatively low in Lithuania at 15%. Due to the need to raise military spending in relation to increased geopolitical risks, also due to insufficient funding of the state sector in general, associated with relatively low state budget compared to GDP, an increase in corporate profit tax rate may be considered by the ruling political parties.
- **Geopolitical risk.** Russia presents military threat to all neighbouring countries in Europe, including Lithuania. A factor significantly limiting this threat to Lithuania is that it belongs to the NATO military alliance with a clause of collective defence.

Annual Financial Statements

Income statement (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Revenue from contracts with customers	1,024	1,080	1,215	1,877	4,381	2,542	1,896	2,147	2,253
Other income	46	9	8	22	6	7	8	8	9
Total revenues	1,070	1,089	1,223	1,899	4,387	2,549	1,903	2,155	2,261
Purchases of electricity, nat. gas and other serv.	-795	-729	-706	-1,381	-3,609	-1,758	-1,125	-1,286	-1,379
Repair and maintenance expenses	-21	-30	-34	-32	-41	-61	-68	-73	-75
Salaries and related expenses	-80	-87	-93	-97	-116	-137	-150	-160	-170
Other expenses	-26	-42	-56	-46	-82	-86	-102	-111	-122
EBITDA	148	202	335	343	540	507	459	525	515
Depreciation and amortisation	-88	-110	-113	-123	-138	-153	-183	-217	-230
Write-offs, revaluation and impairments	-81	-9	-6	-28	-14	-2	-1	-1	-1
Operating profit (EBIT)	-20	83	215	192	388	352	275	307	284
Finance income	2	2	2	18	4	42	3	2	5
Finance expenses	-15	-19	-23	-34	-54	-40	-42	-53	-68
Equity earnings	0	0	0	0	0	0	0	0	0
Pre-tax profit	-34	66	195	176	337	354	236	257	221
Taxes	12	-7	-25	-16	-44	-34	-34	-37	-32
Non-controlling interest	0	-2	0	0	0	0	0	0	0
Net profit to shareholders of the company	-22	57	170	160	293	320	202	219	189
EPS (EUR)	-0.41	1.04	2.85	2.16	4.04	4.42	2.79	3.03	2.61
Dividends per share (EUR)	0.239	0.516	1.353	1.189	1.248	1.286	1.325	1.364	1.405
Balance sheet (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Deferred tax asset	14	12	6	14	31	57	57	57	57
Intangible assets	106	143	95	114	148	315	315	315	315
Goodwill	0	0	0	0	0	0	0	0	0
Property, plant and equipment	2,091	2,348	2,560	2,618	2,811	3,363	4,052	4,325	4,854
Right-of-use assets	0	61	64	58	49	50	50	50	50
Other long-term assets	199	207	174	150	211	433	542	582	584
Non-current assets	2,411	2,771	2,899	2,954	3,250	4,217	5,016	5,329	5,860
Inventories	43	47	66	186	570	275	182	183	200
Accounts receivable	143	118	128	275	424	266	230	255	275
Other current assets	129	131	169	395	333	171	171	171	171
Cash and cash equivalents	128	132	659	449	694	205	43	27	157
Short-term deposits	0	0	0	0	0	110	0	0	0
Current assets	443	428	1,022	1,304	2,022	1,028	625	636	804
Total assets	2,854	3,198	3,921	4,258	5,272	5,244	5,642	5,965	6,664
Shareholders' equity	1,255	1,300	1,812	1,856	2,126	2,263	2,371	2,493	2,581
Non-controlling interests	48	49	1	0	0	0	0	0	0
Equity	1,303	1,349	1,813	1,856	2,126	2,263	2,371	2,493	2,581
Deferred tax liability	36	38	46	47	55	87	87	87	87
Provisions	35	36	41	30	18	61	61	61	61
Long-term interest bearing debt	735	822	1,246	1,118	1,423	1,521	1,813	2,064	2,351
Long-term lease liabilities	14	34	29	46	45	42	42	42	42
Other long-term liabilities	347	421	442	463	523	608	622	637	645
Non-current liabilities	1,169	1,350	1,804	1,705	2,064	2,320	2,626	2,891	3,186
Current interest bearing debt	110	234	15	237	209	65	120	49	356
Short-term lease liabilities	5	8	13	5	4	5	5	5	5
Accounts payable	93	79	52	100	177	177	106	112	122
Other current liabilities	175	178	223	355	692	414	414	414	414
Current liabilities	383	499	304	697	1,082	661	645	580	897
Total equity and liabilities	2,854	3,198	3,921	4,258	5,272	5,244	5,642	5,965	6,664
Cash flow (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Operating profit (EBIT)	-20	83	215	192	388	352	275	307	284
Depreciation & amortisation (+)	88	110	113	123	138	153	183	217	230
Other items	73	18	17	46	91	48	-13	-14	-7
Paid taxes	-6	-5	-10	-18	-27	-81	-34	-37	-32
Change in working capital	45	-29	-55	-237	-25	329	168	-21	-27
Cash flow from operating activities	179	177	281	105	564	802	580	452	448
Acquis. of prop., plant & equip. and intang. assets	-416	-428	-301	-245	-439	-839	-873	-490	-759
Proceeds from sale of assets	48	40	14	2	3	3	0	0	0
Interest received	1	1	1	1	1	11	3	2	2
Other items	0	40	28	8	-20	-257	0	0	3
Cash flow from investment activities	-367	-347	-258	-235	-456	-1,081	-870	-488	-754
Free cash flow	-188	-170	22	-129	108	-280	-290	-36	-306
Change in interest bearing debt	197	61	392	93	276	-55	347	180	593
Share issues / buy-backs	0	0	450	-27	-14	0	0	0	0
Dividends paid	-81	-14	-73	-88	-89	-106	-94	-97	-100
Interest paid	-10	-14	-16	-26	-29	-39	-42	-53	-68
Lease payments	-1	-7	-10	-14	-5	-6	-5	-5	-5
Other items	7	0	-47	-20	-2	-3	-77	-5	17
Cash flow from financing activities	112	25	696	-81	137	-209	128	20	437
Change in cash	-76	-145	718	-210	245	-488	-162	-16	131

Annual Segmental and Operating Data

Revenues per segment (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Green Generation (adj.)	77	84	90	218	458	343	357	417	436
Networks (adj.)	440	465	439	510	698	592	644	660	668
Reserve Capacities (adj.)	63	66	111	152	237	129	115	115	117
Customers & Solutions (adj.)	630	539	505	1,024	3,001	1,737	945	1,125	1,173
Other and Eliminations (adj.)	-65	-3	-10	-14	-77	-161	-150	-155	-122
Total adjusted	1,145	1,151	1,135	1,888	4,317	2,639	1,911	2,163	2,272
Adjustments	-75	-52	88	10	70	23	-8	-8	-11
Total reported	1,070	1,099	1,223	1,899	4,387	2,662	1,903	2,155	2,261

EBITDA per segment (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Green Generation (adj.)	38	43	50	108	253	223	221	262	253
Networks (adj.)	169	181	138	145	164	180	216	240	236
Reserve Capacities (adj.)	13	22	29	37	35	50	20	20	20
Customers & Solutions (adj.)	7	11	27	41	16	30	13	15	21
Other and Eliminations (adj.)	-6	3	2	2	2	2	-3	-3	-3
Total adjusted	221	260	246	333	469	485	467	533	526
Adjustments	-76	-53	88	10	70	23	-8	-8	-11
Total reported	145	207	334	343	540	508	459	525	515

Green Generation, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Installed Electricity Capacity (period end), MW									
Onshore wind	76	76	76	170	170	233	420	766	766
Offshore wind	0	0	0	0	0	0	0	0	0
Solar	0	0	0	0	0	0	62	321	359
Hydro	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,111
<i>Pumped-storage</i>	900	900	900	900	900	900	900	900	1,010
<i>Run-of-river</i>	101	101	101	101	101	101	101	101	101
Waste	0	0	24	43	44	44	44	44	44
Biomass	0	0	0	0	0	50	73	73	73
Total installed electricity capacity	1,077	1,077	1,101	1,214	1,215	1,328	1,600	2,205	2,352

Electricity Generated, TWh	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Onshore wind	0.13	0.23	0.24	0.30	0.47	0.58	0.78	1.12	1.86
Offshore wind	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Solar	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.20	0.29
Hydro	0.82	0.81	0.94	0.94	0.92	0.89	0.91	0.91	1.09
<i>Pumped-storage</i>	-	0.54	0.72	0.65	0.54	0.52	0.53	0.53	0.72
<i>Run-of-river</i>	-	0.27	0.23	0.29	0.38	0.37	0.38	0.38	0.38
Waste	0.00	0.00	0.07	0.24	0.26	0.27	0.28	0.27	0.27
Biomass	0.00	0.00	0.00	0.00	0.00	0.01	0.27	0.32	0.32
Total electricity generated	0.94	1.09	1.32	1.55	1.65	1.76	2.27	2.81	3.83

Electricity market price, EUR/MWh:	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Lithuania	50.0	46.1	34.0	90.2	229.2	94.6	79.5	83.6	80.0
Latvia	49.9	46.3	34.0	88.6	225.9	94.1	79.1	83.1	79.5
Estonia	47.0	45.9	33.7	86.5	192.0	91.0	77.7	79.7	76.3
Poland	53.1	53.6	47.2	87.3	166.3	111.9	90.5	105.3	103.1

Avg. realised el. price, EUR/MWh (ex. Kruonis)	na	na	na	na	na	na	120.0	113.6	84.5
------------------------------------------------	----	----	----	----	----	----	-------	-------	------

Heat	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Installed heat capacity (period end), MW	40	40	110	170	180	329	349	349	349
Heat generated, TWh	-	0.09	0.32	0.85	0.89	1.07	1.55	1.67	1.67

Networks, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
RAB (Regulated Asset Base), EURm	-	1,416	1,186	1,258	1,345	1,429	1,584	1,712	1,758
WACC (regulatory), combined el. and gas	-	4.85%	5.00%	5.05%	4.13%	4.14%	5.08%	5.65%	5.15%

Reserve Capacities, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Installed electricity capacity (period end), MW	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055
Electricity generated, TWh	0.07	0.02	1.20	0.82	0.28	0.31	0.29	0.26	0.27

Customers & Solutions, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Electricity sales (retail), TWh	5.40	5.40	6.37	6.77	7.71	6.65	7.32	8.78	10.53
Natural gas sales (retail and wholesale), TWh	11.33	9.83	14.77	11.56	12.80	9.29	7.35	6.87	6.17

Quarterly Financial Statements

Income statement (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Revenue from contracts with customers	1,358	927	441	470	705	544	404	391	557
Other income	2	1	1	2	2	2	2	2	2
Total revenues	1,359	928	442	471	708	546	406	393	559
Purchases of electricity, nat. gas and other serv.	-1,181	-678	-325	-297	-458	-337	-231	-228	-329
Repair and maintenance expenses	-15	-9	-13	-17	-23	-10	-14	-18	-25
Salaries and related expenses	-32	-30	-35	-32	-40	-33	-38	-35	-44
Other expenses	75	-16	-25	-17	-27	-25	-24	-24	-29
EBITDA	206	195	45	108	159	141	99	86	132
Depreciation and amortisation	-35	-38	-36	-39	-41	-43	-45	-46	-49
Write-offs, revaluation and impairments	-9	-1	-1	0	0	0	0	0	0
Operating profit (EBIT)	163	157	8	69	118	98	54	40	83
Finance income	-9	3	26	6	8	1	1	1	1
Finance expenses	-28	-11	-8	-13	-8	-9	-10	-11	-12
Equity earnings	0	0	0	0	0	0	0	0	0
Pre-tax profit	126	148	26	62	118	90	45	30	72
Taxes	-17	-21	3	-5	-10	-13	-6	-4	-10
Non-controlling interest	0	0	0	0	0	0	0	0	0
Net profit to shareholders of the company	109	127	29	57	108	77	38	25	61
EPS (EUR)	1.50	1.76	0.40	0.78	1.49	1.07	0.53	0.35	0.85
Dividends per share (EUR)	0.624	-	0.643	-	0.643	-	0.662	-	0.662

Balance sheet (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Deferred tax asset	31	57	62	61	57	57	57	57	57
Intangible assets	148	171	180	202	315	315	315	315	315
Goodwill	0	0	0	0	0	0	0	0	0
Property, plant and equipment	2,811	2,868	2,972	3,147	3,363	3,507	3,706	3,889	4,052
Right-of-use assets	49	50	53	56	50	50	50	50	50
Other long-term assets	211	234	370	362	433	448	477	506	542
Non-current assets	3,250	3,379	3,637	3,828	4,217	4,376	4,605	4,817	5,016
Inventories	570	265	274	315	275	150	166	167	182
Accounts receivable	424	307	205	226	266	225	175	166	230
Other current assets	333	209	208	195	171	171	171	171	171
Cash and cash equivalents	694	768	726	453	205	139	181	121	43
Short-term deposits	0	0	0	51	110	110	0	0	0
Current assets	2,022	1,549	1,413	1,240	1,028	795	693	626	625
Total assets	5,272	4,928	5,050	5,068	5,244	5,172	5,298	5,443	5,642
Shareholders' equity	2,126	2,060	2,084	2,101	2,263	2,341	2,332	2,358	2,371
Non-controlling interests	0	0	0	0	0	0	0	0	0
Equity	2,126	2,060	2,084	2,101	2,263	2,341	2,332	2,358	2,371
Deferred tax liability	55	61	65	66	87	87	87	87	87
Provisions	18	29	42	56	61	61	61	61	61
Long-term interest bearing debt	1,423	1,433	1,515	1,515	1,521	1,474	1,555	1,663	1,813
Long-term lease liabilities	45	46	49	49	42	42	42	42	42
Other long-term liabilities	523	538	546	555	608	613	616	618	622
Non-current liabilities	2,064	2,107	2,217	2,241	2,320	2,278	2,361	2,471	2,626
Current interest bearing debt	209	49	125	48	65	48	116	116	120
Short-term lease liabilities	4	4	3	6	5	5	5	5	5
Accounts payable	177	42	43	129	177	86	70	79	106
Other current liabilities	692	667	578	543	414	414	414	414	414
Current liabilities	1,082	761	750	726	661	553	605	614	645
Total equity and liabilities	5,272	4,928	5,050	5,068	5,244	5,172	5,298	5,443	5,642

Cash flow (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Operating profit (EBIT)	163	157	8	69	118	98	54	40	83
Depreciation & amortisation (+)	35	38	36	39	41	43	45	46	49
Other items	-18	-58	-4	-4	114	-4	-2	-2	-5
Paid taxes	-5	-6	-57	-9	-10	-13	-6	-4	-10
Change in working capital	531	235	164	-58	-11	75	128	17	-50
Cash flow from operating activities	706	365	147	37	252	198	218	97	67
Acquis. of prop., plant & equip. and intang. assets	-135	-122	-205	-185	-326	-187	-244	-229	-212
Proceeds from sale of assets	2	0	2	0	2	0	0	0	0
Interest received	0	0	4	4	2	1	1	1	1
Other items	-2	-8	1	-116	-134	0	0	0	0
Cash flow from investment activities	-135	-130	-198	-297	-457	-186	-243	-228	-212
Free cash flow	571	235	-51	-259	-205	12	-25	-131	-145
Change in interest bearing debt	-117	-155	82	7	11	-63	148	108	154
Share issues / buy-backs	0	0	0	0	0	0	0	0	0
Dividends paid	-45	0	-60	0	-47	0	-47	0	-48
Interest paid	-4	-4	-11	-17	-7	-9	-10	-11	-12
Lease payments	-1	-2	-2	-1	-2	-1	-1	-1	-1
Other items	0	0	-1	-3	2	-4	-23	-24	-25
Cash flow from financing activities	-168	-161	8	-14	-42	-78	67	72	67
Change in cash	403	74	-42	-273	-247	-66	41	-60	-78

Quarterly Segmental and Operating Data

Revenues per segment (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Green Generation (adj.)	129	100	64	74	105	110	77	62	108
Networks (adj.)	223	166	130	130	167	163	150	149	182
Reserve Capacities (adj.)	72	15	47	25	43	25	25	28	36
Customers & Solutions (adj.)	918	680	335	276	446	296	192	184	273
Other and Eliminations (adj.)	-77	-33	-51	-28	-50	-50	-36	-28	-37
Total adjusted	1,265	927	525	477	711	546	409	395	561
Adjustments	94	45	-59	17	20	0	-3	-3	-3
Total reported	1,359	972	466	493	731	546	406	393	559

EBITDA per segment (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Green Generation (adj.)	67	70	39	45	68	76	46	33	66
Networks (adj.)	48	49	40	40	51	61	50	48	57
Reserve Capacities (adj.)	17	29	4	6	12	4	4	5	7
Customers & Solutions (adj.)	-20	1	21	-1	10	1	2	3	6
Other and Eliminations (adj.)	1	2	0	1	-1	0	-1	0	-2
Total adjusted	112	150	104	92	140	141	102	89	135
Adjustments	94	45	-59	17	20	0	-3	-3	-3
Total reported	206	195	45	108	159	141	99	86	132

Green Generation, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Installed electricity capacity (period end), MW:									
Onshore wind	170	170	170	233	233	283	283	283	420
Offshore wind	0	0	0	0	0	0	0	0	0
Solar	0	0	0	0	0	30	30	52	62
Hydro	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001
<i>Pumped-storage</i>	900	900	900	900	900	900	900	900	900
<i>Run-of-river</i>	101	101	101	101	101	101	101	101	101
Waste	44	44	44	44	44	44	44	44	44
Biomass	0	0	0	0	50	73	73	73	73
Total installed electricity capacity	1,215	1,215	1,215	1,278	1,328	1,431	1,431	1,453	1,600
Electricity generated (100% basis), TWh:									
Onshore wind	0.13	0.16	0.10	0.11	0.21	0.21	0.15	0.14	0.28
Offshore wind	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Solar	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02	0.01
Hydro	0.22	0.28	0.18	0.22	0.21	0.31	0.21	0.17	0.23
<i>Pumped-storage</i>	0.15	0.13	0.08	0.17	0.14	0.16	0.11	0.12	0.15
<i>Run-of-river</i>	0.07	0.15	0.10	0.05	0.07	0.15	0.10	0.06	0.07
Waste	0.07	0.08	0.07	0.05	0.07	0.08	0.06	0.06	0.07
Biomass	0.00	0.00	0.00	0.00	0.01	0.05	0.08	0.05	0.09
Total electricity generated	0.42	0.53	0.36	0.36	0.51	0.65	0.51	0.44	0.68
Electricity market price, EUR/MWh:									
Lithuania	226.7	102.2	81.3	101.2	93.9	89.0	72.0	71.1	85.9
Latvia	226.5	100.4	80.9	101.2	93.9	89.0	71.5	70.7	85.3
Estonia	218.9	99.9	74.5	95.8	93.9	92.4	68.6	67.8	81.9
Poland	159.6	129.9	115.3	110.9	91.3	86.9	85.5	94.9	94.7
Avg. realised el. price, EUR/MWh (ex. Kruonis)	na	na	na	na	113.9	135.2	120.6	113.4	110.9
Heat									
Installed heat capacity (period end), MW	180	180	180	180	329	349	349	349	349
Heat generated, TWh	0.25	0.28	0.20	0.20	0.39	0.43	0.36	0.27	0.49

Networks, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
RAB (Regulated Asset Base), EURm, annual	1,345	1,429	1,429	1,429	1,429	1,584	1,584	1,584	1,584
WACC (regulatory), combined el. and gas, annual	4.13%	4.14%	4.14%	4.14%	4.14%	5.08%	5.08%	5.08%	5.08%

Reserve Capacities, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Installed electricity capacity (period end), MW	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055
Electricity generated, TWh	0.14	0.03	0.05	0.07	0.16	0.04	0.04	0.07	0.14

Customers & Solutions, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Electricity sales (retail), TWh	1.84	1.82	1.50	1.51	1.82	2.00	1.65	1.66	2.00
Natural gas sales (retail and wholesale), TWh	3.84	3.85	1.44	1.35	2.65	3.14	1.25	1.04	1.92

Ratios & Share Data

Share data	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Number of shares, weighted average (m)	54.3	54.3	59.0	74.3	72.6	72.4	72.4	72.4	72.4
Share price, period end (EUR)	na	na	20.85	21.00	19.02	18.84	18.64	18.64	18.64
Market capitalisation, period end (EURm)	na	na	1,549	1,560	1,377	1,364	1,349	1,349	1,349
Enterprise value (EURm)	na	na	2,151	2,517	2,364	2,681	3,287	3,483	3,945

Valuation	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
EV/Sales	na	na	1.8	1.3	0.5	1.1	1.7	1.6	1.7
EV/EBITDA	na	na	6.4	7.3	4.4	5.3	7.2	6.6	7.7
EV/EBIT	na	na	10.0	13.1	6.1	7.6	12.0	11.3	13.9
P/E	na	na	7.3	9.7	4.7	4.3	6.7	6.2	7.2
P/B	na	na	0.85	0.84	0.65	0.60	0.57	0.54	0.52
Dividend yield	na	na	6.5%	5.7%	6.6%	6.8%	7.1%	7.3%	7.5%

Balance sheet	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net Debt (incl. lease liabilities)	736	967	600	957	987	1,318	1,937	2,134	2,596
Net Debt / EBITDA LTM	4.97	4.78	1.79	2.79	1.83	2.60	4.22	4.07	5.04
Net Debt / adj. EBITDA LTM	3.33	3.72	2.44	2.88	2.10	2.72	4.15	4.01	4.94
FFO* LTM / Net Debt	17.8%	19.6%	51.5%	31.3%	49.1%	29.6%	19.9%	20.5%	16.1%
Equity / Assets	46%	42%	46%	44%	40%	43%	42%	42%	39%

Growth (YoY)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Revenue	-3%	2%	12%	55%	131%	-42%	-25%	13%	5%
EBITDA	-34%	37%	65%	3%	57%	-6%	-9%	14%	-2%
EBIT	nm	nm	159%	-11%	102%	-9%	-22%	12%	-8%
Net profit to shareholders	nm	nm	201%	-6%	83%	9%	-37%	9%	-14%
EPS	nm	nm	173%	-24%	88%	9%	-37%	9%	-14%

Margins	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
EBITDA	14%	19%	27%	18%	12%	20%	24%	24%	23%
EBIT	-2%	8%	18%	10%	9%	14%	14%	14%	13%
Net profit to shareholders	-2%	5%	14%	8%	7%	13%	11%	10%	8%

Profitability	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
ROE	-1.8%	4.4%	10.9%	8.7%	14.7%	14.6%	8.7%	9.0%	7.4%
ROCE**	-1.1%	3.8%	9.1%	7.4%	13.1%	10.5%	7.0%	6.9%	5.8%
ROCE** adj.	2.8%	6.2%	5.4%	7.9%	10.7%	9.8%	7.2%	7.0%	6.0%

* FFO (Funds From Operations) = EBITDA + interest received - interest paid - income tax paid

** Based on Ignitis' definition: ROCE = EBIT / (avg equity + avg net debt)

Management and Board

Management



Darius Maikštėnas – *Chief Executive Officer (CEO) and Chairman of the Management Board*

20+ years of executive experience in energy, telecommunications, IT, and venture capital sectors. Joined Ignitis Group in 2018, serving since then as Member, Chair of the Management Board, and CEO. Prepared the Group for transitioning from a local monopoly to a competitive customer-oriented regional player and oversaw Ignitis Group's IPO. Prior to joining the Group, had led an international company based in Silicon Valley that offers innovative telecommunications solutions and operates in the United States and the UK. Education: Harvard Business School, General Management Program; Baltic Management Institute, Executive MBA degree; Kaunas University of Technology, Bachelor's degree in Business Administration. Chair, CEO since 01/02/2018. Term of office expires: 17/02/2026.



Jonas Rimavičius – *Chief Financial Officer (CFO) and member of the Management Board*

Since joining the Group in 2016, has been leading M&A activities and capital raising projects, including Ignitis Group's IPO, and Green Bonds issues. Has also been serving as Chair and Member of the Management Board at Ignitis Renewables since January 2019. Prior to joining the Group, had accumulated experience in the areas of investment banking and corporate finance at Swedbank, EY and Telia. Education: University of Cambridge, Master's degree in Business Administration; University of Warwick, Bachelor's degree in Accounting and Finance; former CFA charterholder. Member of the Management Board since 18/02/2022. Term of office expires: 17/02/2026.



Dr. Živilė Skibarkienė – *Chief Organisational Development Officer and member of the Management Board*

A professional in law and organisational development with 10 years of executive experience. She joined the Group in 2018 and has since transformed how the Group is governed, resulting in the Group being constantly awarded the highest governance rating by the State Governance Centre. Serves as a member of the Management Board at ESO and chairs the Management Board of Ignitis Grupės Paslaugų Centras. Prior to that, had gained executive experience while working in the financial sector. Was Head of Legal and Administrative Department at Šiaulių Bankas, member of the management board and deputy CEO at Finasta Bank as well as Head of Compliance at DNB Bankas (now Luminor), and Head of Legal Department at SEB Bankas. Education: Harvard Business School, Business Leadership Program; Saïd Business School, University of Oxford, Executive Leadership Program; Mykolas Romeris University, Doctor in Philosophy (PhD in Law); Vilnius University, Master's degree in Law. Member of the Management Board since 01/02/2018. Term of office expires: 17/02/2026.



Vidmantas Salietis – *Chief Commercial Officer and member of the Management Board*

10+ years of experience in top-level positions in the energy sector. Joined the Group in 2011 and since has served as an executive in various Group companies. In addition to becoming a member of the Management Board of Group in 2018, has also been serving as a Chair of the Supervisory Board at Ignitis, a Chair of the Supervisory Board of Ignitis Gamyba as well as a member of the Management Board of Ignitis Renewables. Prior to that, had served as CEO at Energijos Tiekimas, and had led an electricity wholesale trading department at Ignitis Gamyba. Had also served as Chair and member of the Management Board of Elektroninių Mokėjimų Agentūra and member of the Management Board of Gamybos Optimizavimas. Education: Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business. Member of the Management Board since 01/02/2018. Term of office expires: 17/02/2026.



Mantas Mikalajūnas – *Head of Regulated Activities and member of the Management Board*

Almost 20 years of executive experience in various energy sector's companies. Launched his career in Lietuvos Dujos, later had an internship in a German energy group. After returning to Lithuania, was working in strategic positions at Lietuvos Dujos, serving as an executive team member and being responsible for issues related to investor relations, state authorities and the regulator as well as integration of Lietuvos Dujos into Lietuvos Energija (current Ignitis Group). Before transitioning to the current position of Head of Group Regulated Activities, had served as Head of Business Development at Ignitis Group and CEO at Lietuvos Dujų Tiekimas (later, Lietuvos Energijos Tiekimas). Education: Vilnius University, Master's degree in Business Administration and Management. Member of the Management Board since 18/02/2022. Term of office expires: 17/02/2026.



Supervisory Board



Alfonso Faubel – *Chair of the Supervisory Board, independent member*

Has held executive responsibilities in Siemens Gamesa, Alstom/GE (which are leading players in the global wind power & energy markets) and Delphi Automotive. 34 years of diverse experience in automotive, digitization and energy industries. Valued for his skills in business turnaround, improving operational excellence, working with teams in different cultural environments on assignments worldwide. Education: University of Cologne, Business Administration & Economics; Richmond American University London, Bachelor's degree in Business Administration; INSEAD, Executive Education. Chair, member since 26/10/2021. Term of office expires: 25/10/2025.



Judith Buss – *Independent member*

More than 20 years of experience in various senior leadership positions in the global energy industry and financial markets. Has worked internationally in Germany, Norway and the UK. Significant experience in corporate finance, leading and negotiating large international M&A growth acquisitions, integration processes and organizational and cultural change processes. Has held several executive positions at E.ON group, most recently as CFO of E.ON Climate & Renewables. Also experience in corporate governance serving as a member of several boards of directors in companies operating in Germany, Norway, the UK, Russia and Algeria. Education: University of Augsburg, Master's degree in Business Administration (Banking, Finance and Controlling); Leadership Programs at IMD Business School, Lausanne, and Massachusetts Institute of Technology, Boston; University of Duesseldorf, Bachelor's degree in art history Member since 12/11/2020. Term of office expires: 25/10/2025.



Lorraine Wrafter – *Independent member*

A global HR director with a specialisation in Organisation Effectiveness (change, culture, M&A, organisation design, reward and talent management), working with boards and executive teams to transform organisations and workforce performance to deliver business value in complex multinational organisations. More than 30 years of experience in big multinational corporations: CARGILL Inc. and HOLLAND. Education: Limerick University, Diploma in Business Studies; University West of London, Diploma in Human Resources and Fellow of the Chartered Institute of Personal Development; Leicester University, Master's degree in Human Resources Management and Development; INSEAD, Diploma in Clinical Organisational Psychology, Executive Masters, Consultancy and Coaching for Change. Member since 26/10/2021. Term of office expires: 25/10/2025.



Tim Brooks – *Independent member*

Senior executive with more than 20 years of experience in sustainable development both as a consultant, and in large corporate entities. Has been working at The LEGO Group for 10 years, most recently as a Vice President for Sustainability and regularly contributes to the company's risk and compliance boards. Experience in developing sustainability strategies and working with a broad range of stakeholders to implement industry leading sustainability programmes. Education: University of Sheffield, Bachelor's degree in Environmental Geoscience; Imperial College, Master's degree in Environmental Technology (Energy Policy); Cambridge University, Institute of Sustainability Leadership. Member since 26/10/2021. Term of office expires: 25/10/2025.



Ingrida Muckutė – Member (majority shareholder's representative)

Highly experienced in accounting and reporting, financial audit regulation with a career of 20 years at the Ministry of Finance of the Republic of Lithuania. Started career in the Ministry of Finance as a Director of Accounting Methodology Department in 2004, where she initiated and led the public sector accounting reform. In 2013, during Lithuania's presidency in the European Council, she was chairing the Task Force on Company Law meetings on Audit Directive and Regulation. From then on, her responsibilities cover chairing the Committee of National Accounting Standards for private and public sectors. Her current position is Director of the Reporting, Audit, Property Valuation and Insolvency Policy Department at the Ministry of Finance. Education: Vilnius University, Master's degree in Economics, Accounting, Finance and Banking; Uppsalla University (Sweden), Financial Management Programme. Member since 26/10/2021. Term of office expires: 25/10/2025.



Aušra Vičkačkienė – Member (majority shareholder's representative)

More than 20 years of experience in civil service. For the last 14 years she has been the Director of Asset Management Department of the Ministry of Finance, previously managed the Financial Services Division of the Ministry's Financial Markets Department, and was the Head of the Loan and Guarantee Supervision Division. Has also served on management boards of various state-owned companies: Būsto Paskolų Draudimas, Turto Bankas and Viešųjų Investicijų Plėtros Agentūra, where she was elected as the Chair of the Management Board. Education: Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Bachelor's degree in Management and Business Administration. Member since 30/08/2017. Term of office expires: 25/10/2025.



Disclosures and Disclaimer

STANDARDS AND SUPERVISORY AUTHORITY

This report has been prepared by Norne Securities AS, which is supervised by The Financial Supervisory Authority of Norway (Finanstilsynet). Industry standards issued by The Norwegian Securities Dealers Association (Verdipapirforetakenes Forbund) (www.vpff.no) have been used in preparing this report.

DISCLAIMER

This report is provided for information purposes only. It should not be used or considered as an offer to sell or a solicitation of an offer to buy any securities. This report is prepared for general circulation and general information only. It does not take into account the specific investment objectives, investment knowledge and experience and financial situation of any recipient. Investors seeking to buy or sell any securities discussed or recommended in this report, should seek independent financial advice relating thereto and make his/her own appraisal of the tax or other financial merits of the investment. Any opinions expressed are subject to change without prior notice. This report is based on information from various sources believed to be reliable. Although all reasonable care has been taken to ensure that the information herein is not misleading, Norne Securities AS makes no guarantee, representation or warranty, expressed or implied as to its accuracy, adequacy or completeness. Neither Norne Securities AS, its employees, nor any other person connected with it, accepts any liability whatsoever for any direct, indirect or incidental, special or consequential loss of any kind arising out of the use or reliance on the information in this report.

This report is intended for use only by those persons to whom it is made available by Norne Securities AS. This report may not be distributed, quoted from or reproduced, in full or in part, in any manner without written approval by Norne Securities AS.

DISCLOSURE OF INTERESTS

Norne Securities AS may at any time perform investment banking or other services or solicit investment banking or other mandates from the company or companies covered in this report. Norne Securities AS may hold positions in securities covered in this report due to its own-account trading that is part of its investment services operations, such as market making. Norne Securities AS has appointed and may at any time appoint tied agents to provide investment services on behalf of Norne Securities AS. Tied agents are listed in the public registry of the Norwegian Financial Supervisory Authority, and an updated overview of appointed tied agents of Norne Securities AS can be found on [Compliance | Norne Securities](#).

PREVENTING CONFLICTS OF INTEREST

Norne Securities AS has arrangements in place with the aim of preventing conflicts of interest. As part of these arrangements, Norne Securities AS has established information barriers between different parts of the company to restrict and control the exchange of sensitive information. No direct link exists between remuneration of the Norne Securities AS analysts and investment banking services provided by Norne Securities AS, but analysts may receive a bonus under the firm's general bonus scheme. Under our internal regulations, which have been prepared in accordance with applicable legislation and relevant industry standards, our analysts are not permitted to purchase new securities in the companies they cover.

CAUTIONARY NOTE REGARDING RISK

An investment in the company involves risk, and several factors could cause the actual results, performance or achievements of the company to be materially different from future results, performance or achievements that may be expressed or implied by statements and information in this presentation. Including, among others, risk or uncertainties associated with the company's business segments, development, growth management, financing, market acceptance and relations with customer, and more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environment, fluctuations in currency exchange rates and interest rates and other factors. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. Past performance is not a guide to future performance. Investing in securities may result in a loss of all or part of the investment.

DISTRIBUTION RESTRICTIONS

This report is not intended for and must not be distributed to private customers in the UK or US. Norne Securities AS and its employees are not subject to the Rules of the Financial Industry Regulatory Authority (FINRA) governing research analyst conflicts. The research reports are intended for distribution in the United States solely to "major U.S. institutional investors" as defined in Rule 15a-6 under the United States Securities Exchange Act of 1934, as amended and may not be furnished to any other person in the United States. Each major U.S. institutional investor that receives a copy of a Norne Securities AS research report by its acceptance thereof represents and agrees that it shall not distribute or provide copies to any other person. Reports are prepared by Norne Securities AS and distributed to major U.S. institutional investors under Rule 15a-6(a)(2).

VALUATION

Due to the services being Paid Research, Norne Securities will, under current legislation, not provide a specific research recommendation with respect to the Company's shares, but will provide a fair value estimate range, from conservative to optimistic, in accordance with market practice for such research.

POTENTIAL CONFLICTS OF INTEREST

This report is paid for by the company covered in it.

This report has been presented to the issuer before dissemination for a check of factual information. Amendments of factual information have been made following this.

Share holdings of Norne employees in Ignitis Group:

Responsible analyst(s)	0
All Norne analysts	20
Other Norne employees	0
Norne Securities AS	0

The overview of share holdings is updated continuously. A list of total share holdings of the Norne Securities' employees and the date of last overview can be found on [Compliance | Norne Securities](#). Shareholdings that Norne Securities AS owns as a result of own-account trading that is part of its investment services operations (such as market making) are not included in the table above.

COPYRIGHT

This report may not be duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

THIS REPORT IS SUBJECT TO NORWEGIAN LAW, AND ANY DISPUTE ARISING IN RESPECT OF THIS REPORT IS SUBJECT TO THE EXCLUSIVE JURISDICTION OF NORWEGIAN COURTS.