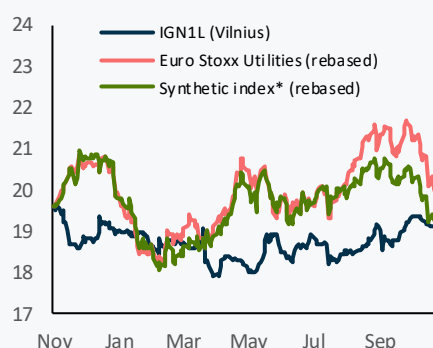


Ignitis Group

Key share data	
Sector	Integrated Utilities
Ticker - Nasdaq Vilnius	IGN1L
Ticker - London Stock Exchange	IGN
Market Cap (EURm)	1,374
Net Debt (EURm)	1,449
EV (EURm)	2,823
Net debt / Equity	61%
Issued shares, m	72.4

Share price, last 12m



* Based on selected peers of Integrated (#12), Networks (#8) and Renewables (#10). See p. 7 for list of peers

Performance			
	1m	3m	12m
IGN1L	-1%	3%	-3%
Euro Stoxx Utilities	-6%	1%	4%

Upcoming events

2024 annual report	February 26, 2025
ex-dividend date	April 8, 2025
1Q25 report	May 14, 2025
2Q25 report	August 13, 2025
ex-dividend date	September 23, 2025
3Q25 report	November 12, 2025

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

Analysts

Ignas Lekštys
 (+370) 699 10 989
 ignas.lekstys@norne.no

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

Well positioned for growth

Ignitis Group reported its 3Q24 results last Wednesday with revenues and adj. EBITDA coming in higher than our expectations driven by Green and Reserve Capacities segments. Following strong 3Q results, the midpoint of the 2024 adj. EBITDA guidance was increased by EUR 25m. After better than expected results, we raise our valuation range to EUR 25-39/sh and stress out attractive dividend yield with solid growth opportunities.

Solid adj. EBITDA growth

Ignitis Group's 3Q revenues decreased by 12% YoY and exceeded our estimate by 11%. Adj. EBITDA rose by 17% YoY, coming in 12% higher than our forecast, driven by stronger-than-expected margins from Reserve Capabilities and Green Capacities. Electricity generation for 3Q was 0.58 TWh, below our expected 0.69 TWh, yet an improvement compared to 0.44 TWh generated in 3Q23.

Overall, adj. EBITDA reached EUR 107m, surpassing our forecast of EUR 96m. The Green Capacities segment's adj. EBITDA was 10% higher than expected, coming in at EUR 46.4m for 3Q24 compared to our estimate of EUR 42.1m. This outperformance was driven by the launch of new assets, including Mažeikiai WF, Silesia WF I, and the Vilnius CHP biomass unit, as well as higher electricity prices captured. Furthermore, Reserve Capacities' adj. EBITDA was twice as strong as we had forecasted, benefiting from the utilized option to generate additional market returns beyond the regulated return, which is difficult to forecast from quarter-to-quarter.

Capex came in below our estimate at EUR 161m vs our awaited EUR 273m for 3Q, and FCF was negative at only EUR 20m (our awaited EUR -189m due to awaited higher Capex).

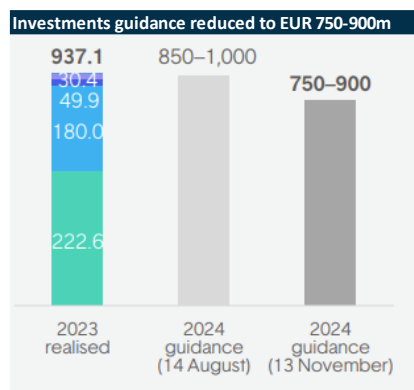
3Q/24 results	3Q/23	2Q/24	3Q/24	3Q/24e	Deviation, %	YoY, %	Consensus**
EURm			Reported	Norne			
Revenues	472.2	438.8	528.8	476.4	11.0%	12.0%	443
Adjusted EBITDA	91.8	108.0	107.2	96.2	11.5%	16.8%	93
Green Capacities*	45.3	57.4	46.4	42.1	10%	2%	41
Networks	40.0	50.2	49.9	48.3	3%	25%	48
Reserve Capacities	6.1	5.2	11.5	4.9	136%	89%	4
Customers & Solutions	-0.8	-5.6	-0.7	0.3	nm	nm	-
Other activities and eliminations	1.1	0.9	0.1	0.6	nm	nm	1
Adjusted EBIT	52.7	63.2	60.6	46.1	31.5%	15.0%	56
Net profit to shareholders	56.8	49.7	45.6	31.1	46.8%	-19.7%	39
EPS (EUR)	0.78	0.69	0.63	0.43	46.8%	-19.7%	0.55
Investments	231.1	209.5	161.4	273.3	-40.9%	-30.2%	-
Electricity Generated (net) TWh	0.44	0.55	0.58	0.69	-15.8%	31.8%	-

*Green Capacities - previously Green Generation
 **Consensus collected by Ignitis Group

(continued in the next page)

Adj. EBITDA guidance increased for the second time this year

Ignitis Group raised its adj. EBITDA guidance for 2024 to EUR 480-500m, up from the previous range of EUR 450-480m, driven by stronger adj. EBITDA performance in the Green Capacities segment in 3Q. The YTD adj. EBITDA now stands at EUR 397m, and considering that 4Q23 was strong for Ignitis with EBITDA of EUR 139m, we see high probability that the guided range will be exceeded to >EUR 500m (we estimate an adj. EBITDA for 2024e of EUR 534m). Meanwhile, the investment guidance has been lowered to EUR 750-900m, down from EUR 850-1,000m, a few investments are postponed to 2025.



Source: Ignitis Group



Source: Ignitis Group

Marginally positive estimate changes

Following the stronger-than-anticipated 3Q24 report, we have increased our EBITDA estimates for 2024e. However, our projections for 2025-26e remain largely unchanged, as electricity price futures indicate a similar outlook compared to the previous report. Additionally, the CFO noted that the investment guidance for 2024e has been reduced due to timing effects. Consequently, we have raised our Capex estimates for 2025 by EUR 87m to EUR 747m. These slightly positive estimate changes result in increased TP range to EUR 25-39/sh from EUR 24-37/sh.

Estimate changes (EURm)

	3Q24		4Q24E		2024E		2025E		2026E	
	Act.	Est.	New	Old	New	Old	New	Old	New	Old
Revenues	533	479	643	641	2,263	2,208	2,504	2,472	2,651	2,639
Green Capacities	84	75	110	110	395	386	441	441	465	468
Networks	165	181	232	230	763	778	913	902	983	979
Reserve Capacities	33	29	36	36	133	129	120	118	122	121
Customers & Solutions	286	223	302	302	1,142	1,079	1,183	1,165	1,206	1,198
Other activities and eliminations	-35	-30	-37	-37	-170	-165	-153	-154	-126	-128
Adjusted EBITDA	108	96	136	136	534	522	567	564	575	573
Green Capacities	47	42	67	67	249	244	283	281	279	279
Networks	50	48	57	57	222	221	245	245	249	249
Reserve Capacities	12	5	6	7	43	37	18	19	19	19
Customers & Solutions	-1	0	7	6	18	18	19	18	27	25
Other activities and eliminations	0	1	-1	-1	2	2	1	0	1	0
Net profit to shareholders	46	31	65	62	279	262	243	237	212	204
EPS (EUR)	0.63	0.43	0.90	0.86	3.86	3.61	3.36	3.27	2.93	2.82
Investments	-158	-273	-213	-213	-773	-874	-747	-661	-893	-891

(continued in the next page)

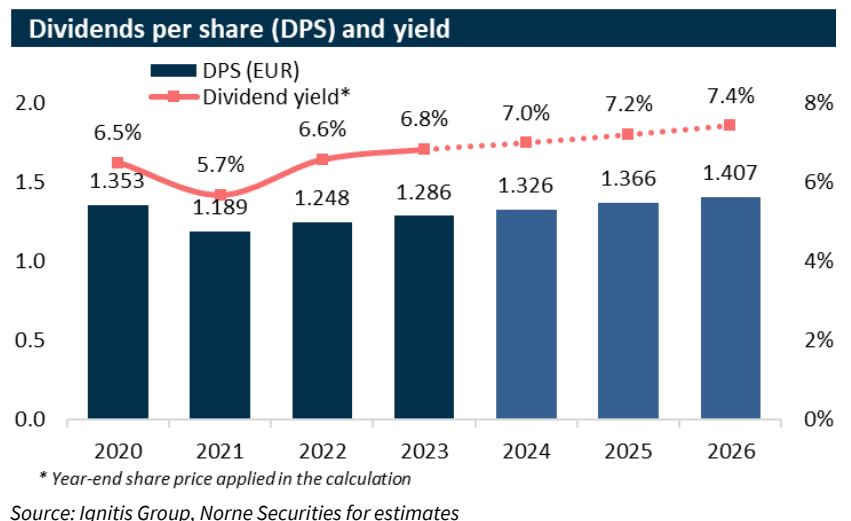
Update on progress on development

In 3Q24, Kelmé WF (300 MW) supplied its first power to the grid, with 28 out of 44 wind turbines currently installed. Additionally, Silesia WF II (137 MW) in Poland also delivered its first power to the grid, with all turbines now erected, installed, and fully prepared for operation. Both projects are anticipated to achieve COD in 2025.

Moreover, a FID has been made for the 174 MW Tume SF. This will be the first project to utilize tracking technology that follows the sun's movement, enhancing solar panel generation efficiency and electricity output. The solar farm is expected to reach COD in 2026 and will have the capacity to meet the electricity needs of 85,000 households in Latvia.

The valuation remains appealing

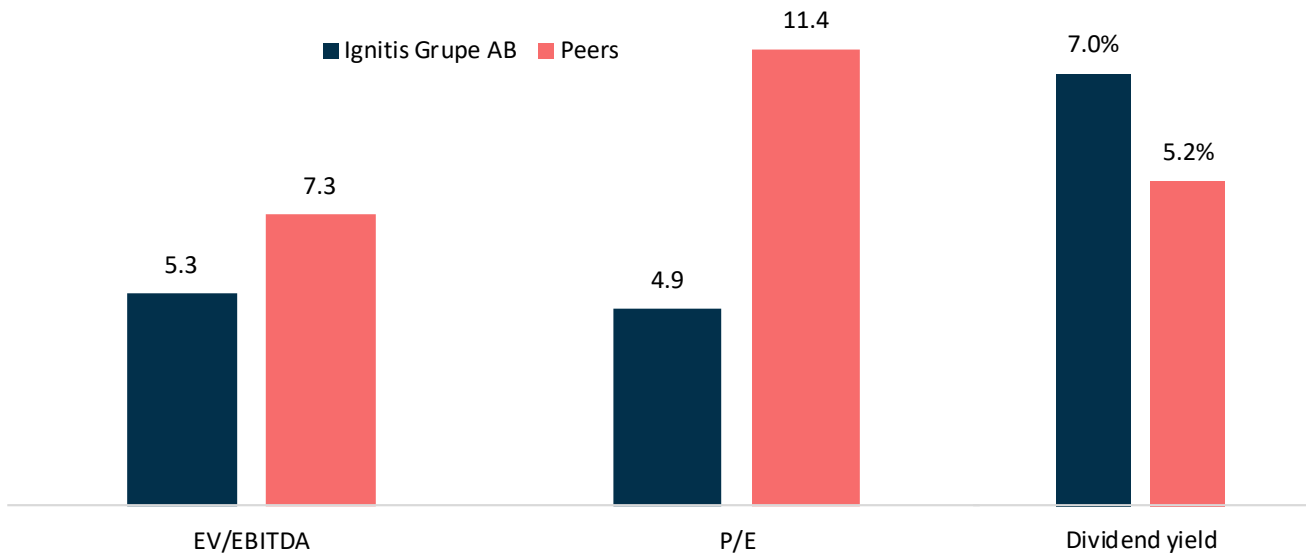
With continued sluggish development in the share price, Ignitis Group's dividend yield is projected to remain attractive, ranging from 7.0% to 7.4% for the 2024–26e period. This is particularly noteworthy given the company is still growing requiring significant Capex and having well diversified revenue streams.



(continued in the next page)

Ignitis Group's share remains highly discounted to European peer medians. Under our estimates, EV/EBITDA of Ignitis Group is 25% lower than peer median value for 2024 and 29% lower for 2025. The discount in P/E is even greater at 57% and 49% respectively. Dividend yield of Ignitis Group is also higher at 7.0-7.4% vs the peer median of 4.9-5.0%. However, this can be explained that Ignitis Group is listed in the frontier market with significantly lower trading volume compared to peers.

Valuation multiples comparison vs European peers



* For peers list, see the information in the next pages

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 conservative 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 derive a DCF value of EUR 35.6/sh (prev. EUR 34.3/sh) per share for Ignitis Group.

DCF model

Proportionate basis	4Q 2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
EURm												(normalised year)
Electricity market price Lithuania, EUR/MWh	91	86	84	79	79	78	77	76	75	73	72	65
Electricity production (proportionate), TWh	0.65	2.92	4.03	5.74	5.97	6.45	7.41	7.83	7.82	7.79	7.78	9.67
Revenues	636	2,481	2,637	2,780	2,828	3,050	3,242	3,295	3,284	3,300	3,315	3,314
EBIT	80	318	308	336	338	362	383	395	351	337	325	340
Tax on EBIT	-12	-47	-46	-51	-51	-55	-58	-59	-53	-51	-49	-52
Income tax rate	14.4%	14.7%	14.8%	15.1%	15.2%	15.1%	15.0%	15.0%	15.0%	15.0%	15.0%	15.4%
EBIT less tax	69	271	262	285	287	307	325	336	298	286	277	288
Depreciation & amortization (+)	47	221	254	319	326	346	362	370	371	368	365	362
Investments	-237	-742	-769	-759	-745	-541	-347	-352	-548	-986	-508	-362
Change in working capital	1	-1	43	33	-6	-37	-81	-20	-1	-5	-6	0
Free Cash Flow to the Firm	-120	-252	-210	-122	-138	75	259	334	120	-337	128	288
NPV of FCFF	-119	-235	-186	-102	-110	57	184	225	77	-203	73	156

WACC	Assumptions	Valuation
Debt ratio	55%	Net debt (-)/cash (+)
Cost of debt (after tax)	3.4%	-1,449
Risk free rate*	3.8%	NPV cash flow:
Beta	0.75	Explicit period
Market risk premium	6.0%	-183
Cost of equity	8.3%	Terminal value
WACC	5.6%	4,259
		Total NPV cash flow
		4,028
		Equity value
		2,579
		Value per share, EUR
		35.6

*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%	61.3	78.5	104.4	147.6	233.9
	4.5%	45.3	57.1	73.5	98.2	139.2
	5.6%	22.5	28.2	35.6	45.4	58.8
	6.1%	15.7	20.1	25.7	32.7	42.0
	6.6%	10.2	13.7	17.9	23.2	29.9
	7.1%	5.7	8.5	11.8	15.9	20.9
	7.6%	2.0	4.2	6.9	10.0	13.9

We have also looked into sensitivity of the DCF value to electricity price, one of the key assumptions in the model. We note that e.g. Ignitis Group said that it estimates in its budget long-term power price in the range of EUR 80-90/MWh, which indicates a significant upside potential in estimates and thus our valuation, as we are more conservative on this assumption. However, the provided sensitivity table allows to calculate the approximate fair value in case of anticipated higher/lower electricity prices than our base case scenario.

Sensitivity of DCF to electricity price					
Electricity market price 2035, EUR/MWh (LT, LV, EE, PL)	55	60	65	70	75
DCF, EUR/sh.	20.5	28.1	35.6	43.2	50.8

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, share liquidity and thin trading). We see the Low-case scenario, assuming electricity prices for the normalised year of 60 EUR/MWh, gives fair value of EUR 25/sh, which is around 30% higher than the last closing price. The High-case scenario, assuming electricity price of 70 EUR/MWh, yields fair value of EUR 39/sh. The Base-case fair value is indicated at EUR 30/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	25.2
Base Case	65	32.0
High Case	70	38.8

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

$$\text{Stock Value} = D1 / (k-g)$$

where:

D1 = next dividend payment per share

k = cost of equity

g = constant growth rate of dividends

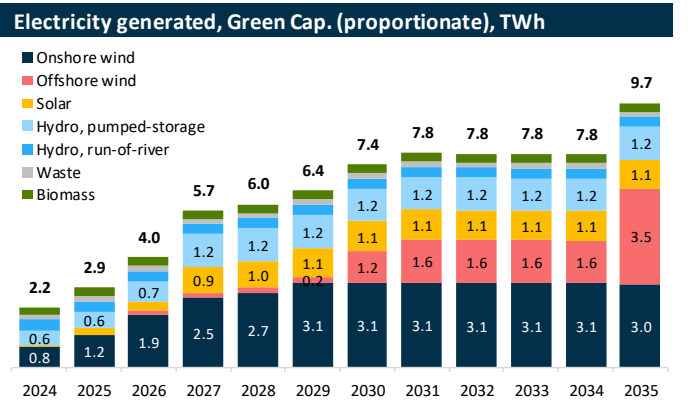
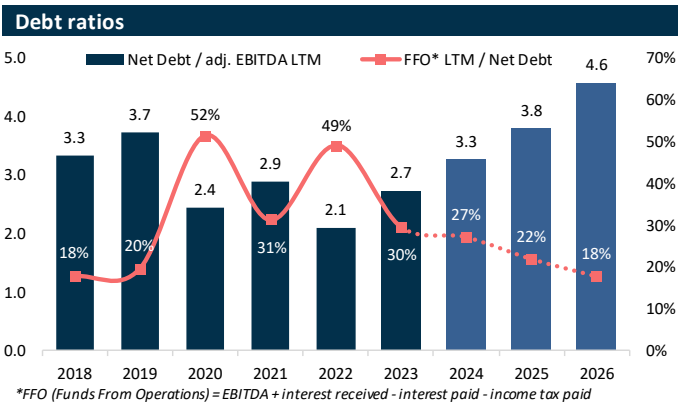
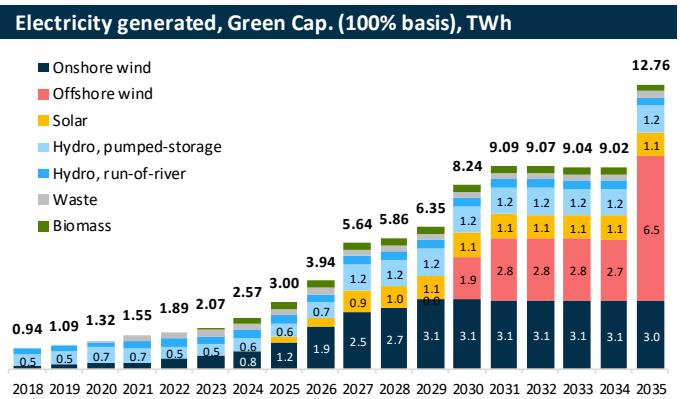
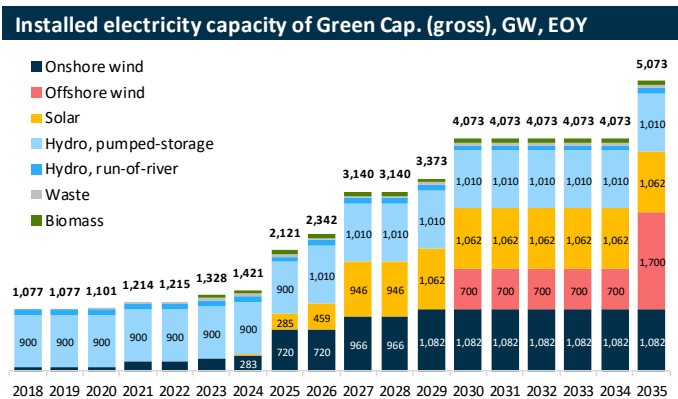
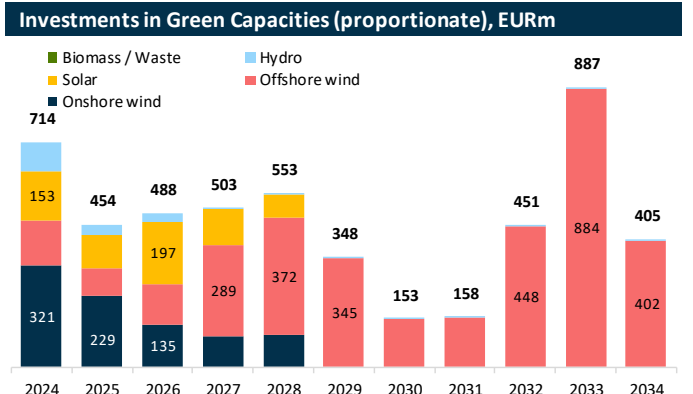
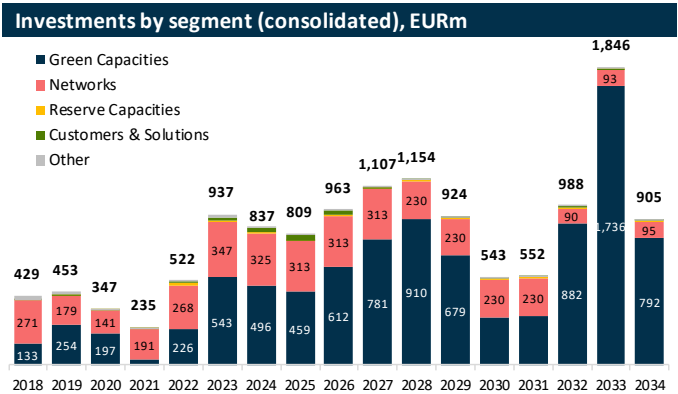
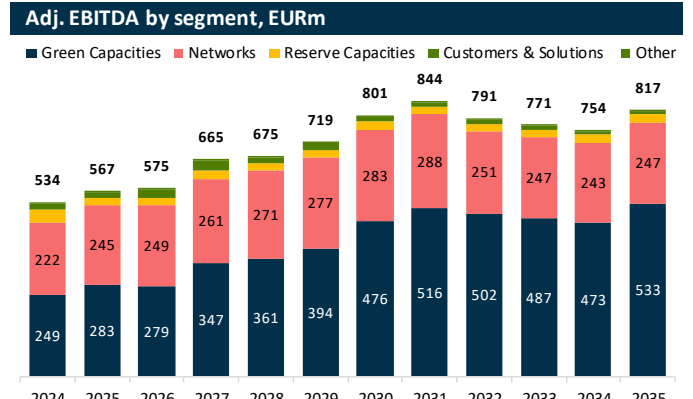
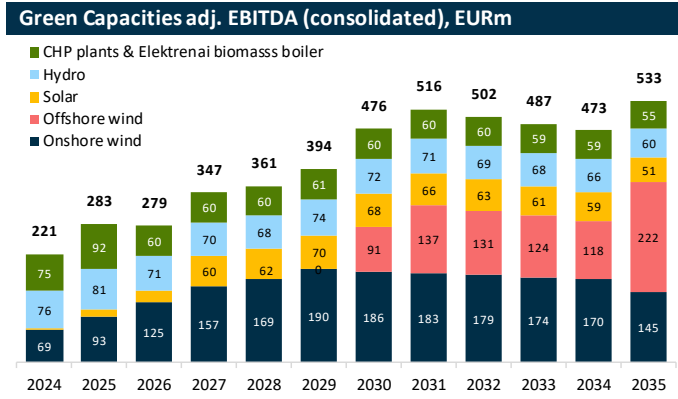
The calculation points to a fair value of the stock of EUR 25.4/sh., which

DDM (Dividend Discount Model)	
Dividend next 12m, EUR/sh.	1.346
Cost of equity	8.3%
Growth of dividends	3.0%
Fair value of stock, EUR	25.4

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	1,374	2,823	5.3	5.0	5.0	8.1	8.4	9.1	4.9	5.6	6.5	7.0%	7.2%	7.4%
Integrated															
CEZ AS	Bloomberg	19,703	27,951	5.6	6.2	7.1	8.2	9.8	11.6	15.4	17.9	13.8	5.3%	4.7%	4.7%
EDP SA	Bloomberg	14,456	40,637	8.1	8.3	8.1	12.8	13.5	13.3	11.0	12.0	11.8	5.8%	5.8%	5.8%
Endesa SA	Bloomberg	21,022	31,065	6.0	5.9	5.7	10.3	10.0	9.6	11.8	11.2	10.5	5.8%	6.4%	6.9%
Enel SpA	Bloomberg	68,198	144,755	6.3	6.3	6.2	9.6	9.7	9.5	9.9	9.9	9.6	6.8%	7.1%	7.3%
Engie SA	Bloomberg	37,867	72,626	4.8	5.2	5.3	7.5	8.3	8.5	7.1	8.8	9.3	9.3%	8.0%	7.6%
EVN AG	Bloomberg	4,497	5,820	7.5	6.9	6.7	13.6	12.4	11.9	9.8	10.2	10.2	4.2%	3.9%	3.9%
E.ON SE	Bloomberg	30,851	67,792	7.6	7.4	7.1	12.0	11.9	11.6	10.5	10.7	10.7	4.7%	4.9%	5.1%
Iberdrola SA	Bloomberg	85,217	160,643	10.0	9.9	9.4	15.4	15.8	14.8	15.1	15.2	14.4	4.5%	4.7%	5.0%
Naturgy Energy Group SA	Bloomberg	21,971	35,876	6.8	7.1	7.1	10.6	11.3	11.5	11.7	13.0	13.4	6.2%	6.2%	6.1%
Public Power Corp SA	Bloomberg	4,611	9,951	5.6	5.0	4.5	11.4	7.7	6.4	14.0	9.6	7.5	3.3%	4.8%	6.8%
SSE PLC	Bloomberg	22,750	36,398	9.6	9.0	8.4	13.1	12.3	11.6	11.0	10.5	10.3	3.5%	3.7%	4.0%
Verbund AG	Bloomberg	26,213	29,219	9.0	9.8	11.8	11.4	12.4	16.1	14.9	17.0	21.7	3.4%	3.0%	2.4%
Average		29,780	55,228	7.3	7.3	7.3	11.3	11.3	11.4	11.8	12.2	11.9	5.2%	5.3%	5.5%
Median		22,361	36,137	7.1	7.0	7.1	11.4	11.6	11.6	11.4	10.9	10.6	5.0%	4.9%	5.5%
Networks															
Elia Group SA/NV	Bloomberg	6,194	17,238	11.7	9.4	7.8	20.4	16.0	13.1	16.6	15.2	13.5	2.4%	2.5%	2.5%
Enagas SA	Bloomberg	3,353	5,983	8.1	8.8	9.5	14.3	16.2	18.1	24.4	13.5	14.8	8.1%	7.8%	7.8%
Italgas SpA	Bloomberg	4,555	11,816	8.9	7.7	6.9	14.8	13.1	11.3	9.5	9.5	8.7	6.8%	7.1%	7.7%
National Grid PLC	Bloomberg	57,642	107,751	13.1	12.1	11.2	18.9	17.6	16.2	14.0	13.8	13.1	5.5%	4.7%	4.8%
Redeia Corp SA	Bloomberg	9,036	15,264	11.4	10.9	9.8	19.2	18.1	15.6	18.0	17.5	15.0	5.0%	4.9%	5.3%
REN - Redes Energeticas Nacionais S	Bloomberg	1,608	4,143	8.2	8.1	7.9	16.9	16.9	16.5	13.9	13.9	14.0	6.3%	6.5%	6.4%
Snam SpA	Bloomberg	14,643	30,621	11.1	10.5	10.0	17.7	17.2	16.3	11.8	11.7	11.5	6.7%	6.9%	7.1%
Terna - Rete Elettrica Nazionale SpA	Bloomberg	15,626	25,590	10.3	10.0	9.1	15.7	15.7	14.1	15.1	15.9	15.0	4.9%	4.8%	5.0%
Average		14,082	27,301	10.4	9.7	9.0	17.2	16.3	15.1	15.4	13.8	13.2	5.7%	5.7%	5.8%
Median		7,615	16,251	10.7	9.7	9.3	17.3	16.6	15.9	14.6	13.8	13.8	5.9%	5.7%	5.9%
Renewables															
Acciona Energia SA	Bloomberg	6,274	11,366	10.0	8.4	8.6	18.3	14.7	15.5	20.9	16.8	17.8	2.0%	2.1%	2.1%
Alerion Cleanpower SpA	Bloomberg	937	1,484	11.3	8.9	5.6	22.3	20.3	8.0	32.6	38.4	9.1	1.6%	1.3%	5.6%
Encavis AG	Bloomberg	2,749	4,926	15.6	14.4	12.6	28.1	24.4	24.9	31.7	28.5	25.6	na	na	na
Enefit Green AS	Bloomberg	746	1,404	11.5	10.2	na	19.6	18.6	na	16.1	16.1	na	3.2%	2.8%	na
ERG SpA	Bloomberg	2,999	5,196	9.5	8.7	8.2	17.4	15.8	15.1	14.7	13.6	13.3	5.2%	5.3%	5.5%
Neoen SA	Bloomberg	6,030	9,832	18.1	13.8	11.8	30.9	22.9	19.4	72.7	48.0	38.9	0.4%	0.5%	0.5%
RWE AG	Bloomberg	23,840	35,063	6.5	7.1	6.4	10.5	12.7	11.6	11.2	15.2	13.7	3.4%	3.7%	3.9%
Scatec ASA	Bloomberg	1,084	3,327	7.7	8.3	8.1	10.1	11.0	11.4	16.1	17.7	19.0	0.0%	na	na
Voltaia SA	Bloomberg	1,058	2,981	13.6	10.4	8.8	29.9	20.3	16.1	na	62.0	32.0	0.0%	0.0%	0.0%
Ørsted AS	Bloomberg	21,747	33,622	8.4	8.2	7.5	14.9	12.9	12.1	18.8	14.1	13.5	na	0.0%	2.8%
Average		6,747	10,920	11.2	9.9	8.6	20.2	17.3	14.9	26.1	27.0	20.3	2.0%	2.0%	2.9%
Median		2,874	5,061	10.7	8.8	8.2	18.9	17.2	15.1	18.8	17.3	17.8	1.8%	1.7%	2.8%

Key Operating Indicators



Annual Financial Statements

Income statement (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenue from contracts with customers	1,024	1,080	1,215	1,877	4,381	2,542	2,267	2,480	2,623	2,764
Other income	46	9	8	22	6	7	15	17	18	19
Total revenues	1,070	1,089	1,223	1,899	4,387	2,549	2,282	2,497	2,640	2,783
Purchases of electricity, nat. gas and other s	-795	-729	-706	-1,381	-3,609	-1,758	-1,386	-1,522	-1,576	-1,525
Repair and maintenance expenses	-21	-30	-34	-32	-41	-61	-86	-117	-160	-223
Salaries and related expenses	-80	-87	-93	-97	-116	-137	-166	-192	-220	-246
Other expenses	-26	-42	-56	-46	-82	-86	-93	-106	-119	-131
EBITDA	148	202	335	343	540	507	532	559	565	658
Depreciation and amortisation	-88	-110	-113	-123	-138	-153	-180	-223	-252	-317
Write-offs, revaluation and impairments	-81	-9	-6	-28	-14	-2	-1	-2	-2	-2
Operating profit (EBIT)	-20	83	215	192	388	352	350	335	312	339
Finance income	2	2	2	18	4	42	17	3	6	6
Finance expenses	-15	-19	-23	-34	-54	-40	-53	-52	-68	-98
Equity earnings	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	-34	66	195	176	337	354	315	285	249	247
Taxes	12	-7	-25	-16	-44	-34	-36	-42	-37	-37
Non-controlling interest	0	-2	0	0	0	0	0	0	0	0
Net profit to shareholders of the company	-22	57	170	160	293	320	279	243	212	210
EPS (EUR)	-0.41	1.04	2.85	2.16	4.04	4.42	3.86	3.36	2.93	2.90
Dividends per share (EUR)	0.239	0.516	1.353	1.189	1.248	1.286	1.326	1.366	1.407	1.449
Balance sheet (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Deferred tax asset	14	12	6	14	31	57	27	27	27	27
Intangible assets	106	143	95	114	148	315	323	323	323	323
Goodwill	0	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	3,939	4,463	5,105	5,825
Right-of-use assets	0	61	64	58	49	50	58	58	58	58
Other long-term assets	199	207	174	150	211	433	408	448	451	455
Non-current assets	2,411	2,771	2,899	2,954	3,250	4,217	4,755	5,319	5,964	6,688
Inventories	43	47	66	186	570	275	384	374	322	267
Accounts receivable	143	118	128	275	424	266	262	297	335	339
Other current assets	129	131	169	395	333	171	174	174	174	174
Cash and cash equivalents	128	132	659	449	694	205	96	72	131	150
Short-term deposits	0	0	0	0	0	110	0	0	0	0
Current assets	443	428	1,022	1,304	2,022	1,028	915	917	961	929
Total assets	2,854	3,198	3,921	4,258	5,272	5,244	5,669	6,236	6,925	7,617
Shareholders' equity	1,255	1,300	1,812	1,856	2,126	2,263	2,389	2,535	2,647	2,754
Non-controlling interests	48	49	1	0	0	0	0	0	0	0
Equity	1,303	1,349	1,813	1,856	2,126	2,263	2,389	2,535	2,647	2,754
Deferred tax liability	36	38	46	47	55	87	80	80	80	80
Provisions	35	36	41	30	18	61	63	63	63	63
Long-term interest bearing debt	735	822	1,246	1,118	1,423	1,521	1,663	2,114	2,351	2,946
Long-term lease liabilities	14	34	29	46	45	42	51	51	51	51
Other long-term liabilities	347	421	442	463	523	608	619	635	643	652
Non-current liabilities	1,169	1,350	1,804	1,705	2,064	2,320	2,476	2,942	3,188	3,792
Current interest bearing debt	110	234	15	237	209	65	120	49	356	355
Short-term lease liabilities	5	8	13	5	4	5	4	4	4	4
Accounts payable	93	79	52	100	177	177	208	232	258	239
Other current liabilities	175	178	223	355	692	414	473	473	473	473
Current liabilities	383	499	304	697	1,082	661	804	758	1,090	1,071
Total equity and liabilities	2,854	3,198	3,921	4,258	5,272	5,244	5,669	6,236	6,925	7,617
Cash flow (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Operating profit (EBIT)	-20	83	215	192	388	352	350	335	312	339
Depreciation & amortisation (+)	88	110	113	123	138	153	180	223	252	317
Other items	73	18	17	46	91	46	6	-14	-7	-7
Paid taxes	-6	-5	-10	-18	-27	-81	-17	-42	-37	-37
Change in working capital	45	-29	-55	-237	-25	329	1	-2	40	33
Cash flow from operating activities	179	177	281	105	564	800	520	500	560	645
Acquis. of prop., plant & equip. and intang. a	-416	-428	-301	-245	-439	-839	-773	-747	-893	-1,037
Proceeds from sale of assets	48	40	14	2	3	3	1	0	0	0
Interest received	1	1	1	1	1	11	7	3	2	2
Other items	0	40	28	8	-20	-257	113	0	3	4
Cash flow from investment activities	-367	-347	-258	-235	-456	-1,081	-653	-745	-887	-1,031
Free cash flow	-188	-170	22	-129	108	-281	-133	-245	-328	-386
Change in interest bearing debt	197	61	392	93	276	-55	206	380	543	595
Share issues / buy-backs	0	0	450	-27	-14	0	7	0	0	0
Dividends paid	-81	-14	-73	-88	-89	-106	-95	-97	-100	-103
Interest paid	-10	-14	-16	-26	-29	-39	-49	-52	-68	-98
Lease payments	-1	-7	-10	-14	-5	-6	-7	-7	-7	-7
Other items	7	0	-47	-20	-2	-3	-39	-2	18	19
Cash flow from financing activities	112	25	696	-81	137	-209	24	221	386	406
Change in cash	-76	-145	718	-210	245	-490	-109	-24	59	19

Annual Segmental and Operating Data

Revenues per segment (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Green Capacities (adj.)*	77	84	90	218	458	343	395	441	465	579
Networks (adj.)	440	465	439	510	698	592	763	913	983	1,056
Reserve Capacities (adj.)	63	66	111	152	237	129	133	120	122	129
Customers & Solutions (adj.)	630	539	505	1,024	3,001	1,734	1,142	1,183	1,206	1,156
Other and Eliminations (adj.)	-65	-3	-10	-14	-77	-161	-170	-153	-126	-130
Total adjusted	1,145	1,151	1,135	1,888	4,317	2,636	2,263	2,504	2,651	2,789
Adjustments	-75	-52	88	10	70	23	2	-7	-10	-7
Total reported	1,070	1,099	1,223	1,899	4,387	2,659	2,266	2,497	2,640	2,783

EBITDA per segment (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Green Capacities (adj.)*	38	43	50	108	253	223	249	283	279	347
Networks (adj.)	169	181	138	145	164	180	222	245	249	261
Reserve Capacities (adj.)	13	22	29	37	35	50	43	18	19	24
Customers & Solutions (adj.)	7	11	27	41	16	30	18	19	27	31
Other and Eliminations (adj.)	-6	3	2	2	2	2	2	1	1	1
Total adjusted	221	260	246	333	469	484	534	567	575	665
Adjustments	-76	-53	88	10	70	23	2	-7	-10	-7
Total reported	145	207	334	343	540	507	536	559	565	658

Green Capacities, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Installed Electricity Capacity (period end), MW										
Onshore wind	76	76	76	170	170	233	283	720	720	966
Offshore wind	0	0	0	0	0	0	0	0	0	0
Solar	0	0	0	0	0	0	22	285	459	946
Hydro	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,111	1,111
<i>Pumped-storage</i>	900	900	900	900	900	900	900	900	1,010	1,010
<i>Run-of-river</i>	101	101	101	101	101	101	101	101	101	101
Waste	0	0	24	43	44	44	44	44	44	44
Biomass	0	0	0	0	0	50	71	73	73	73
Total installed electricity capacity	1,077	1,077	1,101	1,214	1,215	1,328	1,421	2,123	2,407	3,140
Electricity Generated, TWh										
Onshore wind	0.13	0.23	0.24	0.30	0.47	0.58	0.77	1.20	1.90	2.55
Offshore wind	0.00	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	0.25	0.35	0.94
Hydro	0.82	0.81	0.94	0.94	0.92	0.89	0.96	0.96	1.10	1.56
<i>Pumped-storage</i>	-	0.54	0.72	0.65	0.54	0.52	0.58	0.59	0.72	1.19
<i>Run-of-river</i>	-	0.27	0.23	0.29	0.38	0.37	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	0.27
Biomass	0.00	0.00	0.00	0.00	0.00	0.01	0.23	0.32	0.32	0.32
Total electricity generated	0.95	1.04	1.25	1.48	1.65	1.76	2.26	3.00	3.94	5.64
Electricity market price, EUR/MWh:										
Lithuania	50.0	46.1	34.0	90.2	229.2	92.9	93.1	85.8	83.9	79.2
Latvia	49.9	46.3	34.0	88.6	225.9	94.1	90.1	85.6	83.7	78.9
Estonia	47.0	45.9	33.7	86.5	192.0	91.0	87.2	82.1	80.3	75.7
Poland	53.1	53.6	47.2	87.3	166.3	111.9	94.7	104.2	100.9	97.9
Avg. realised el. price, EUR/MWh (ex. Kruoni)	na	na	na	na	na	na	90.9	112.1	86.9	79.0
Heat										
Installed heat capacity (period end), MW	40	40	110	170	180	329	349	349	349	349
Heat generated, TWh	-	0.09	0.32	0.85	0.89	1.07	1.56	1.67	1.67	1.67

Networks, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
RAB (Regulated Asset Base), EURm	-	1,416	1,186	1,258	1,345	1,429	1,584	1,795	1,948	2,084
WACC (regulatory), combined el. and gas	-	4.85%	5.00%	5.05%	4.13%	4.14%	5.08%	5.65%	5.05%	4.96%

Reserve Capacities, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Installed electricity capacity (period end), M	1,055	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	0.80	0.31	0.32	0.33

Customers & Solutions, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Electricity sales (retail), TWh	5.40	5.40	6.37	7.97	6.89	6.83	6.85	8.22	9.87	10.56
Natural gas sales (retail and wholesale), TWh	11.33	9.83	14.77	11.56	12.80	9.29	7.84	7.40	6.62	6.70

*Green Capacities - previously Green Generation

Quarterly Financial Statements

Income statement (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Revenue from contracts with customers	1,358	927	441	470	705	651	438	541	637
Other income	2	1	1	2	2	3	1	7	3
Total revenues	1,359	928	442	471	708	654	439	529	641
Purchases of electricity, nat. gas and other s	-1,181	-678	-325	-297	-458	-393	-253	-337	-403
Repair and maintenance expenses	-15	-9	-13	-17	-23	-14	-17	-23	-32
Salaries and related expenses	-32	-30	-35	-32	-40	-38	-42	-40	-46
Other expenses	75	-16	-25	-17	-27	-19	-22	-25	-27
EBITDA	206	195	45	108	159	189	105	104	134
Depreciation and amortisation	-35	-38	-36	-39	-41	-41	-45	-47	-48
Write-offs, revaluation and impairments	-9	-1	-1	0	0	-1	0	0	0
Operating profit (EBIT)	163	157	8	69	118	148	60	57	86
Finance income	-9	3	26	6	8	7	5	5	1
Finance expenses	-28	-11	-8	-13	-8	-15	-13	-14	-11
Equity earnings	0	0	0	0	0	0	0	0	0
Pre-tax profit	126	148	26	62	118	139	52	48	76
Taxes	-17	-21	3	-5	-10	-21	-2	-2	-11
Non-controlling interest	0	0	0	0	0	0	0	0	0
Net profit to shareholders of the company	109	127	29	57	108	119	50	46	65
EPS (EUR)	1.50	1.76	0.40	0.78	1.49	1.64	0.69	0.63	0.90
Dividends per share (EUR)	0.624	-	0.643	-	0.643	-	0.663	-	0.663
Balance sheet (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Deferred tax asset	31	57	62	61	57	53	25	27	27
Intangible assets	148	171	180	202	315	322	323	323	323
Goodwill	0	0	0	0	0	0	0	0	0
Property, plant and equipment	2,811	2,868	2,972	3,147	3,363	3,480	3,667	3,774	3,939
Right-of-use assets	49	50	53	56	50	52	58	58	58
Other long-term assets	211	234	370	362	433	450	432	372	408
Non-current assets	3,250	3,379	3,637	3,828	4,217	4,358	4,505	4,554	4,755
Inventories	570	265	274	315	275	230	238	293	384
Accounts receivable	424	307	205	226	266	238	210	229	262
Other current assets	333	209	208	195	171	153	138	174	174
Cash and cash equivalents	694	768	726	453	205	347	276	210	96
Short-term deposits	0	0	0	51	110	3	0	0	0
Current assets	2,022	1,549	1,413	1,240	1,028	970	861	905	915
Total assets	5,272	4,928	5,050	5,068	5,244	5,328	5,366	5,459	5,669
Shareholders' equity	2,126	2,060	2,084	2,101	2,263	2,321	2,370	2,372	2,389
Non-controlling interests	0	0	0	0	0	0	0	0	0
Equity	2,126	2,060	2,084	2,101	2,263	2,321	2,370	2,372	2,389
Deferred tax liability	55	61	65	66	87	90	85	80	80
Provisions	18	29	42	56	61	63	65	63	63
Long-term interest bearing debt	1,423	1,433	1,515	1,515	1,521	1,519	1,560	1,550	1,663
Long-term lease liabilities	45	46	49	49	42	44	50	51	51
Other long-term liabilities	523	538	546	555	608	606	611	614	619
Non-current liabilities	2,064	2,107	2,217	2,241	2,320	2,322	2,370	2,358	2,476
Current interest bearing debt	209	49	125	48	65	69	73	54	120
Short-term lease liabilities	4	4	3	6	5	5	4	4	4
Accounts payable	177	42	43	129	177	175	162	199	208
Other current liabilities	692	667	578	543	414	436	387	473	473
Current liabilities	1,082	761	750	726	661	684	626	729	804
Total equity and liabilities	5,272	4,928	5,050	5,068	5,244	5,328	5,366	5,459	5,669
Cash flow (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Operating profit (EBIT)	163	157	8	69	118	148	60	57	86
Depreciation & amortisation (+)	35	38	36	39	41	41	45	47	48
Other items	-18	-58	-4	-4	112	1	9	0	-5
Paid taxes	-5	-6	-57	-9	-10	-11	-38	43	-11
Change in working capital	531	235	164	-58	-11	75	62	-22	-114
Cash flow from operating activities	706	365	147	37	250	254	138	124	4
Acquis. of prop., plant & equip. and intang. a	-135	-122	-205	-185	-326	-212	-191	-158	-213
Proceeds from sale of assets	2	0	2	0	2	1	0	0	0
Interest received	0	0	4	4	2	1	4	1	1
Other items	-2	-8	1	-116	-134	111	1	1	0
Cash flow from investment activities	-135	-130	-198	-297	-457	-99	-186	-156	-212
Free cash flow	571	235	-51	-259	-206	155	-48	-33	-208
Change in interest bearing debt	-117	-155	82	7	11	-10	50	-13	179
Share issues / buy-backs	0	0	0	0	0	7	0	0	0
Dividends paid	-45	0	-60	0	-47	0	-47	0	-48
Interest paid	-4	-4	-11	-17	-7	-9	-12	-19	-11
Lease payments	-1	-2	-2	-1	-2	-2	-2	-2	-2
Other items	0	0	-1	-3	2	0	-14	0	-25
Cash flow from financing activities	-168	-161	8	-14	-42	-14	-23	-33	94
Change in cash	403	74	-42	-273	-248	142	-71	-66	-114

Quarterly Segmental and Operating Data

Revenues per segment (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Green Capacities (adj.)*	129	100	64	74	105	114	87	84	110
Networks (adj.)	223	122	106	198	167	206	161	165	232
Reserve Capacities (adj.)	72	15	47	25	43	45	19	33	36
Customers & Solutions (adj.)	918	680	335	276	442	338	216	286	302
Other and Eliminations (adj.)	-77	-33	-51	-28	-50	-57	-42	-35	-37
Total adjusted	1,265	883	501	545	708	646	442	533	643
Adjustments	94	45	-59	17	20	7	0	-2	-2
Total reported	1,359	928	442	561	727	654	442	530	641

EBITDA per segment (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Green Capacities (adj.)*	67	70	39	45	68	77	57	47	67
Networks (adj.)	48	49	40	40	51	66	50	50	57
Reserve Capacities (adj.)	17	29	4	6	12	20	5	12	6
Customers & Solutions (adj.)	-20	1	21	-1	9	17	-6	-1	7
Other and Eliminations (adj.)	1	2	0	1	-1	2	1	0	-1
Total adjusted	112	150	104	92	139	182	108	108	136
Adjustments	94	45	-59	17	20	7	0	-2	-2
Total reported	206	195	45	108	159	189	108	105	134

Green Capacities, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Installed electricity capacity (period end), MW:									
Onshore wind	170	170	170	233	233	283	283	305	283
Offshore wind	0	0	0	0	0	0	0	0	0
Solar	0	0	0	0	0	0	0	0	52
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	50	70	117	73
Total installed electricity capacity	1,215	1,215	1,215	1,278	1,328	1,378	1,398	1,467	1,453

Electricity generated (100% basis), TWh:	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Onshore wind	0.13	0.16	0.10	0.11	0.21	0.24	0.14	0.14	0.25
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	0.00	0.01	0.00
Hydro	0.22	0.28	0.20	0.17	0.21	0.26	0.23	0.21	0.25
<i>Pumped-storage</i>	0.15	0.13	0.08	0.13	0.14	0.11	0.13	0.16	0.18
<i>Run-of-river</i>	0.07	0.15	0.10	0.05	0.07	0.16	0.09	0.05	0.07
Waste	0.07	0.08	0.07	0.05	0.07	0.07	0.08	0.06	0.07
Biomass	0.00	0.00	0.00	0.00	0.01	0.04	0.06	0.04	0.09
Total electricity generated	0.42	0.52	0.36	0.36	0.50	0.61	0.51	0.47	0.67

Electricity market price, EUR/MWh:	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Lithuania	226.7	102.2	81.3	101.2	87.0	89.7	96.2	95.3	91.0
Latvia	226.5	100.4	80.9	101.2	93.9	86.7	86.7	96.3	90.8
Estonia	218.9	99.9	74.5	95.8	93.9	90.0	75.8	96.0	87.1
Poland	159.6	129.9	115.3	110.9	91.3	81.3	90.0	101.3	106.3

Avg. realised el. price, EUR/MWh (ex. Kruonis) na na na na 85.4 90.7 89.0 69.0 114.8

Heat	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Installed heat capacity (period end), MW	180	180	180	180	329	329	329	349	349
Heat generated, TWh	0.25	0.28	0.20	0.20	0.40	0.46	0.37	0.24	0.49

Networks, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	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, annu	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	1Q24	2Q24	3Q24	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	0.15	0.05	0.11	0.14

Customers & Solutions, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E
Electricity sales (retail), TWh	1.88	1.84	1.54	1.63	1.82	1.77	1.49	1.59	2.00
Natural gas sales (retail and wholesale), TWh	3.84	3.85	1.44	1.34	2.65	2.84	1.27	1.83	1.90

*Green Capacities - previously Green Generation

Ratios & Share Data

Share data	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Number of shares, weighted average (m)	54.3	54.3	59.0	74.3	72.6	72.4	72.4	72.4	72.4	72.4
Share price, period end (EUR)	na	na	20.85	21.00	19.02	18.84	18.98	18.98	18.98	18.98
Market capitalisation, period end (EURm)	na	na	1,549	1,560	1,377	1,364	1,374	1,374	1,374	1,374
Enterprise value (EURm)	na	na	2,151	2,517	2,364	2,681	3,116	3,520	4,004	4,579
Valuation	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
EV/Sales	na	na	1.8	1.3	0.5	1.1	1.4	1.4	1.5	1.6
EV/EBITDA	na	na	6.4	7.3	4.4	5.3	5.9	6.3	7.1	7.0
EV/EBIT	na	na	10.0	13.1	6.1	7.6	8.9	10.5	12.9	13.5
P/E	na	na	7.3	9.7	4.7	4.3	4.9	5.6	6.5	6.5
P/B	na	na	0.85	0.84	0.65	0.60	0.58	0.54	0.52	0.50
Dividend yield	na	na	6.5%	5.7%	6.6%	6.8%	7.0%	7.2%	7.4%	7.6%
Balance sheet	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Net Debt (incl. lease liabilities)	736	967	600	957	987	1,318	1,742	2,146	2,630	3,206
Net Debt / EBITDA LTM	4.97	4.78	1.79	2.79	1.83	2.60	3.28	3.84	4.65	4.87
Net Debt / adj. EBITDA LTM	3.33	3.72	2.44	2.88	2.10	2.72	3.26	3.79	4.57	4.82
FFO* LTM / Net Debt	17.8%	19.6%	51.5%	31.3%	49.1%	29.6%	27.1%	21.8%	17.6%	16.4%
Equity / Assets	46%	42%	46%	44%	40%	43%	42%	41%	38%	36%
Growth (YoY)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenue	-3%	2%	12%	55%	131%	-42%	-11%	10%	6%	5%
EBITDA	-34%	37%	65%	3%	57%	-6%	5%	5%	1%	16%
EBIT	nm	nm	159%	-11%	102%	-9%	-1%	-4%	-7%	9%
Net profit to shareholders	nm	nm	201%	-6%	83%	9%	-13%	-13%	-13%	-1%
EPS	nm	nm	173%	-24%	88%	9%	-13%	-13%	-13%	-1%
Margins	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
EBITDA	14%	19%	27%	18%	12%	20%	24%	22%	21%	24%
EBIT	-2%	8%	18%	10%	9%	14%	15%	13%	12%	12%
Net profit to shareholders	-2%	5%	14%	8%	7%	13%	12%	10%	8%	8%
Profitability	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
ROE	-1.8%	4.4%	10.9%	8.7%	14.7%	14.6%	12.0%	9.9%	8.2%	7.8%
ROCE**	-1.1%	3.8%	9.1%	7.4%	13.1%	10.5%	9.1%	7.6%	6.3%	6.0%
ROCE** a dj.	2.8%	6.2%	5.4%	7.9%	10.7%	9.8%	9.1%	7.8%	6.5%	6.2%

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

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

Valuation, risks and sources

Target price and valuation

Valuation range history for Ignitis Group during the previous 12 months:

Date	Valuation range (EUR/share)
19/11/2024	EUR 25–39
06/11/2024	EUR 24–37
21/08/2024	EUR 24–37
07/08/2024	EUR 24–37
28/05/2024	EUR 22–36
13/05/2024	EUR 21–36
03/04/2024	EUR 21–36

Valuation

We base our valuation of Ignitis Group on a Discounted Cash Flow (DCF) model and Dividend Discount Model.

Sources

The sources used in the preparation of this report were: Ignitis Group, NERC, Our World In Data, Enefit, ESO, Litgrid Nord Pool, Nasdaq, Baltpool, Bloomberg.

Risks

- **Electricity price.** Ignitis Group's electricity generation business 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.

- **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.
- **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.

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.

Obligation to provide information about employees' own holdings, cf. Securities Regulations § 3-10 (2) and § 3-11 (1) lit. a and b. Information on holdings of listed financial instruments that the employees of Norne Securities AS own is provided on request.

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.