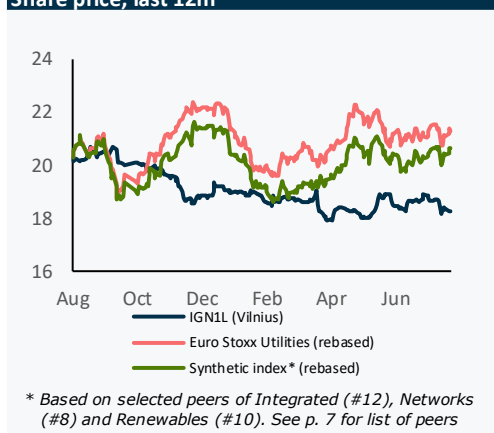


Ignitis Group

Key share data

Sector	Integrated Utilities
Ticker - Nasdaq Vilnius	IGN1L
Ticker - London Stock Exchange	IGN
Market Cap (EURm)	1,342
Net Debt (EURm)	1,288
EV (EURm)	2,630
Net debt / Equity	55%
Issued shares, m	72.4

Share price, last 12m



Upcoming events

Investor Day	September 13, 2024
Ex-dividend	September 24, 2024
3Q24 report	November 13, 2024

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

Analysts

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Strong Green Capacities pipeline, high dividend and solid EBITDA growth ahead

Ignitis Group reported its 2Q24 results last Wednesday. FCF and adj. EBITDA landed broadly as expected, while Green Capacities adj. EBITDA was 21% ahead of us. We welcome the upgraded adj. EBITDA target for 2024, albeit that was highly awaited by the market following strong 1Q. Overall, with the in-line report, we made limited changes to our estimates and our fair valuation range is left intact. The investments case continues to be supported high discount to peers, attractive exposure to Green generation and solid adj. EBITDA growth ahead backed by strong Green Capacities pipeline. Dividend yield offering is strong at 7-8%, and combined with EBITDA CAGR growth of 8-9% until 2027, that implies total shareholder return of solid ~15%.

Strong Green Capacities in 2Q, but overall adj. EBITDA as awaited

Ignitis Group's 2Q adj. EBITDA marked 4% increase YoY (+14% for 1H2024 YoY) as despite lower electricity prices this was more than offset by higher electricity generation. Electricity generation came in at 0.55 TWh in 2Q vs our awaited 0.59 TWh, but stronger YoY of 0.41 TWh in 2Q23.

Overall, adj. EBITDA landed at EUR 108.0m vs our awaited EUR 105.3m and EUR 103.7m in 2Q23. Notably, Green Capacities segment's adj. EBITDA was 21% ahead our forecast at EUR 57.4m in 2Q24 vs EUR 39.1m in 2Q23 as a result of new asset launches (Mažeikiai WF, Silesia WF I and Vilnius CHP biomass unit) and higher captured electricity prices. On the flip side, both Customers & Solutions and Reserve Capacities were weaker than forecasted by us, especially Customers & Solutions was at negative adj. EBITDA of EUR 5.6m driven by lower results in natural gas B2B activities but mitigated by better electricity B2B results in Latvia and Poland.

2Q/24 results	2Q/23	1Q/24	2Q/24	2Q/24e	Deviation, %	YoY, %
EURm			Reported	Norne		
Revenues	442.0	653.5	438.8	449.2	-2.3%	-0.7%
Adjusted EBITDA	103.7	181.7	108.0	105.3	2.6%	4.1%
Green Capacities*	39.1	77.1	57.5	47.6	21%	47%
Networks	40.0	65.5	50.2	47.2	6%	25%
Reserve Capacities	3.6	20.0	5.3	8.3	-36%	47%
Customers & Solutions	20.8	17.4	-5.5	2.4	nm	nm
Other activities and eliminations	0.2	1.7	0.9	-0.2	nm	350.0%
EBIT	8.2	147.5	60.4	62.4	-3.2%	636.6%
Net profit to shareholders	28.6	118.7	49.7	46.0	8.0%	73.8%
EPS (EUR)	0.40	1.64	0.69	0.64	8.0%	73.8%
Investments	281.8	209.5	212.8	280.6	-24.2%	-24.5%
Electricity Generated (net) TWh	0.41	0.77	0.55	0.59	-7.1%	34.1%

*Green Capacities - previously Green Generation

Capex came in below our estimate at EUR 213m vs our estimated EUR 281m for 2Q, while FCF were negative at EUR -110m (our awaited EUR -98m) vs EUR -158m in 2Q23. The effective interest rate slightly increased QoQ to 2.69% (2.62%). Dividend of EUR 0.663/sh (EUR 48m) was also as expected and in line with the provided dividend policy.

(continued in the next page)

Adj. EBITDA guidance increased for 2024, as widely expected

Ignitis Group decided to increase its adj. EBITDA guidance for 2024 to EUR 450-480m (prev. EUR 440-470m), but investments of EUR 850-1,000m were retained. 1H adj. EBITDA of EUR 289.7m comprises of ~62% of mid-range guided adj. EBITDA for 2024. While we have conservative estimates and expect slightly weaker 2H2024 compared to 2H2023, our adj. EBITDA estimate for 2024 stands at EUR 516m. We note that both 1Q24 and 2Q24 were stronger YoY, and improves our confidence that Ignitis Group is well positioned to exceed its adj. EBITDA target (similarly last year 2H EBITDA beat was well above the expectations).

Adj. EBITDA expected to reach EUR ~450–480m in 2024

Adjusted EBITDA^{APM}
EURm



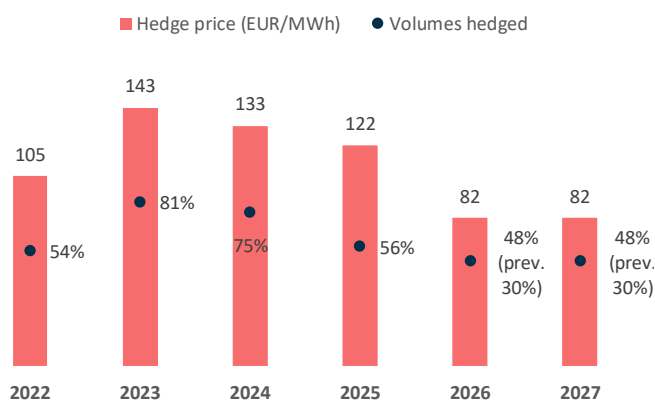
Source: Ignitis Group, Norne Securities

Investment case supported by solid Green Capacities pipeline, high dividend yield and strong EBITDA growth

Following the in-line 2Q report, we have not made any significant changes in our estimates, except that Silesia WF II was moved from 4Q2024 to 1Q2025 due to some delay. All in all, we leave our valuation range intact at EUR 23.8-37.0/sh with a mid-value of base scenario at EUR 30.4/sh.

Attractive exposure to green generation. We believe Ignitis Group continues to offer an attractive exposure to Green Capacities portfolio, high dividend yield and strong EBITDA growth ahead supported by launches of new assets and favourable electricity prices. E.g. Ignitis Group has hedged its electricity production prices at EUR 133/MWh (75%) for 2024 and EUR 122/MWh (56%) for 2025, which is far above the electricity spot price in Lithuania and Poland at EUR 81.5/MWh and EUR 87.2/MWh respectively in 1H2024. In addition, for 2025-2026, around 48% (up from 30% in 1Q24) of the volumes are hedged at EUR 82/MWh, which is above the projected long-term electricity price range of EUR 70-80/MWh.

Generation Portfolio hedging levels

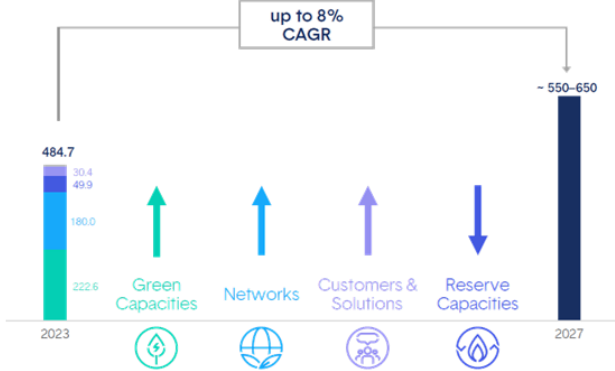


Source: Ignitis Group, Norne Securities

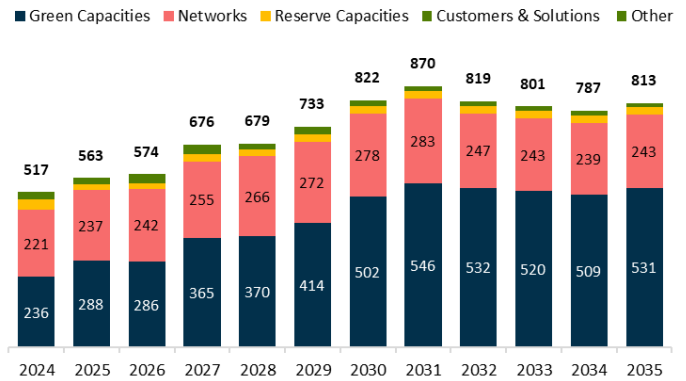
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Well-positioned to capture higher electricity prices. In that sense, Ignitis Group is well positioned in the market and that should support its adj. EBITDA growth in Green Capacities segment together with new asset launches. The company guides its adj. EBITDA to reach EUR 550-650m by 2027, which represents CAGR of around 8-9% (based on Ignitis Group and our projections).

Adj. EBITDA expected to reach EUR ~550–650m in 2027

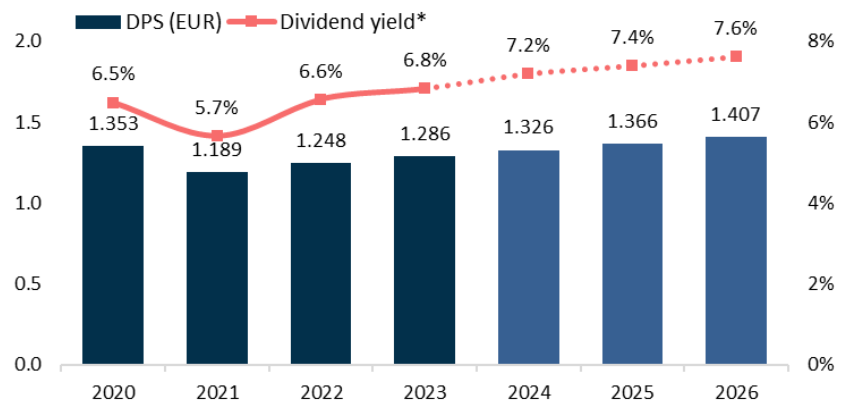


Adj. EBITDA by segment, EURm



Ignitis Group offers total shareholder return of 15%. Ignitis dividend yield remains appealing at 7.2-7.6% for 2024-2026, which we view as very high and attractive considering high-growth company, significant investment needs in Green Capacities and high value creation potential in the long-term as new projects reach COD/launch phase. Combined with EBITDA CAGR growth of 8-9% until 2027, that implies total shareholder return of solid ~15%.

Dividends per share (DPS) and yield

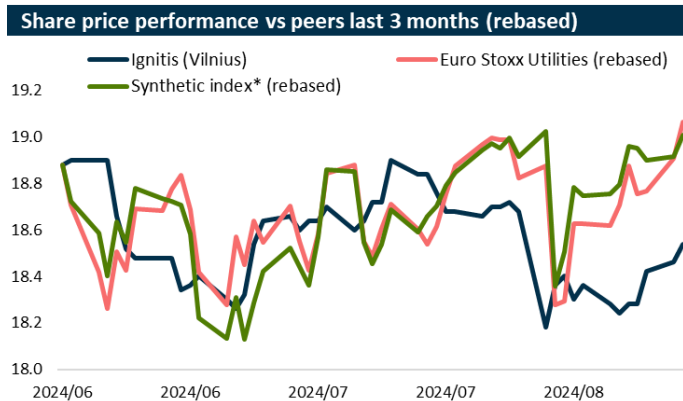
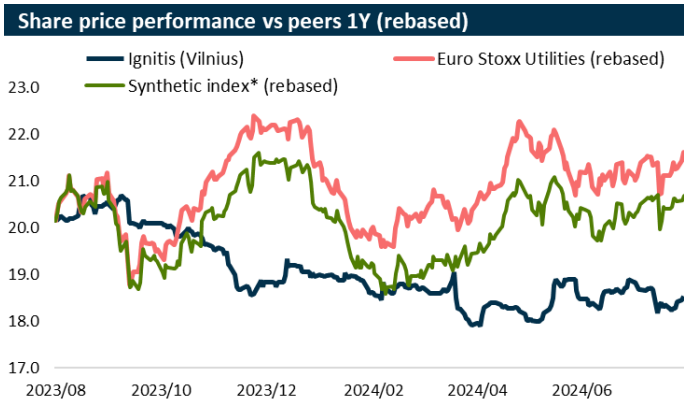


* Year-end share price applied in the calculation

Source: Ignitis Group, Norne Securities for estimates

Underperforming peers and high discount to European Integrated utilities companies. Ignitis Group share's underperformance continued to widen vs peers so far in August as following the drop in global markets in early August due to increased volatility, the peers have already rebounded to previous levels, while Ignitis Group share still trades at slightly below EUR 18.7/sh after it dipped to EUR 18.1/sh.

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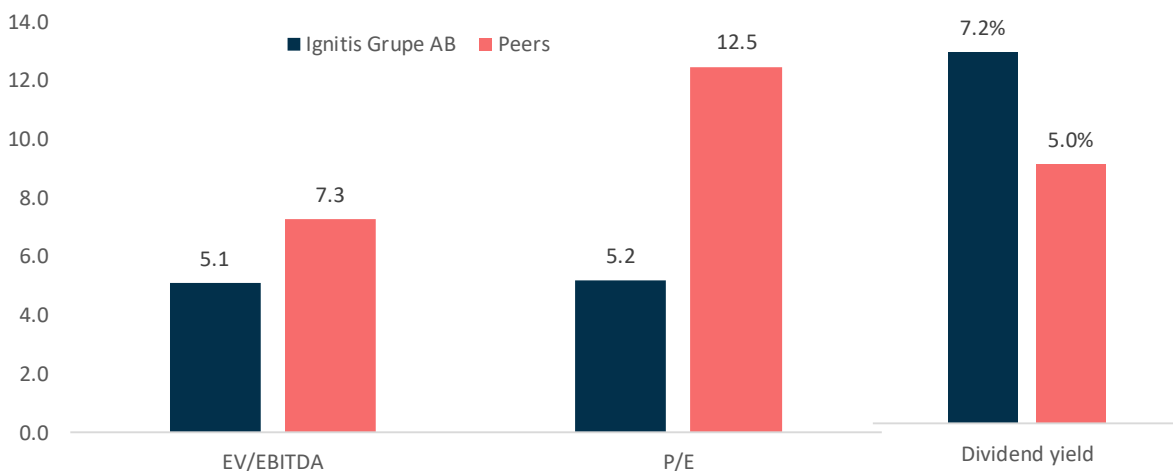


Source: Bloomberg, Norne Securities

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

Ignitis Group's share remains highly discounted to European peer medians. Under our estimates, EV/EBITDA of Ignitis Group is 31% lower than peer median value for 2024 and 35% lower for 2025. The discount in P/E is even greater at 57% and 53% respectively. Dividend yield of Ignitis Group is also higher at 7.2-7.6% vs peer median of 5.0-5.4%.

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 33.8 (prev. EUR 33.6/sh) per share for Ignitis Group.

DCF model

Proportionate basis EURm	2Q-4Q2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e (normalised year)
Electricity market price Lithuania, EUR/MWh	83	91	88	84	81	82	80	80	79	78	77	65
Electricity production (proportionate), TWh	2.19	2.93	4.03	5.75	5.97	6.45	7.41	7.84	7.82	7.80	7.78	9.67
Revenues	1,512	2,501	2,667	2,856	2,906	3,195	3,456	3,525	3,528	3,563	3,595	3,489
EBIT	172	312	304	344	339	374	399	415	372	361	352	338
Tax on EBIT	-25	-46	-45	-52	-52	-57	-60	-62	-56	-54	-53	-52
Income tax rate	14.3%	14.7%	14.8%	15.1%	15.2%	15.1%	15.1%	15.0%	15.1%	15.1%	15.1%	15.4%
EBIT less tax	148	266	259	292	287	317	339	352	316	307	299	286
Depreciation & amortization (+)	139	223	258	323	329	349	364	372	373	369	366	361
Investments	-803	-656	-767	-759	-744	-539	-345	-350	-545	-984	-505	-361
Change in working capital	75	-10	23	15	-13	-41	-85	-17	-2	-6	-7	0
Free Cash Flow to the Firm	-441	-177	-228	-129	-140	86	273	357	141	-314	153	286
NPV of FCFF	-423	-161	-196	-105	-108	63	189	234	88	-184	85	150

WACC	
Debt ratio	55%
Cost of debt (after tax)	3.4%
Risk free rate*	3.8%
Beta	0.75
Market risk premium	6.0%
Cost of equity	8.3%
WACC	5.6%

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

Valuation	
Net debt (-)/cash (+)	-1,288
NPV cash flow:	
Explicit period	-370
Terminal value	4,103
Total NPV cash flow	3,734
Equity value	2,446
Value per share, EUR	33.8

*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%	59.3	76.0	101.2	143.1	227.0
	4.5%	43.6	55.0	70.9	94.8	134.6
	5.6%	21.1	26.7	33.8	43.2	56.1
	6.1%	14.5	18.8	24.0	30.8	39.7
	6.6%	9.1	12.5	16.5	21.6	28.0
	7.1%	4.7	7.4	10.6	14.4	19.2
	7.6%	1.1	3.2	5.7	8.7	12.4

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.	19.1	26.4	33.8	41.1	48.5

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 24/sh, which is around 28% higher than the last closing price. The High-case scenario, assuming electricity price of 70 EUR/MWh, yields fair value of EUR 37/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	23.8
Base Case	65	30.4
High Case	70	37.0

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:

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

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 25.0/sh., which equals and/or not far away from the low-case fair value under DCF.

DDM (Dividend Discount Model)	
Dividend next 12m, EUR/sh.	1.325
Cost of equity	8.3%
Growth of dividends (constant)	3.0%
Fair value of stock, EUR	25.0

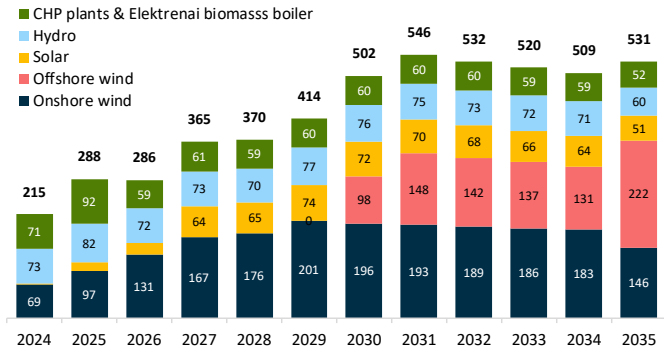
Peer comparison

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	1,342	2,630	5.1	4.7	4.7	7.9	8.0	8.5	5.2	5.7	6.5	7.2%	7.4%	7.6%
Ignitis Grupe AB	Bloomberg*	1,342	2,748	5.6	5.3	na	8.8	8.8	na	6.0	6.3	na	7.1%	7.4%	na
Integrated															
CEZ AS	Bloomberg*	19,147	24,143	5.0	5.4	5.8	6.5	8.4	9.5	14.4	14.2	12.5	5.7%	5.3%	5.4%
EDP SA	Bloomberg*	15,640	40,187	8.0	8.1	8.0	12.8	13.4	13.1	12.0	12.9	12.6	5.4%	5.4%	5.5%
Endesa SA	Bloomberg*	19,359	29,639	5.9	5.8	5.6	10.0	9.8	9.4	11.3	10.6	10.0	6.1%	6.7%	7.2%
Enel SpA	Bloomberg*	67,019	145,330	6.4	6.4	6.2	9.9	10.0	9.6	9.8	9.8	9.5	6.9%	7.1%	7.3%
Engie SA	Bloomberg*	37,783	72,542	4.9	5.2	5.3	7.6	8.2	8.5	7.6	9.0	9.5	8.9%	7.9%	7.6%
EVN AG	Bloomberg*	5,423	6,947	8.1	7.3	6.7	14.3	11.8	10.7	15.7	16.5	17.7	2.0%	1.6%	1.6%
E.ON SE	Bloomberg*	32,369	69,323	7.8	7.6	7.3	12.2	12.0	11.8	11.0	11.2	11.3	4.5%	4.7%	4.9%
Iberdrola SA	Bloomberg*	79,521	143,877	9.2	9.1	8.6	14.4	14.5	13.6	15.2	14.7	14.0	4.7%	4.8%	5.1%
Naturgy Energy Group SA	Bloomberg*	22,185	36,090	7.0	7.2	7.2	10.9	11.5	11.6	12.1	13.3	13.7	6.1%	6.1%	6.1%
Public Power Corp SA	Bloomberg*	4,404	9,434	5.4	4.8	4.3	10.4	7.9	6.0	12.5	10.0	7.0	3.5%	5.0%	8.0%
SSE PLC	Bloomberg*	24,164	36,714	9.9	9.3	8.4	13.5	12.6	11.6	12.0	11.6	10.9	3.2%	3.4%	3.7%
Verbund AG	Bloomberg*	26,873	30,027	9.4	10.0	11.9	11.7	12.6	16.2	16.0	17.4	22.1	3.2%	2.9%	2.4%
Average		29,491	53,688	7.3	7.2	7.1	11.2	11.1	11.0	12.5	12.6	12.6	5.0%	5.1%	5.4%
Median		23,175	36,402	7.4	7.2	6.9	11.3	11.7	11.1	12.1	12.2	11.9	5.0%	5.1%	5.4%
Networks															
Elia Group SA/NV	Bloomberg*	7,029	18,072	12.5	10.1	8.1	21.9	17.7	13.9	19.1	17.5	15.1	2.1%	2.2%	2.2%
Enagas SA	Bloomberg*	3,558	7,299	9.9	10.8	11.6	17.5	19.6	21.8	13.3	14.3	15.8	8.2%	7.4%	7.4%
Italgas SpA	Bloomberg*	4,064	11,242	8.4	8.2	7.7	14.2	13.8	13.1	8.6	8.5	8.3	7.5%	7.7%	8.2%
National Grid PLC	Bloomberg*	56,498	106,606	13.1	12.1	11.2	18.9	17.7	16.2	14.0	13.9	13.3	5.5%	4.8%	4.9%
Redeia Corp SA	Bloomberg*	9,063	15,291	11.5	10.9	9.9	19.2	18.0	15.6	18.0	17.5	15.1	5.0%	4.9%	5.2%
REN - Redes Energeticas Nacionais SGPS SA	Bloomberg*	1,581	4,216	8.4	8.3	8.0	17.1	17.2	16.7	13.8	13.6	13.1	6.4%	6.6%	6.6%
Snam SpA	Bloomberg*	14,821	31,204	11.4	10.8	10.3	18.2	17.5	16.7	12.1	11.8	11.7	6.6%	6.8%	7.0%
Terna - Rete Elettrica Nazionale SpA	Bloomberg*	15,469	26,226	10.7	10.3	9.3	16.5	16.2	14.5	15.5	16.1	14.8	4.8%	4.8%	5.1%
Average		14,010	27,520	10.7	10.2	9.5	17.9	17.2	16.1	14.3	14.2	13.4	5.8%	5.7%	5.8%
Median		8,046	16,682	11.0	10.5	9.6	17.8	17.6	15.9	13.9	14.1	14.0	5.9%	5.8%	5.9%
Renewables															
Acciona Energia SA	Bloomberg*	6,684	11,776	10.1	9.2	8.9	17.4	15.9	15.6	19.6	18.6	18.5	1.9%	1.9%	1.9%
Alerion Cleanpower SpA	Bloomberg*	882	1,428	10.9	8.6	5.3	21.5	19.6	7.7	31.0	36.5	8.6	1.7%	1.4%	5.9%
Encavis AG	Bloomberg*	2,751	4,799	15.2	13.2	11.5	28.2	25.3	18.4	33.6	29.9	27.5	0.0%	0.0%	0.0%
Enfit Green AS	Bloomberg*	791	1,375	10.7	9.8	na	16.8	16.6	na	16.2	16.2	na	3.5%	3.3%	na
ERG SpA	Bloomberg*	3,545	5,890	10.5	9.8	9.4	18.8	17.5	16.8	16.4	15.6	15.4	4.3%	4.4%	4.5%
Neoen SA	Bloomberg*	5,879	9,681	17.8	13.6	11.6	30.0	22.1	18.7	69.5	46.9	37.6	0.4%	0.5%	0.6%
RWE AG	Bloomberg*	23,394	32,853	6.1	6.5	6.0	9.9	11.7	10.5	11.4	14.9	13.6	3.5%	3.7%	4.0%
Scatec ASA	Bloomberg*	1,094	3,296	8.9	8.4	7.9	12.8	11.2	11.3	43.7	21.3	16.2	0.0%	na	na
Voltaia SA	Bloomberg*	1,223	2,855	11.3	9.8	8.3	23.4	20.3	14.0	50.9	59.7	40.8	0.5%	0.7%	0.6%
Ørsted AS	Bloomberg*	21,249	31,567	8.6	7.5	7.1	15.7	12.0	12.0	20.0	13.3	13.5	3.8%	4.0%	3.1%
Average		6,749	10,552	11.0	9.7	8.4	19.5	17.2	13.9	31.2	27.3	21.3	2.0%	2.2%	2.6%
Median		3,148	5,345	10.6	9.5	8.3	18.1	17.0	14.0	25.5	20.0	16.2	1.8%	1.9%	2.5%

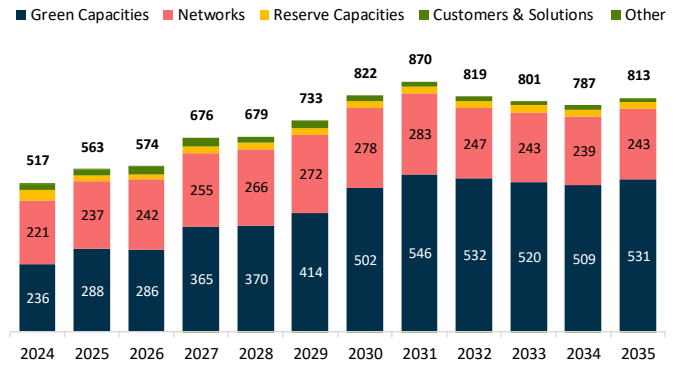
* Consensus

Key Operating Indicators

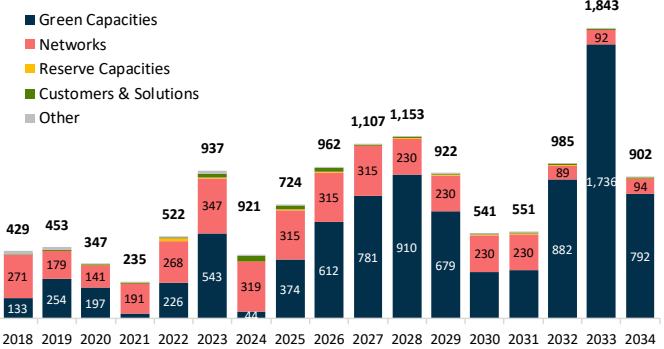
Green Capacities adj. EBITDA (consolidated), EURm



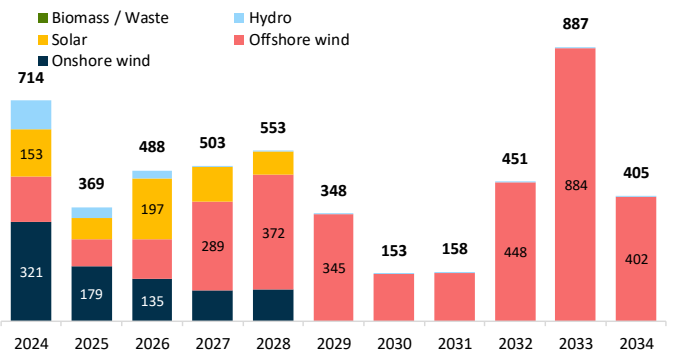
Adj. EBITDA by segment, EURm



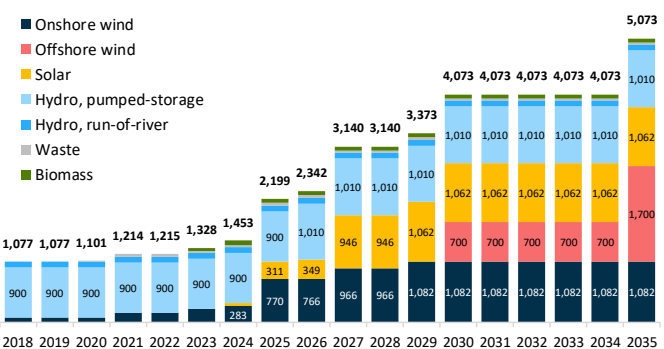
Investments by segment (consolidated), EURm



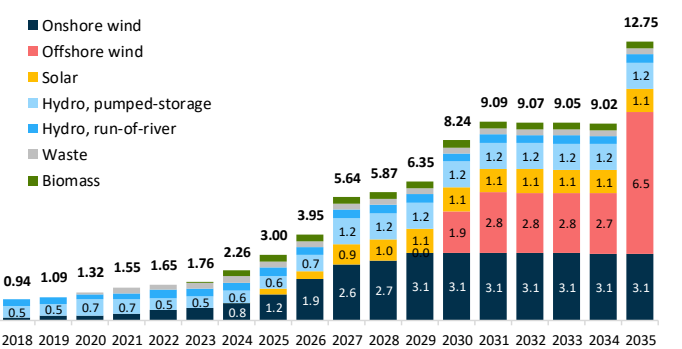
Investments in Green Capacities (proportionate), EURm



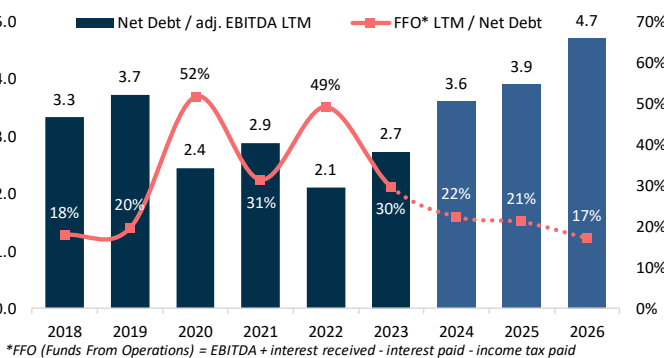
Installed electricity capacity of Green Cap. (gross), GW, EOY



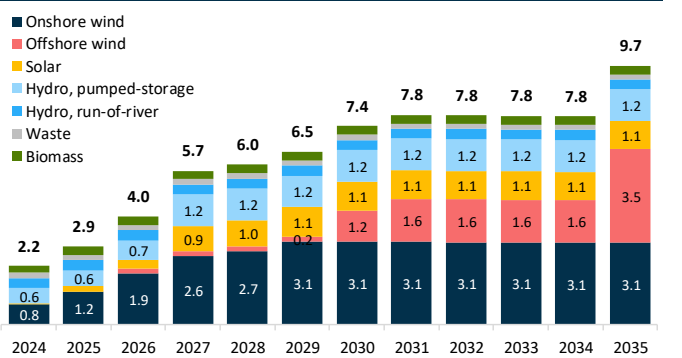
Electricity generated, Green Cap. (100% basis), TWh



Debt ratios



Electricity generated, Green Cap. (proportionate), TWh



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	2,162	2,509	2,662	2,850
Other income	46	9	8	22	6	7	8	8	8	9
Total revenues	1,070	1,089	1,223	1,899	4,387	2,549	2,170	2,517	2,670	2,859
Purchases of electricity, nat. gas and other serv.	-795	-729	-706	-1,381	-3,609	-1,758	-1,314	-1,544	-1,600	-1,571
Repair and maintenance expenses	-21	-30	-34	-32	-41	-61	-86	-122	-172	-249
Salaries and related expenses	-80	-87	-93	-97	-116	-137	-161	-185	-209	-232
Other expenses	-26	-42	-56	-46	-82	-86	-92	-110	-124	-137
EBITDA	148	202	335	343	540	507	516	555	564	670
Depreciation and amortisation	-88	-110	-113	-123	-138	-153	-181	-224	-255	-320
Write-offs, revaluation and impairments	-81	-9	-6	-28	-14	-2	-1	-1	-1	-1
Operating profit (EBIT)	-20	83	215	192	388	352	334	330	308	348
Finance income	2	2	2	18	4	42	13	5	9	10
Finance expenses	-15	-19	-23	-34	-54	-40	-52	-58	-76	-108
Equity earnings	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	-34	66	195	176	337	354	295	276	241	250
Taxes	12	-7	-25	-16	-44	-34	-38	-40	-36	-38
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	258	236	206	213
EPS (EUR)	-0.41	1.04	2.85	2.16	4.04	4.42	3.56	3.26	2.84	2.94
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	25	25	25	25
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	4,042	4,479	5,115	5,831
Right-of-use assets	0	61	64	58	49	50	58	58	58	58
Other long-term assets	199	207	174	150	211	433	497	537	541	545
Non-current assets	2,411	2,771	2,899	2,954	3,250	4,217	4,946	5,422	6,061	6,782
Inventories	43	47	66	186	570	275	275	268	231	191
Accounts receivable	143	118	128	275	424	266	262	305	335	353
Other current assets	129	131	169	395	333	171	138	138	138	138
Cash and cash equivalents	128	132	659	449	694	205	226	174	312	320
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	901	885	1,016	1,002
Total assets	2,854	3,198	3,921	4,258	5,272	5,244	5,847	6,306	7,078	7,784
Shareholders' equity	1,255	1,300	1,812	1,856	2,126	2,263	2,411	2,549	2,654	2,764
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	2,411	2,549	2,654	2,764
Deferred tax liability	36	38	46	47	55	87	85	85	85	85
Provisions	35	36	41	30	18	61	65	65	65	65
Long-term interest bearing debt	735	822	1,246	1,118	1,423	1,521	1,913	2,264	2,601	3,196
Long-term lease liabilities	14	34	29	46	45	42	50	50	50	50
Other long-term liabilities	347	421	442	463	523	608	617	633	642	651
Non-current liabilities	1,169	1,350	1,804	1,705	2,064	2,320	2,729	3,096	3,442	4,046
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	195	220	234	228
Other current liabilities	175	178	223	355	692	414	387	387	387	387
Current liabilities	383	499	304	697	1,082	661	707	661	981	975
Total equity and liabilities	2,854	3,198	3,921	4,258	5,272	5,244	5,847	6,306	7,078	7,784
Cash flow (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Operating profit (EBIT)	-20	83	215	192	388	352	334	330	308	348
Depreciation & amortisation (+)	88	110	113	123	138	153	181	224	255	320
Other items	73	18	17	46	91	46	4	-15	-7	-8
Paid taxes	-6	-5	-10	-18	-27	-81	-63	-40	-36	-38
Change in working capital	45	-29	-55	-237	-25	329	80	-11	21	16
Cash flow from operating activities	179	177	281	105	564	800	536	488	541	638
Acquis. of prop., plant & equip. and intang. assets	-416	-428	-301	-245	-439	-839	-874	-661	-891	-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	5	5	6
Other items	0	40	28	8	-20	-257	112	0	4	4
Cash flow from investment activities	-367	-347	-258	-235	-456	-1,081	-754	-656	-882	-1,027
Free cash flow	-188	-170	22	-129	108	-281	-217	-168	-341	-389
Change in interest bearing debt	197	61	392	93	276	-55	440	280	643	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	-45	-58	-76	-108
Lease payments	-1	-7	-10	-14	-5	-6	-7	-6	-6	-6
Other items	7	0	-47	-20	-2	-3	-63	-2	18	20
Cash flow from financing activities	112	25	696	-81	137	-209	238	116	479	397
Change in cash	-76	-145	718	-210	245	-490	21	-52	138	8

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	378	451	476	603
Networks (adj.)	440	465	439	510	698	592	773	903	980	1,070
Reserve Capacities (adj.)	63	66	111	152	237	129	128	120	122	129
Customers & Solutions (adj.)	630	539	505	1,024	3,001	1,734	1,055	1,205	1,231	1,202
Other and Eliminations (adj.)	-65	-3	-10	-14	-77	-161	-163	-156	-130	-139
Total adjusted	1,145	1,151	1,135	1,888	4,317	2,636	2,170	2,524	2,680	2,865
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	2,173	2,517	2,670	2,859

EBITDA per segment (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Green Capacities (adj.)*	38	43	50	108	253	223	236	288	286	365
Networks (adj.)	169	181	138	145	164	180	221	237	242	255
Reserve Capacities (adj.)	13	22	29	37	35	50	37	19	19	24
Customers & Solutions (adj.)	7	11	27	41	16	30	21	19	27	32
Other and Eliminations (adj.)	-6	3	2	2	2	2	2	0	0	0
Total adjusted	221	260	246	333	469	484	517	563	574	676
Adjustments	-76	-53	88	10	70	23	2	-7	-10	-7
Total reported	145	207	334	343	540	507	519	555	564	670

Green Generation, 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	770	766	966
Offshore wind	0	0	0	0	0	0	0	0	0	0
Solar	0	0	0	0	0	0	52	311	349	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	73	73	73	73
Total installed electricity capacity	1,077	1,077	1,101	1,214	1,215	1,328	1,453	2,199	2,342	3,140
Electricity Generated, TWh										
Onshore wind	0.13	0.23	0.24	0.30	0.47	0.58	0.77	1.21	1.91	2.56
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	0.03	0.25	0.35	0.94
Hydro	0.82	0.81	0.94	0.94	0.92	0.89	0.93	0.96	1.10	1.56
<i>Pumped-storage</i>	-	0.54	0.72	0.65	0.54	0.52	0.56	0.58	0.72	1.18
<i>Run-of-river</i>	-	0.27	0.23	0.29	0.38	0.37	0.38	0.38	0.38	0.38
Waste	0.00	0.00	0.07	0.24	0.26	0.27	0.29	0.27	0.27	0.27
Biomass	0.00	0.00	0.00	0.00	0.00	0.01	0.24	0.32	0.32	0.32
Total electricity generated	0.94	1.09	1.32	1.55	1.65	1.76	2.26	3.00	3.95	5.64
Electricity market price, EUR/MWh:										
Lithuania	50.0	46.1	34.0	90.2	229.2	92.9	83.2	90.9	88.2	83.9
Latvia	49.9	46.3	34.0	88.6	225.9	94.1	82.4	90.6	88.0	83.6
Estonia	47.0	45.9	33.7	86.5	192.0	91.0	81.5	86.9	84.4	80.2
Poland	53.1	53.6	47.2	87.3	166.3	111.9	94.1	106.6	104.5	104.9
Avg. realised el. price, EUR/MWh (ex. Kruonis)	na	na	na	na	na	na	101.8	114.8	89.6	83.0
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	1.08	1.59	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	1,726	1,883	2,024
WACC (regulatory), combined el. and gas	-	4.85%	5.00%	5.05%	4.13%	4.14%	5.08%	5.65%	5.05%	4.95%

Reserve Capacities, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Installed electricity capacity (period end), MW	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	0.69	0.30	0.30	0.32

Customers & Solutions, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Electricity sales (retail), TWh	5.40	5.40	6.37	6.77	7.71	6.65	6.92	8.31	9.97	10.67
Natural gas sales (retail and wholesale), TWh	11.33	9.83	14.77	11.56	12.80	9.29	7.00	6.87	6.06	6.12

*Green Capacities - previously Green Generation

Quarterly Financial Statements

Income statement (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Revenue from contracts with customers	1,358	927	441	470	705	651	438	437	636
Other income	2	1	1	2	2	3	1	2	2
Total revenues	1,359	928	442	471	708	654	439	439	639
Purchases of electricity, nat. gas and other serv.	-1,181	-678	-325	-297	-458	-393	-253	-267	-401
Repair and maintenance expenses	-15	-9	-13	-17	-23	-14	-17	-23	-32
Salaries and related expenses	-32	-30	-35	-32	-40	-38	-42	-36	-46
Other expenses	75	-16	-25	-17	-27	-19	-22	-24	-27
EBITDA	206	195	45	108	159	189	105	89	133
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	41	85
Finance income	-9	3	26	6	8	7	5	1	1
Finance expenses	-28	-11	-8	-13	-8	-15	-13	-11	-13
Equity earnings	0	0	0	0	0	0	0	0	0
Pre-tax profit	126	148	26	62	118	139	52	32	73
Taxes	-17	-21	3	-5	-10	-21	-2	-5	-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	119	50	27	62
EPS (EUR)	1.50	1.76	0.40	0.78	1.49	1.64	0.69	0.37	0.86
Dividends per share (EUR)	0.624	-	0.643	-	0.643	-	0.663	-	0.663

Balance sheet (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Deferred tax asset	31	57	62	61	57	53	25	25	25
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	3,877	4,042
Right-of-use assets	49	50	53	56	50	52	58	58	58
Other long-term assets	211	234	370	362	433	450	432	461	497
Non-current assets	3,250	3,379	3,637	3,828	4,217	4,358	4,505	4,744	4,946
Inventories	570	265	274	315	275	230	238	246	275
Accounts receivable	424	307	205	226	266	238	210	186	262
Other current assets	333	209	208	195	171	153	138	138	138
Cash and cash equivalents	694	768	726	453	205	347	276	192	226
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	762	901
Total assets	5,272	4,928	5,050	5,068	5,244	5,328	5,366	5,506	5,847
Shareholders' equity	2,126	2,060	2,084	2,101	2,263	2,321	2,370	2,397	2,411
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	2,397	2,411
Deferred tax liability	55	61	65	66	87	90	85	85	85
Provisions	18	29	42	56	61	63	65	65	65
Long-term interest bearing debt	1,423	1,433	1,515	1,515	1,521	1,519	1,560	1,663	1,913
Long-term lease liabilities	45	46	49	49	42	44	50	50	50
Other long-term liabilities	523	538	546	555	608	606	611	612	617
Non-current liabilities	2,064	2,107	2,217	2,241	2,320	2,322	2,370	2,475	2,729
Current interest bearing debt	209	49	125	48	65	69	73	116	120
Short-term lease liabilities	4	4	3	6	5	5	4	4	4
Accounts payable	177	42	43	129	177	175	162	127	195
Other current liabilities	692	667	578	543	414	436	387	387	387
Current liabilities	1,082	761	750	726	661	684	626	635	707
Total equity and liabilities	5,272	4,928	5,050	5,068	5,244	5,328	5,366	5,506	5,847

Cash flow (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Operating profit (EBIT)	163	157	8	69	118	148	60	41	85
Depreciation & amortisation (+)	35	38	36	39	41	41	45	47	48
Other items	-18	-58	-4	-4	112	1	9	-2	-5
Paid taxes	-5	-6	-57	-9	-10	-11	-38	-5	-10
Change in working capital	531	235	164	-58	-11	75	62	-19	-38
Cash flow from operating activities	706	365	147	37	250	254	138	63	80
Acquis. of prop., plant & equip. and intang. assets	-135	-122	-205	-185	-326	-212	-191	-258	-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	0	0
Cash flow from investment activities	-135	-130	-198	-297	-457	-99	-186	-256	-212
Free cash flow	571	235	-51	-259	-206	155	-48	-193	-132
Change in interest bearing debt	-117	-155	82	7	11	-10	50	146	254
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	-11	-13
Lease payments	-1	-2	-2	-1	-2	-2	-2	-1	-2
Other items	0	0	-1	-3	2	0	-14	-24	-25
Cash flow from financing activities	-168	-161	8	-14	-42	-14	-23	109	166
Change in cash	403	74	-42	-273	-248	142	-71	-84	34

Quarterly Segmental and Operating Data

Revenues per segment (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Green Capacities (adj.)*	129	100	64	74	105	114	87	67	110
Networks (adj.)	223	122	106	198	167	206	161	175	230
Reserve Capacities (adj.)	72	15	47	25	43	45	19	28	36
Customers & Solutions (adj.)	918	680	335	276	442	338	216	199	302
Other and Eliminations (adj.)	-77	-33	-51	-28	-50	-57	-42	-28	-37
Total adjusted	1,265	883	501	545	708	646	442	441	641
Adjustments	94	45	-59	17	20	7	0	-2	-2
Total reported	1,359	928	442	561	727	654	442	439	639

EBITDA per segment (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Green Capacities (adj.)*	67	70	39	45	68	77	57	35	67
Networks (adj.)	48	49	40	40	51	66	50	48	57
Reserve Capacities (adj.)	17	29	4	6	12	20	5	5	7
Customers & Solutions (adj.)	-20	1	21	-1	9	17	-6	3	6
Other and Eliminations (adj.)	1	2	0	1	-1	2	1	1	-1
Total adjusted	112	150	104	92	139	182	108	91	136
Adjustments	94	45	-59	17	20	7	0	-2	-2
Total reported	206	195	45	108	159	189	108	89	133

Green Generation, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Installed electricity capacity (period end), MW:									
Onshore wind	170	170	170	233	233	283	283	283	283
Offshore wind	0	0	0	0	0	0	0	0	0
Solar	0	0	0	0	0	0	0	52	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	73	73
Total installed electricity capacity	1,215	1,215	1,215	1,278	1,328	1,378	1,398	1,453	1,453
Electricity generated (100% basis), TWh:									
Onshore wind	0.13	0.16	0.10	0.11	0.21	0.24	0.14	0.15	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	0.02	0.00
Hydro	0.22	0.28	0.18	0.22	0.21	0.26	0.22	0.20	0.25
<i>Pumped-storage</i>	0.15	0.13	0.08	0.17	0.14	0.11	0.13	0.14	0.18
<i>Run-of-river</i>	0.07	0.15	0.10	0.05	0.07	0.16	0.09	0.06	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	0.05	0.09
Total electricity generated	0.42	0.53	0.36	0.36	0.51	0.61	0.50	0.48	0.67
Electricity market price, EUR/MWh:									
Lithuania	226.7	102.2	81.3	101.2	87.0	89.7	75.9	75.9	91.5
Latvia	226.5	100.4	80.9	101.2	93.9	86.7	75.9	75.7	91.2
Estonia	218.9	99.9	74.5	95.8	93.9	90.0	75.8	72.6	87.5
Poland	159.6	129.9	115.3	110.9	91.3	81.3	90.0	98.6	106.3
Avg. realised el. price, EUR/MWh (ex. Kruonis)	na	na	na	na	111.2	112.8	92.3	87.2	115.0
Heat									
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	0.27	0.49

Networks, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	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	1Q24	2Q24	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	0.15	0.20	0.20	0.14

Customers & Solutions, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Electricity sales (retail), TWh	1.84	1.82	1.50	1.51	1.82	1.77	1.49	1.66	2.00
Natural gas sales (retail and wholesale), TWh	3.84	3.85	1.44	1.35	2.65	2.84	1.27	1.02	1.87

*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	18.54	18.54	18.54	18.54
Market capitalisation, period end (EURm)	na	na	1,549	1,560	1,377	1,364	1,342	1,342	1,342	1,342
Enterprise value (EURm)	na	na	2,151	2,517	2,364	2,681	3,203	3,535	4,041	4,627

Valuation	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
EV/Sales	na	na	1.8	1.3	0.5	1.1	1.5	1.4	1.5	1.6
EV/EBITDA	na	na	6.4	7.3	4.4	5.3	6.2	6.4	7.2	6.9
EV/EBIT	na	na	10.0	13.1	6.1	7.6	9.6	10.7	13.1	13.3
P/E	na	na	7.3	9.7	4.7	4.3	5.2	5.7	6.5	6.3
P/B	na	na	0.85	0.84	0.65	0.60	0.56	0.53	0.51	0.49
Dividend yield	na	na	6.5%	5.7%	6.6%	6.8%	7.2%	7.4%	7.6%	7.8%

Balance sheet	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Net Debt (incl. lease liabilities)	736	967	600	957	987	1,318	1,861	2,193	2,699	3,285
Net Debt / EBITDA LTM	4.97	4.78	1.79	2.79	1.83	2.60	3.60	3.95	4.78	4.91
Net Debt / adj. EBITDA LTM	3.33	3.72	2.44	2.88	2.10	2.72	3.60	3.90	4.70	4.86
FFO* LTM / Net Debt	17.8%	19.6%	51.5%	31.3%	49.1%	29.6%	22.3%	21.0%	17.0%	16.1%
Equity / Assets	46%	42%	46%	44%	40%	43%	41%	40%	38%	36%

Growth (YoY)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenue	-3%	2%	12%	55%	131%	-42%	-15%	16%	6%	7%
EBITDA	-34%	37%	65%	3%	57%	-6%	2%	8%	2%	19%
EBIT	nm	nm	159%	-11%	102%	-9%	-5%	-1%	-7%	13%
Net profit to shareholders	nm	nm	201%	-6%	83%	9%	-20%	-8%	-13%	3%
EPS	nm	nm	173%	-24%	88%	9%	-20%	-8%	-13%	3%

Margins	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
EBITDA	14%	19%	27%	18%	12%	20%	24%	22%	21%	23%
EBIT	-2%	8%	18%	10%	9%	14%	15%	13%	12%	12%
Net profit to shareholders	-2%	5%	14%	8%	7%	13%	12%	9%	8%	7%

Profitability	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
ROE	-1.8%	4.4%	10.9%	8.7%	14.7%	14.6%	11.0%	9.5%	7.9%	7.8%
ROCE**	-1.1%	3.8%	9.1%	7.4%	13.1%	10.5%	8.5%	7.3%	6.1%	6.1%
ROCE** adj.	2.8%	6.2%	5.4%	7.9%	10.7%	9.8%	8.5%	7.5%	6.3%	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)
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, TGE, CME Group, Baltpool, Bloomberg.

Risks

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

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