Transcript.

Investor presentation: 3M 2025 results & Strategic Plan 2025–2028

14 May 2025, 1 pm Vilnius / 11 am London

Earnings call transcript

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Disclaimer

In the event of any discrepancy between the Lithuanian and English versions, the English version shall prevail.

Corporate participants

Darius Maikštėnas, Chair of the Management Board, CEO
Jonas Rimavičius, Member of the Management Board, CFO
Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Presentation

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

[Slide No 1]

Good afternoon, ladies and gentlemen. Welcome to Ignitis Group's earnings call. Today we will present the 3M 2025 results and also our 2025–2028 Strategic Plan. We will also address any questions you may have. Please be advised that today's presentation contains forward-looking statements, subject to risks and uncertainties. These statements reflect management's current beliefs, expectations and assumptions, and actual results may differ materially. With that, I now invite the management team to commence the presentation.

Darius Maikštėnas, Chair of the Management Board, CEO

[Slide No 5]

Good afternoon, everyone. We entered 2025 with strong momentum, reflected in the performance results and strategic plan execution.

First, our Q1 Adjusted EBITDA amounted to EUR 188.5 million, representing 3.7 % YoY increase.

Second, we continued strategy delivery, which is marked by Green Capacities portfolio growth by 0.5 GW to 8.5 GW. And with successful project execution, among significant progress across our Portfolio, our first Kelmė wind farm, which is part of the largest onshore wind project in the Baltics, has reached COD.

Third, despite our investment program, we maintained a robust balance sheet, with the Net Debt / Adjusted EBITDA ratio standing at 2.98 times. Now, let me now take you the development of each business segment over the first quarter of this year.

[Slide No 6]

First, the progress of our largest business segment – Green Capacities. As mentioned, we increased our total Portfolio by 0.5 GW to 8.4 GW. This growth is attributed to the acquisitions of a hybrid development project of 285 MW in Lithuania, which includes a 200 MW wind farm, a 65 MW solar farm, and a 20 MW battery energy storage system, and the acquisition of wind farm co-development projects of 204 MW in Estonia.

Next, our Secured Capacity and Installed Capacity over the reporting period remained unchanged – stood at 3.1 GW and 1.4 GW respectively. However, after the reporting period, we increased our Installed Capacity by 114.1 MW to 1.5 GW as the Kelmė wind farm I, with total investments of around EUR 190 million, has reached COD in April.

In terms of the composition of our Portfolio, it continues to be dominated by wind projects with a share of 5.5 GW. Most of the projects are being developed in Lithuania, accounting for 4.6 GW, and yet the flexibility part remains a sizeable part of our Portfolio with a capacity of 1.5 GW.

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Now, an update on our project execution. Whilst I already mentioned the progress on the Kelmė WF I project completion and acquisitions, since the end of 2024, we also made a significant progress of our solar portfolio. Our solar portfolio in Latvia, which includes Stelpe, Varme, and Tume projects with a total combined capacity of 413 MW, is the largest solar portfolio under construction in the Baltics. There we have now installed all solar panels for Varme project and around 75% of solar panels installed for Stelpe project. Both projects are expected to reach the COD in 2025. Meanwhile, the construction works are also underway at Tume project, with expected COD in 2026.

Next, we continue the expansion of Kruonis PSHP, which is one of the largest energy storage facilities in Europe, according to the plan. The first segments of the new penstock, made of rolled and welded sheet metal, have already arrived. When completed, the new unit will bring the total capacity up from 0.9 GW to 1 GW. At that time, all 5 turbines will be able to run at full load for around 10 hours. We expect this project to reach COD in 2026.

[Slide No 8]

Now let me cover the progress achieved in Networks, Reserve Capacities and Customers and Solutions business segments.

In Networks business segment, we are successfully continuing the smart meters roll-out. The total number of installed smart meters has reached 1.1 million. In total, we will install more than 1.2 million smart meters by 2026.

In Reserve Capacities business segment, for the second time we have won a Polish capacity mechanism auction for ensuring 381 MW and 484 MW capacity availability in the first and fourth quarters of 2026 for around EUR 8.2 million and EUR 11.5 million respectively. We will ensure electricity supply during potential stress events in the Polish energy system. Additionally, after the reporting period, the regulator passed a resolution which adopted the new mechanism for distributing additional profit earned. It applies to the new manual frequency restoration reserve services, whose market was launched this year, provided by Kruonis PSHP and Kaunas HPP, and to the isolated system operation services, provided by Elektrėnai Complex. The adopted new mechanism ensures that the additional profit earned in the Baltic states is shared with Lithuanian consumers by reducing the regulated electricity tariff. Up to now, to Lithuanian consumers we will return around EUR 50 million.

Finally, on the Customers and Solutions business segment, we continue to expand the EV charging network across the Baltics. Since 2024 year-end, we installed 195 charging points and now our EV charging network in total comprises 1,286 EV charging points across Lithuania, Latvia, and Estonia.

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Having covered our progress during Q1 2025 on our business segments, I would now like to share the progress we have made in driving decarbonisation initiatives.

During the reporting period, we increased our Electricity Generated (net) by 57.4% to 1.2 TWh, driven by generation at Elektrėnai Complex, which is a part of the Reserve Capacities business segment, in relation to the new services provided. Additionally, the growth was supported by new assets, including Kelmė WF, Silesia WF II and Vilnius CHP biomass unit. On the other hand, the Green Share of Generation decreased by 19.3 pp to 60.7%, due to proportionally higher electricity generation at Elektrėnai Complex.

Looking into our GHG emissions, our total GHG emissions amounted to 1.43 million t CO2-eq, marking a 22.8% increase YoY. Again, the new services provided by Elektrėnai Complex led to a 103.6% increase in Scope 1 emissions. Scope 2 emissions decreased by 4.5%, and Scope 3 emissions increased by 13.6%.

Next, on safety, we recorded no fatal accidents, with employee and contractor total recordable injury rate standing at 1.41 and 0.46 respectively.

That concludes our strategic performance review. I will now pass it over to Jonas to cover the financial part.

Jonas Rimavičius, Member of the Management Board, CFO

[Slide No 10]

Thank you, Darius. Let me start with the financial highlights of the Q1 2025.

Adjusted EBITDA grew by 3.7% YoY and reached EUR 188.5 million, driven by stronger results in Green Capacities and Networks. Adjusted Net Profit decreased by 4.3% and amounted EUR 107.8 million, mainly due to higher interest expenses.

Our Investments amounted to EUR 146.5 million. Around half of the Investments were made in the Green Capacities segment, mainly into new solar and onshore wind farms. However, with several projects reaching COD or nearing completion, total Investments decreased compared to first three months of 2024. ROCE decreased by 2.2 pp to 8.9%, mainly due to the lag between the deployment of capital in Investments and the subsequent realisation of returns as well as the lower result of the Customers & Solutions segment.

Our leverage metrics remained strong, with FFO/Net Debt ratio at 28.8% and Net Debt/Adjusted EBITDA at 2.98 times.

Finally, in line with our Dividend Policy, we paid a dividend of 66.3 cents per share for the second half of 2024.

[Slide No 11]

Now let's take a closer look at each of our KPIs, starting with Adjusted EBITDA.

Firstly, Green Capacities' EBITDA grew by 41.8% to EUR 109.3 million, driven by higher captured electricity prices due to flexibility of our assets, new assets launched and new services provided.

Secondly, Networks' EBITDA grew by 8.6% and reached EUR 74.1 million, mainly due to higher RAB as a result of continued Investments into our electricity network, and higher WACC, which reflects higher interest rate environment.

Thirdly, Reserve Capacities generated EUR 17.4 million of EBITDA, which is lower by EUR 2.6 million compared to the previous year. The decrease was driven by lower captured gross profit margin in relation to lower captured electricity prices and higher natural gas prices.

Finally, on our Customers and Solutions segment, its EBITDA was lower by EUR 31.6 million and amounted to EUR -14.2 million. The decrease was driven by natural gas supply results, mainly because of more favourable margins, which were secured in 2024.

[Slide No 12]

Next, let's deep dive into the EBITDA performance of each segment.

Starting with Green Capacities, it remains the largest contributor to the Group's Adjusted EBITDA, contributing for 58.0% of the total. The main drivers behind 41.8% increase YoY, were firstly, higher captured electricity prices, mainly due to the flexibility of our assets, secondly, we launched new assets, including the Silesia WF II, Kelmė WF I and Kelmė WF II, which is expected to reach COD later this year.

[Slide No 13]

Moving on to the Networks segment, the main factors contributing to the growth in Networks' Adjusted EBITDA were higher RAB, which increased by 13.3%, from EUR 1.6 billion to EUR1.8 billion as a result of continued investments into the electricity network, and an increase in the WACC set by the regulator, which increased from 5.1% in 2024 to 5.8% in 2025, reflecting the higher interest rate environment.

[Slide No 14]

Next, Reserve Capacities segment, our performance remained strong across both Q1 of 2024 and 2025. However, the result fell by 13.0%, totalling to EUR 17.4 million. This decline was driven by lower captured gross profit margin in relation to lower captured electricity prices and higher natural gas prices.

[Slide No 15]

Lastly, Customers & Solutions' Adjusted EBITDA was lower by EUR 31.6 million YoY and amounted to EUR -14.2 million. The decrease was driven by two factors: firstly, natural gas decrease, which was driven by the natural gas supply result, mainly because more favourable margins were secured in 2024, and, secondly, by lower electricity supply result driven by prosumers under the current net-metering scheme.

[Slide No 16]

As we have now covered the key factors driving business segment performance, let's turn to the investments. Our investments amounted to EUR 146.5 million. 48.7% of the investments we made in the Green Capacities, while 44.7% in the Networks segment. Driven by several Green Capacities projects reaching COD or nearing completion, our Investments reflected a 30.1% decrease YoY. Therefore, Green Capacities' investments reached EUR 71.4 million, reflecting a 48.6% decrease. It was partly offset by ongoing Investments in solar, onshore wind, and Kruonis PSHP projects. In the Networks segment we invested EUR 65.5 million, marking a 2.8% YoY increase as a result of higher Investments into the expansion of the electricity distribution network.

[Slide No 17]

All in all, as you can see from our Free Cash Flow metric, which was positive and amounted to EUR 16.7 million as EBITDA offset the Investments made.

[Slide No 18]

Next, on the leverage metrics. Our Net Debt decreased by 1.2% and stood at EUR 1.6 billion at the end of Q1 2025. Looking at our main credit rating metric, FFO/Net Debt, it marginally decreased to 28.8%, well above 23% threshold of S&P credit ratings agency required for BBB+ credit rating;. Net debt/Adjusted EBITDA has also slightly decreased from 3.1 times to 3.0 times.

[Slide No 20]

Finally, our guidance for 2025. Following our Q1 performance, which was in line with our expectations, we reiterate our full-year 2025 Adjusted EBITDA guidance of EUR 500–540 million and Investments guidance of EUR 700–900 million. There have been no changes in the directional guidance for Adjusted EBITDA by segment, nor in the main drivers behind it.

With that, I will hand over to Darius to conclude the presentation.

Darius Maikštėnas, Chair of the Management Board, CEO

[Slide No 21]

Thank you, Jonas. Before we turn to our next 4-year strategic plan, let me briefly recap the performance we delivered in Q1 2025.

We entered 2025 with strong momentum, reflected in performance results and strategic plan execution. First, our Q1 Adjusted EBITDA amounted to EUR 188.5 million, representing 3.7% YoY increase. Second, we continued strategy delivery, which is marked by Green Capacities portfolio growth by 0.5 GW to 8.4 GW. And with successful project execution, among significant progress across our Portfolio, our Kelmė WF I, which is part of the largest onshore wind project in the Baltics, has reached COD. Third, despite our investment program, we maintained a robust balance sheet, with the Net Debt/Adjusted EBITDA ratio standing at 2.98 times. And lastly, for 2025 we expect Adjusted EBITDA of EUR 500–540 million and Investments of EUR 700–900 million. Now, let us move on to the presentation of our 2025–2028 Strategic Plan.

[Slide No 24]

If it is the first time you have joined our earnings call, let me briefly introduce you with our Group.

We are a renewables-focused integrated utility with a purpose to create a 100% green and secure energy ecosystem. We will deliver it by sticking to our purpose-driven priorities – to be green, flexible, integrated, and sustainable Group. Over the last 5-years we have delivered a strong track record and with a focus on strategy execution and continuity. We target to reach 4–5 GW of installed Green Capacities by 2030 and reach net zero by 2040–2050. We will achieve these targets by focusing on green generation and green flexibility technologies and utilising the key advantages of our vertical integrated business model by benefitting from the largest customer portfolio, the largest energy storage facility and the largest network in the Baltics.

With that, let us now go through the 2025–2028 Strategic Plan, which outlines the next steps in consistent strategy execution and highlights opportunities to contribute to Europe's decarbonisation and enhance energy security in our region.

[Slide No 25]

By utilising our integrated business model, we are maximising our full potential. This is our backbone for the strategy execution. It means that: first, we focus on delivering 4–5 GW of installed green generation and green flexibility capacities by 2030; second, we expand the resilient and efficient network that enables the electrification; third, to enable the Green Capacities build-out, we utilise and further expand our customer portfolio, which is currently the largest in the Baltics with 1.4 million customer base in our Customers and Solutions segment; and finally, Reserve Capacities is foreseen to be mainly operating as a system reserve with a strategic focus on contributing to the security of the energy system.

[Slide No 26]

Next, let me briefly outline the current European energy transition trends and the potential in the markets we are active in.

First, let's talk about European trends. The European electricity and hydrogen demand is set to grow, but currently it looks like it will come later than expected. The EU is potentially at risk of being late in reaching the decarbonization targets. There is the gap in meeting 2030 targets and the EU could be late in reaching its net zero by 2050, so we need to accelerate the green transition.

Although nearly 20% of hydrogen projects across Europe are currently experiencing delays or even cancellations, hydrogen continues to be an essential component in the EU's strategy to decarbonise hard-to-electrify sectors with around 99% of hydrogen still produced from fossil fuels.

Power and heat production, manufacturing, transport and buildings remain among the largest contributors to GHG emissions in the EU as they emit over 70% of the total emissions. Additionally, new challenges are emerging due to the geopolitical factors and the priority of ensuring energy affordability and security.

And finally, grids are seen as yet another key element to enable the EU's energy transition. There is a growing demand for investments into TSO and DSO networks. The investments are needed to reinforce cross-border transmission, to increase DSO capacity for the rising electrification needs and to address aging DSO grids.

Now, let's look at the potential in the markets we are active in as there are significant opportunities in the Baltics to contribute to Europe's decarbonisation. The Baltics and Poland present significant opportunities for green energy expansion with up to 28–30 GW of new capacity expected by 2030. Poland is transitioning away from coal generation, Estonia is phasing-out its oil shale generation, Latvia is dependent on seasonal variations of hydro output, Lithuania is closing the gap of structural electricity deficit.

Regarding the potential in Lithuania in more detail, Lithuania's power sector carbon intensity today is the lowest among the Baltics. Lithuania is set to become self-sufficient by 2030 and ready to pursue opportunities for green electricity exports as well as to cover additional demand that potentially could emerge driven by data centres or military production sectors.

Zooming out, the Baltics are uniquely positioned to contribute to regional transformation with a potential to become substantial suppliers of both electricity and hydrogen to Central Europe as energy surplus in the Baltic states is projected around 2030–2035. The Baltic countries are expected to generate a green electricity surplus, with around seven times more green generation potential than local consumption.

We see the potential to exploit the interconnections' capacity with the Baltics for renewable electricity exports and trading. The Baltics are set to become one of the most interconnected regions in the EU with around 4 GW of new interconnection capacity expected by 2035–2037 (on top of ~4 GW currently existing ones).

To summarise, there is the need to accelerate the European energy transition, and the Baltic region is uniquely positioned with significant opportunities to contribute to Europe's decarbonisation efforts. With the forces behind the change and our business model wrapped up, let us now deep dive into strategic priorities of our business segments. Jonas, passing the word to you.

Jonas Rimavičius, Member of the Management Board, CFO

[Slide No 29]

Thank you, Darius. I will now cover our Green Capacities business segment. As previously, we have two main targets – medium and long term. In the medium term, by 2028 we expect to double our installed Green Capacity to between 2.6–3.0 GW compared to 1.4 GW in 2024. And in the long term, by 2030, we plan to double it again and reach 4–5 GW.

[Slide No 30]

Now, in terms of our progress towards Green Capacities' targets, 2.4 GW out of the 2.6–3.0 GW medium-term target for 2028 is covered with Operational and Under Construction projects. This includes 1.4 GW of Installed Capacity and 1 GW of projects already under construction across onshore wind, solar and pumped-storage hydro technologies in Lithuania, Latvia, and Poland.

[Slide No 31]

The remaining portion of the 2028 target is well covered with our current Pipeline. The remaining 0.2–0.6 GW required to meet our 2028 target is covered by a pipeline of around 1.0 GW, offering a buffer of around 2.5 times the required capacity. For the 2030 target, the remaining 1.4–2.0 GW is covered by a pipeline of approximately 2.8 GW, providing a buffer of around 1.6 times.

[Slide No 32]
To deliver these targets, we focus on combination of green generation and green flexibility technologies. In terms of green generation technologies, we focus on onshore and offshore wind. And in terms of green flexibility technologies, we focus on battery storage, hydro pumped-storage, and power-to-x technologies. Worth mentioning that part of our complementary assets, such as hydro, biomass and waste-to-energy plants, provide both generation and flexibility solutions. I will now briefly cover each of these, starting with offshore wind.

[Slide No 33]

Offshore wind is very important for our Green Capacities' expansion strategy. We aim to build at least 2 offshore wind farms in the Baltics, one project in Lithuania and at least one more in the Baltics. On the progress of reaching these targets, we currently have two offshore wind farm development projects in our portfolio. First, the Curonian Nord project in Lithuania with a capacity of 700 MW has seabed and grid connection secured and is in the development phase. The second one, the Estonian offshore wind project with a capacity between 1–1.5 GW has seabed secured and is in the early development phase.

[Slide No 34]

Next, onshore wind. We target to reach more than 700 MW of onshore wind installed capacity by 2028. Our total installed capacity currently stands at 283 MW and additional 437 MW is under construction. Therefore, we expect to see around 7 GW of new onshore wind capacity additions in the Baltics and Poland by 2030.

[Slide No 35]

Next, one of our complementary technologies – solar. We use solar technology only where it adds value either by creating a more stable generation profile, or better utilising the existing infrastructure. We target to reach more than 400 MW of installed solar capacity by 2028. And currently, our total installed solar capacity stands at around 22 MW and capacity under construction is 437 MW.

[Slide No 36]

In terms of other complementary technologies in our portfolio – hydro, biomass and waste-to-energy – we deploy the existing green baseload generation profile with additional flexibility, meaning that they are able to capture prices which are above the average market prices. Total installed capacity of these technologies is 216 MW of electrical capacity and 350 MW of heat capacity with no further expansion plans.

[Slide No 37]

Now moving on from green generation to green flexibility technologies. First of all, hydro pumped-storage. The asset which we already have in our portfolio is Kruonis PSHP with 900 MW of green flexibility capacity. We are currently running its expansion project by building an additional 5th unit of 110 MW flexible capacity, which will be launched in 2026. After the expansion, this 1 GW plant will be able to run at full load for ~10 hours and provide a massive 10 GWh of storage capacity.

[Slide No 38]

Next, remaining two focus technologies on the green flexibility side: batteries, for the short-term flexibility, and P2X, for the long-term flexibility. We target to implement our first utility-scale batteries by 2027 with expected final investment decisions to be taken this year. And on the P2X side, we plan to launch a green hydrogen production and e-fuel conversion pilot project.

[Slide No 39]

Now, I would like to highlight one of the key elements of our operating model. It is power offtake capabilities. This is one of our key differentiators, positioning us strongly among our competitors. Our current power supply portfolio is around 4 times larger than our generation portfolio. We generate around 1.8 TWh and supply 6.7 TWh. The gap of 4.9 TWh between generation and supply portfolio translates to around 2.4 GW of new Green Capacities, which may sell the electricity generated to our existing customer base.

With this, I will pass the word to Darius to cover the remaining business segments.

Darius Maikštėnas, Chair of the Management Board, CEO

[Slide No 41]

Thank you, Jonas. Let me begin with the Networks segment. In the Networks segment, we own and operate the largest distribution grid in the Baltics with over 131 thousand kilometres of electricity and almost 10 thousand kilometres of gas network lines, both covering the entire Lithuania.

[Slide No 42}

In this segment we operate as a natural monopoly, following a market-standard regulatory framework, which ensures a return on investment above 5%.

[Slide No 43]

Overall, we see the grids as one of a key element of the energy transition, and therefore our core focus is on electricity network and customers.
First, we invest to ensure efficient and resilient electricity distribution with additional focus on physical security of critical infrastructure and cybersecurity.

Second, we expand the electricity networks capacity and maximise its utilization. This will further enable green electrification and facilitation of the energy market, including transport, industrial and heating electrification and energy efficiency.

And the third priority is on enhancing end-to-end customer experience, including energy market participants.

[Slide No 45]

Next, Customers & Solutions business segment and its 3 priorities.

First, we utilise and further expand the customer portfolio, which is currently the largest in the Baltics, to ensure the Green Capacity build-out through internal power purchase agreements and to increase the share of green electricity supplied to the customers. As a result, our electricity supply portfolio is expected to reach 9–11 TWh by 2028.

Second, we keep building a leading EV charging network in the Baltics, which will become one of the offtakers of green electricity in the future. We focus on developing a public EV fast-charging network and expanding in the Baltics across public, commercial, and home charging segments.

And the last, we contribute to the transition from fossil fuels by providing cleaner alternatives for green transition, for example biomethane, while ensuring the security of energy supply, grid flexibility and energy affordability during the transition period.

[Slide No 47]

Now, the Reserve Capacities business segment. Its key role is contributing to the security of the energy system, mainly by participating in the market for provision of balancing capacity services. In total, generation portfolio in this segment comprises 1.1 GW, primarily providing ancillary services with a load factor of ~6 and high availability of around 98. On top of that, we will further utilise additional optionality to generate electricity in the market during low renewables generation, positive clean spark spread periods and participate in market tenders or capacity auctions for provision of ancillary services to other countries

With that, again, I give the floor to Jonas to cover our financial targets.

Jonas Rimavičius, Member of the Management Board, CFO

[Slide No 49]

Over the next four years, we plan to invest EUR 3–4 billion. ~59% of our investments, or EUR 1.7–2.4 billion, will be directed to Green Capacities. Out of that, around 41% will go to the assets which we plan to launch throughout the 2025–2028 period to reach 2.6–3.0 GW of installed capacities. Around 55% will go to assets, which we expect to launch post-2028. Another significant part of our investments, around 36%, or EUR 1.2–1.3 billion, will be dedicated to our Networks segment. 55% of this amount will be allocated to electricity network expansion, while 41% to electricity network maintenance. By that, we will increase electricity networks resilience and enable the electrification of other sectors, at the same time increasing our regulated asset base by ~36% to more than EUR 2.1

billion by 2028. Sustainability-wise, more than 85% of our Investments are expected to be aligned with the EU Taxonomy over the next four-year period.

[Slide No 50]

Next, our target returns, which all these investments are expected to generate. Firstly, in terms IRR–WACC spread, we target at least 100 basis points in non-regulated activities and more than 0 basis points in regulated activities. Secondly, our Adjusted EBITDA is expected to reach EUR 600–680 million in 2028, which represents up to 7% annual growth rate over the strategic period, mainly driven by the Green Capacities and Networks. Finally, we target our Adjusted ROCE to be at the level of 6.5–7.5% over the 2025–2028 period.

[Slide No 51]

Despite our sizeable investment program, we continue our commitment towards financial discipline and, therefore, to a solid investment-grade credit rating of 'BBB' or above over the 2025–2028 period. In addition to that, we also target to keep our Net debt/Adjusted EBITDA below 5 times.

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Finally, in terms of shareholder returns, we will continue to grow our dividends by at least 3% every year, which represents an implied dividend yield of 6.4–7.0% over the 2025–2028 period.

With this, I pass the word back to Darius.

Darius Maikštėnas, Chair of the Management Board, CEO

[Slide No 54]

Finally, let me now move on to the most important asset – our people, who all together contribute to the execution of our strategy. We are a purpose-driven organisation of around 4,700 diverse individuals working together to create a 100% green and secure energy ecosystem for current and future generations.

[Slide No 55]

Together, we innovate to shape the future energy sector and create new opportunities for our customers. We are actively pursuing innovations across our strategic pillars to unlock further value by harnessing ideas and knowledge through open innovation activities, which include open funding, open infrastructure, open culture and open partnerships. This fosters the development of innovative solutions and the establishment and spin-off of new strategic business activities.

[Slide No 57]

Next – sustainability. We continue to align our business goals with the fundamental ESG principles and strategic priorities on decarbonisation, safety, employee experience, diversity, and sustainable value creation.

[Slide No 58]

Our decarbonisation pathway is aligned with our business ambitions. Our first priority is to reduce the carbon intensity of our Scope 1 & 2 GHG emissions by growing installed green generation and green flexibility capacities and by increasing share of own green electricity used for our own operations. Next, we are further providing our customer with alternatives for using green electricity and enabling their transition away from fossil fuels. This will lead to an increase in the supply of green electricity and biomethane across our home markets. Finally, we remain committed to achieving net zero emissions by 2040–2050.

[Slide No 60]

Let me now sum up the key points of our Strategic Plan 2025–2028.

With the purpose to create a 100% green and secure energy ecosystem, we will exploit our renewable-focused integrated business model and pursue the purpose-driven priorities: green, flexible, integrated, and sustainable. For that, we have set clear strategic goals. We target to reach 2.6–3.0 GW of Installed Green Capacities by the end of 2028 and 4–5 GW by the end of 2030. By 2028, we expect to reduce our carbon intensity of our Scope 1 & 2 GHG emissions to 190 g CO2 eq./kWh and, by 2040–2050, to reach net zero emissions. To ensure these goals' achievement, we will invest EUR 3.0–4.0 billion over the next 4-year period while maintaining 'BBB' or higher credit rating and expect it to translate into EUR 600–680 million Adjusted EBITDA in 2028 and 6.4–7.0% implied dividend yield over the period of 2025–2028.

With that, thank you for patiently listening to us today.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

[Slide No 61]

Thank you to our speakers. We will now begin the Q&A session.

The first question: "Could you please indicate if power price volatility in Q1 significantly contributed to strong EBITDA growth in Green Capacities (via increased profitability of hydro assets) on top of increased generation in onshore wind farms?"

Jonas Rimavičius, Member of the Management Board, CFO

The short answer is yes. The flexibility of our assets benefitted in the volatile environment. Maybe it's worth mentioning that even in the low-wind quarter, historically, we have managed to achieve strong results. And also another addition to that, flexibility is incorporated not only in our hydro assets, but also in our biomass and waste-to-energy CHP assets.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "Could you please indicate what portion, if any, of the next four-year CAPEX in Green Capacities is attributed to the offshore wind projects (Curonian Nord and Estonian offshore wind projects)?"

Jonas Rimavičius, Member of the Management Board, CFO

We don't provide guidance by splitting CAPEX in different projects, but to guide you a bit, all the investments necessary to proceed with these projects are included in the numbers. However, that being said, because the FID for Curonian Nord is not earlier than 2027, which means that majority of the CAPEX for these projects falls after the strategic period.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "Could you please indicate what long-term power price assumption is implied in your 2028 estimated EBITDA of EUR 600–680 million?"

Jonas Rimavičius, Member of the Management Board, CFO

It would be difficult to guide you on one precise number because it varies across the years and across the different markets in which we operate, but in general we are using the average of power forecast providers, so it's in line with the market consensus.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

One more question: "The first Latvian solar projects are almost finished. Why it is still not producing electricity? Are there problems from the Latvian grid side? When the first electricity is expected?"

Jonas Rimavičius, Member of the Management Board, CFO

We are progressing well with the Latvia solar projects. There are no issues on the Latvia grid side. And if you bear with us, you will see the first power quite soon.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "Earlier you announced that Vilnius CHP part of stocks would be sold. We have not heard any news after that. Is the selling process still active? Would we soon see any news? Or maybe you have not found any acceptable buyers and the process is cancelled?"

Darius Maikštėnas, Chair of the Management Board, CEO

No updates regarding this. We will announce the information on the asset rotation programme in accordance with legal requirements.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "When should we see the first battery projects? When the earliest COD could be expected?"

Jonas Rimavičius, Member of the Management Board, CFO

For battery projects, we are committed in our strategic plan to launch the first assets by 2027, and that's our intention.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "There were some fires associated both with Vilnius CHP and Kaunas CHP assets. What is the impact of those fires? Would it affect the work of those plants?"

Darius Maikštėnas, Chair of the Management Board, CEO

The fire in the neighbourhood area will not affect the assets or the activities of Vilnius CHP. Vilnius CHP operations are running as usual with sufficient waste supplied to maintain the capacity. While last week a fire broke out in Kaunas CHP bunker, where the incoming waste is stored. The fire was promptly extinguished and the plant's operations were not halted. Temporarily, gas was used instead of waste at that time. Currently, the unit is operational at full capacity with a temporary limitation of accepting waste to the plant of around 50% of capacity.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Here is another question: "There was announced that you will sell Moray West project stocks. When approximately we could expect that sale?"

Jonas Rimavičius, Member of the Management Board, CFO

That is correct that Moray West is not the asset which we intend to hold for the long term. Currently, there are no updates regarding this, but I think it would be reasonable to expect the exit in the strategic plan's period.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "Silesia WF II, has it already reached the full power production?

Jonas Rimavičius, Member of the Management Board, CFO

So, the current status of Silesia WF II is that it is fully completed from the construction point of view. All turbines are able to generate power. However, at this stage, we don't have yet the full grid availability, which means that we are generating at 80% of our expected volumes.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "Could you enlighten us on the net loss that was generated totally for Ignitis?"

Jonas Rimavičius, Member of the Management Board, CFO

In Q1, the loss from prosumers was around EUR 6 million.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

One more question: "What are the improvement areas or what steps do you have to take in order to improve the Customers & Solutions division's profitability?"

Jonas Rimavičius, Member of the Management Board, CFO

On improving the Customers & Solutions profitability, the key elements are solving the prosumer model. There is a regulatory update needed, which we think will not yet happen this year. The second thing, we are still seeing the impact of the customers which have moved to the lower priced tariffs from high fixed tariffs during the energy crisis. And, because our hedges were made in that high price environment, we still see an effect from that. This should end in this year to the most extent. And the final thing I would mention is that on the EV network we are progressing quite well with the expansion, and with the pickup of the EVs in the coming years, we will see an upside from that part.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "What new services are provided by the Green Generation segment that are mentioned in the quarterly report? What is their share in the segment's revenues?"

Jonas Rimavičius, Member of the Management Board, CFO

The new services that are mentioned are mainly the ancillary services, especially mFRR, which appeared in our market post synchronisation. In terms of the revenue proportion, I don't have an answer right now, and it's important to note that, when we manage our assets, we try to optimise between the different services, whether they go to Nord Pool or into balancing services, and it is not necessarily correct to look just at the share of revenue because it is an optimisation exercise, whichever gives us better returns, to that market we dedicate our assets.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Here is another question: “The regulator announced that partial extra profit from mFRR and aFRR would be returned to Lithuanian consumers. Is that returning calculated from 1 January 2025? Is that returning already included in the announced Q1 results?”

Jonas Rimavičius, Member of the Management Board, CFO

Both answers are ‘yes’. The regulatory mechanism is working from the beginning of this year, and our Q1 results fully reflect the regulation impact and we have accounted a provision of EUR 50 million in relation to the amount that will be returned to the Lithuanian customers.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: “Q1of this year Customer & Solutions Adjusted EBITDA was significantly lower compared to the Q1 2024 result. Can we expect the segment's Adjusted EBITDA improvement in 2025?”

Jonas Rimavičius, Member of the Management Board, CFO

I may repeat some of the parts, but we don’t expect big improvements in 2025 numbers because the prosumer effect will still be there for this year. We will also see a negative result from the customer migration, which happened a few years ago. And on the gas market, we have seen margin contractions because the high margins which we were able to earn in the high-price environment, they are no longer there, so gas-wise we don’t expect material improvements. So, 2025 will be a challenging year for the Customer & Solutions, and that is what we expected and that is where we guided the investors with our annual results as well.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: “We are observing a trend of an increasing number of negative electricity market price hours in the Nordic and Baltic regions. How can this trend impact Ignitis financial results? What are the measures that Ignitis takes to mitigate the potential negative effects?”

Jonas Rimavičius, Member of the Management Board, CFO

We do see some level of negative price hours, essentially, the hours with high solar production and during weekend mainly. And we will continue seeing that, especially on the prosumer side, those solar assets are not turned off during the negative hours, so we will see some of that impact going forward. But, in terms of what it means for us, due to our integrated business model and the flexibility of our assets, we are able to capture an upside from these hours because, as I’ve mentioned, a number of our assets have flexibility incorporated in them, be it hydro assets or waste-to-energy or biomass assets, they all can benefit from this. And on top of it, when we progress with batteries, that will be another upside for us. So, the flexibility part of our business, as we noted several times, is a very important value driver in our business model.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: “Regarding Customers & Solutions natural gas supply business, could you please elaborate a bit more on the compressed margins? Also, could you please share the outlook for the rest of the year?”

Jonas Rimavičius, Member of the Management Board, CFO

I think it’s natural because, after the energy crisis, everyone sorted out their natural gas supply contracts, which wasn’t the case during that time of the gas prices, so the TTF has declined. That brough us to the lower margin environment, which essentially brought us back to normal course of business this year, and we expect normal course of business to continue on the gas side.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

One more question: "FCF was positive, mainly because of lower investments in Q1. Should we expect this investments' decline in 2025?"

Jonas Rimavičius, Member of the Management Board, CFO

In terms of investments, we have provided the investments guidance, which hasn't changed since our full-year 2024 results presentation, so that is what I can say at this point.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "Offshore wind, are you still planning to participate in the 2nd offshore wind action in Lithuania, bearing in mind changes in conditions? Are there any news about the Curonian Nord offshore project?"

Darius Maikštėnas, Chair of the Management Board, CEO

We are assessing the tender conditions that are in the final stage of the Parliament at the moment. Should we decided to participate, we will inform the market accordingly. No news on Curonian Nord, the development is ongoing.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "Can you elaborate on electricity prices development in Baltics, what trends do you see and if you can provide more details to the development of your hedged prices for 2025?"

Jonas Rimavičius, Member of the Management Board, CFO

In terms of electricity market prices in the Baltics, we are seeing a trend. If we look at Q1 2025 vs. Q1 2024, we have seen more than 20% price increase in the Baltics. In Lithuania, the average market price reached almost 110 EUR/MWh, so that's on the price development. We probably don't see the prices staying at the elevated levels and they will go down somewhat from these, but over the long term, we think power prices will remain supportive in the Baltic region. In terms of our hedge levels, we have hedged around half of our production for this year at the prices of EUR 112, if I remember correctly.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "In strategic plan you expect ROCE of 6.5–7.5%. What ROE should be expected for the same period?"

Jonas Rimavičius, Member of the Management Board, CFO

You are right, we do expect 6.5–7.5% ROCE. That being said, this ROCE includes the CAPEX, which is not yet generating EBITDA, so this 6.5–7.5% ROCE is with the inclusion of the construction progress. If we eliminate that, the number would be closer to 8%. In terms of ROE, we are not providing guidance for this number, but to give you a sense, for every single new investment which we make on the Green Capacities side, we expect double digit Equity returns in the current market environment.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "What returns do you expect on the 0.5 GW of BESS pipeline?"

Jonas Rimavičius, Member of the Management Board, CFO

So, our general rule when we make FIDs, the projects need to generate at least 100 basis points above our WACC. For batteries, because of this being on the riskier side of our investments, since it doesn't have secured revenue level, the expected returns will be higher than our other investments, such as wind or solar power plants.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "What development do you expect in the natural gas supply business in the rest of 2025?"

Jonas Rimavičius, Member of the Management Board, CFO

I have already commented on this, so no major changes from what we had in Q1 2025.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

One more question: "What impact from the new regulations do you expect in the Green Capacities business and in the Reserve Capacities business?"

Jonas Rimavičius, Member of the Management Board, CFO

In terms of impact, we don't expect any significant impact, especially comparing to our full-year guidance, which we published in the beginning of this year with our 2024 annual results because the thing which is shared with the regulator is the upside, so we are sharing the upside, which was unplanned and which are actually earning on top of our bidding levels. Because the upside which we are sharing was unplanned, we don't expect significant impact.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "Perhaps you could discuss the profitability of the projects that you need to develop to reach 2028 and 2030 targets. Is the targeted absolute GW level first priority, or you are willing to adjust this number if there are project profitability risks?"

Jonas Rimavičius, Member of the Management Board, CFO

Again, in terms of target returns, we are targeting at least 100 basis points above WACC, so that's minimum. For more risky projects we target more, and as we communicated before, we are not building gigawatts for the sake of building gigawatts. The required return level is mandatory for us to proceed with the FID. So, we will only proceed with new projects if the meet the target return criteria.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "Should we expect that as you increase your own electricity production, the performance of Customers & Solutions division will also improve as you will rely less on external purchases and can control your margins better?"

Jonas Rimavičius, Member of the Management Board, CFO

To some extent, yes, but it won't be a major impact because we need to acknowledge that the margins are controlled now as well, and we need to acknowledge that the results are not great in Customers & Solutions due to two one-off events. One is the prosumer impact, which we expect to be solved probably not this year, but in the upcoming years. So that's one effect, the negative prosumers from net-metering. And the second impact, which is again temporary, is the customer move from higher fixed tariffs to lower fixed tariffs a few years back after the energy crisis. And we are still feeling the impact of that because we have some high hedges employed. So once those two impacts are solved, we will see better results in our C&S business segment.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "Could you please provide bit more details on the new mFRR service and the profit sharing with consumers? What is the planned/regulated profit for 2025? How should we approach modelling this particular service?"

Jonas Rimavičius, Member of the Management Board, CFO

In terms of planned or regulated profits in 2025, we don't have a number for that yet because it is a new market, and we are finding out how it develops as we go. What we do know is that for the first quarter that extra profit was EUR 50 million and we accounted that as a provision to be returned to customers.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "What are the estimated capture rates for new wind projects? What are the LCOE estimates if you can share?"

Jonas Rimavičius, Member of the Management Board, CFO

In terms of capture rate, I can only say that it depends on the market in which we operate. In the Baltics we see the capture rate in the neighbourhood of 20%, and in Poland, due to the CfD optimisation, we are managing not to suffer from the capture rate at all, and in some months we even earn a premium. So, it depends on market-by-market, and the same goes for LCOE, but we don't see different LCOEs than other market forecasters, and we look at each project individually. Some of them have higher CAPEX, some of them lower, some have better volumes, some lower, so it depends on project-by-project.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "Do you see any deflation trend on wind turbines, solar panels, renewable parts or what do you see?"

Jonas Rimavičius, Member of the Management Board, CFO

Since last quarter, we haven't seen any material trends, so the level, which we see on the CAPEX side is relatively stable.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

This concludes our earnings call today. For follow-up questions, please contact our Investor Relations team. Thank you for standing by and stay safe.