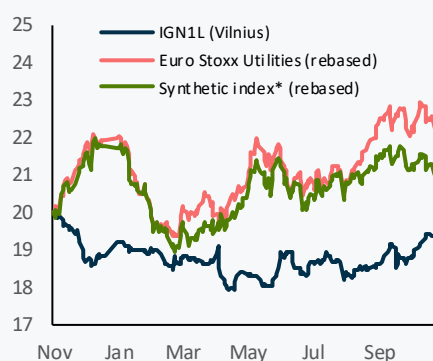


Ignitis Group

Key share data

Sector	Integrated Utilities
Ticker - Nasdaq Vilnius	IGN1L
Ticker - London Stock Exchange	IGN
Market Cap (EURm)	1,388
Net Debt (EURm)	1,411
EV (EURm)	2,800
Net debt / Equity	60%
Issued shares, m	72.4

Share price, last 12m



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

Upcoming events

3Q24 report November 13, 2024

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

Analysts

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Rather neutral quarter awaited

Ignitis Group is scheduled to report its 3Q24 results next Wednesday on November 13th. We anticipate that adj. EBITDA will increase by 5% YoY, supported by the implementation of new projects and improvements in the Network segment due to higher electricity consumption. However, lower electricity prices in 3Q24 compared to 3Q23 will be a mitigating factor. We have made limited changes to our estimates and keep valuation range unchanged at EUR 24-37/sh.

A slight improvement in adj. EBITDA is seen YoY, despite lower electricity prices

Ignitis Group is set to release its 3Q24 results on November 13th. We project the company's adj. EBITDA to grow by 5% YoY, slightly exceeding the consensus estimate. The anticipated reduction in revenues and EBITDA in the Green Capacities segment—due to weaker electricity prices compared to the same period last year (EUR 95.5/MWh in 3Q24 vs. EUR 101.2/MWh in 3Q23)—is expected to be largely offset by improvements in the Networks segment driven by higher electricity consumption.

3Q/24 results	3Q/23	2Q/24	3Q/24e	3Q/24e
EURm			Norne	Consensus**
Revenues	561.1	441.5	476.4	443
Adjusted EBITDA	91.5	108.1	96.2	93
Green Capacities*	45.3	57.4	42.1	41
Networks	40.0	50.2	48.3	48
Reserve Capacities	5.9	5.2	4.9	4
Customers & Solutions	-0.8	-5.6	0.3	-
Other activities and eliminations:	1.1	0.9	0.6	1
Adjusted EBIT	69.1	60.4	46.1	56
Net profit to shareholders	56.8	49.7	31.1	39
EPS (EUR)	0.78	0.69	0.43	0.55
Investments	231.1	209.5	273.3	-
Electricity Generated (net) TWh	0.44	0.55	0.69	-

*Green Capacities - previously Green Generation

**Consensus collected by Ignitis Group

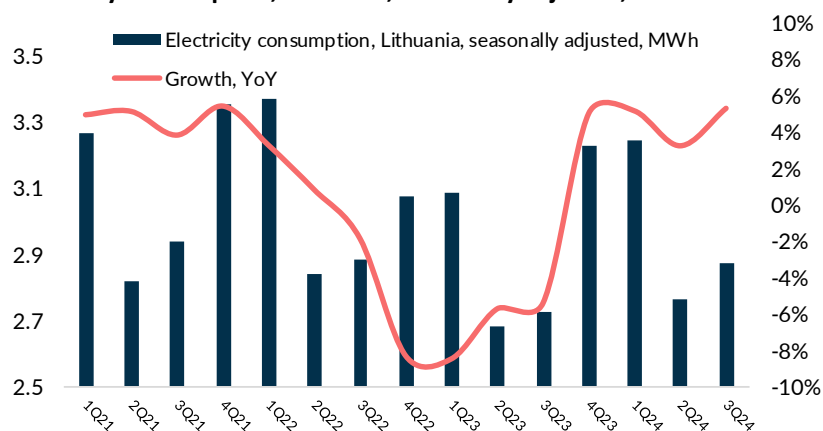
New income levels for the Network segment for 2025

Ignitis announced that on 17th October 2024, the National Energy Regulatory Council set new income levels for its subsidiary ESO's electricity and natural gas distribution services for 2025. The allowed income for electricity distribution will increase by 4.0% to EUR 321.6m, while income for natural gas distribution will decrease by 11.6% to EUR 57.1m. These changes result from lower technological expenses, increased operating costs and a higher return on investment driven by investments in ESO assets and a higher weighted average cost of capital.

Electricity consumption continues to rise while production is subbed due to worse weather conditions

Electricity consumption in Lithuania increased by ~5% YoY in 3Q24, driven by a hotter summer period, which increases consumption by air conditioners, and ongoing electrification progress.

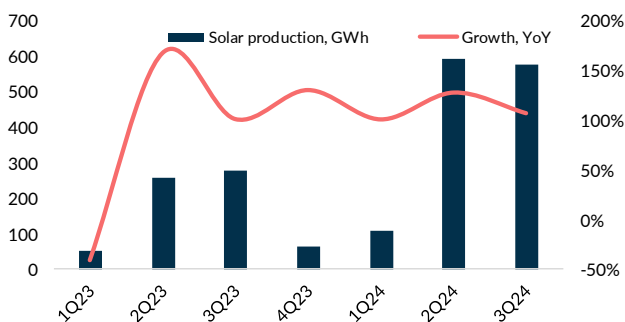
Electricity consumption, Lithuania, seasonally adjusted, TWh



Source: Litgrid

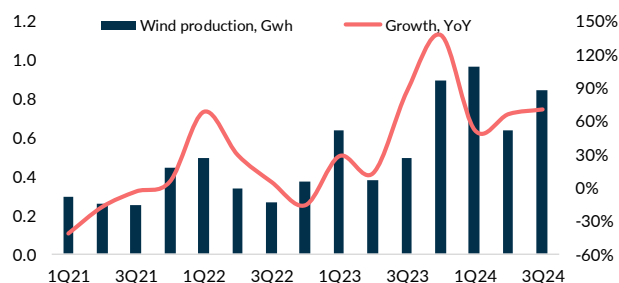
According to Litgrid data, solar and overall electricity production in 3Q24 rose significantly, driven by the incorporation of new power plants. However, we estimate that electricity production from Ignitis power plants was slightly lower due to weaker wind conditions and reduced solar irradiation.

Solar production, GWh, seasonally adjusted



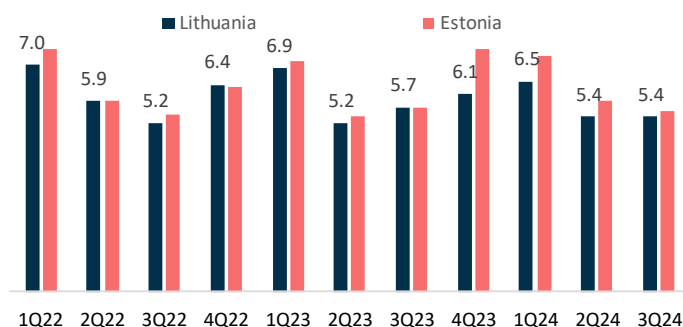
Source: Litgrid

Wind production, TWh, seasonally adjusted



Source: Litgrid

Wind speed, m/s



Source: Enefit

FID on Tume solar plant and participation in 700 MW Offshore Wind project tender in Lithuania

On September 3rd, 2024, Ignitis Group made a final investment decision on its 174 MW Tume solar farm project, located in the Tukums municipality of Latvia. Construction is expected to begin in 2024, with the COD anticipated in 2026. The total investment amounts to up to EUR 106m.

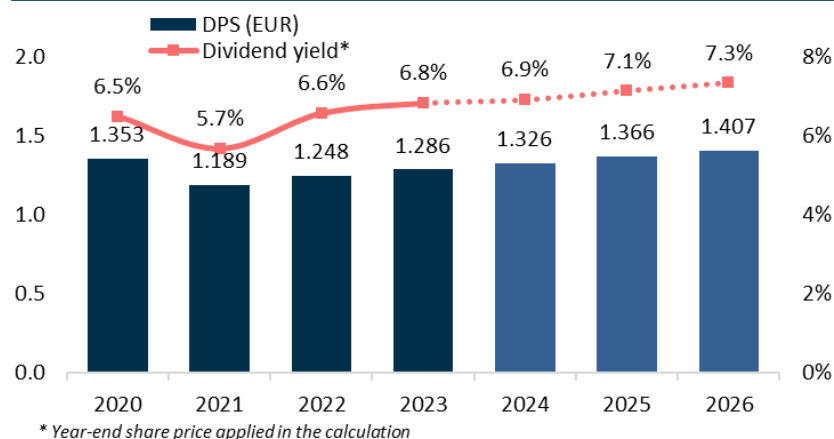
Ignitis Group also plans to participate in an upcoming tender on November 18th, 2024, to develop 700 MW of offshore wind capacity in the Baltic Sea. Ignitis plans to have a partner with a 49% interest in the project. If a suitable partner is not selected by the tender's conclusion, Ignitis Group will proceed independently while continuing the search for a partner. The National Energy Regulatory Council is expected to announce the tender winner at the end of April 2025.

No major changes in estimates while valuation remains attractive

Our long-term electricity prices were kept unchanged while terminal electricity price of EUR 65/MWh was reiterated. We have not made any other significant changes in our model since our last update while the valuation range is left at EUR 24-27/sh.

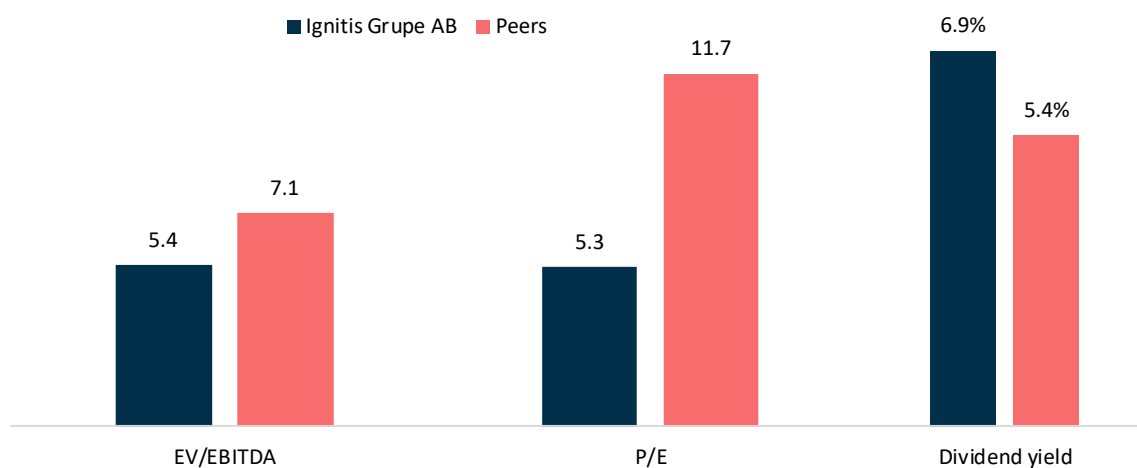
Ignitis Group's dividend yield remains attractive at 6.9–7.3% for 2024–2026. We view this as noteworthy considering the company's high growth, significant investment needs in Green Capacities, and substantial long-term value creation potential as new projects commence.

Dividends per share (DPS) and yield



Ignitis Group continues to trade at significant discounts compared to European peer medians. Under our estimates, the company's EV/EBITDA for 2024 is 24% lower than the peer median value. The discount in the P/E ratio for 2024e stands at 55%. Furthermore, Ignitis Group offers a higher dividend yield of 6.9%, compared to the peer median of 5.4%.

Valuation multiples comparison vs European peers



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

DCF model

Proportionate basis	3Q-4Q 2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
EURm												(normalised year)
Electricity market price Lithuania, EUR/MWh	93	85	85	80	79	78	77	77	75	74	74	65
Electricity production (proportionate), TWh	2.20	2.93	4.03	5.75	5.97	6.45	7.41	7.84	7.82	7.80	7.78	9.67
Revenues	1,108	2,449	2,625	2,779	2,856	3,121	3,383	3,450	3,452	3,484	3,515	3,491
EBIT	123	313	302	329	332	359	382	397	354	342	332	339
Tax on EBIT	-18	-46	-45	-50	-51	-54	-58	-59	-53	-51	-50	-52
Income tax rate	14.4%	14.7%	14.8%	15.1%	15.2%	15.1%	15.0%	15.0%	15.0%	15.0%	15.0%	15.4%
EBIT less tax	105	267	257	280	282	305	325	337	301	291	282	287
Depreciation & amortization (+)	95	223	258	323	329	349	364	372	373	369	366	361
Investments	-513	-656	-767	-759	-744	-539	-345	-350	-545	-984	-505	-361
Change in working capital	74	-11	23	17	-13	-40	-84	-16	-2	-6	-7	0
Free Cash Flow to the Firm	-239	-177	-230	-140	-145	74	260	342	126	-330	136	287
NPV of FCFF	-233	-163	-200	-116	-113	55	182	227	79	-196	77	153

WACC	Assumptions	Valuation
Debt ratio	55%	Net debt (-)/cash (+)
Cost of debt (after tax)	3.4%	-1,411
Risk free rate*	3.8%	NPV cash flow:
Beta	0.75	Explicit period
Market risk premium	6.0%	-249
Cost of equity	8.3%	Terminal value
WACC	5.6%	4,188
		Total NPV cash flow
		3,891
		Equity value
		2,480
		Value per share, EUR
		34.3

*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%	59.8	76.8	102.4	145.0	230.2
	4.5%	44.0	55.5	71.8	96.1	136.6
	5.6%	21.3	27.0	34.3	43.8	57.1
	6.1%	14.6	19.0	24.4	31.3	40.4
	6.6%	9.2	12.6	16.8	21.9	28.5
	7.1%	4.7	7.5	10.7	14.7	19.6
	7.6%	1.0	3.2	5.8	8.9	12.7

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 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 valuation.

Sensitivity of DCF to electricity price					
Electricity market price 2035, EUR/MWh (LT, LV, EE, PL)	55	60	65	70	75
DCF, EUR/sh.	19.8	27.2	34.3	41.6	49.4

Finally, we arrive at the fair value range for the Ignitis Group stock, which is based on the DCF value with a 10% discount on top to account for various risks related to estimates (e.g. renewable energy projects not being realised due to increased costs) as well as market related issues (e.g. Lithuania as a frontier market, geopolitical aspect, liquidity). We see the Low-case scenario, assuming electricity prices for the normalised year of 60 EUR/MWh, gives fair value of EUR 24/sh, which is around 25% 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 31/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	24.4	
Base Case	65	31.1	
High Case	70	37.4	

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 25.1/sh which shows a 30% upside potential.

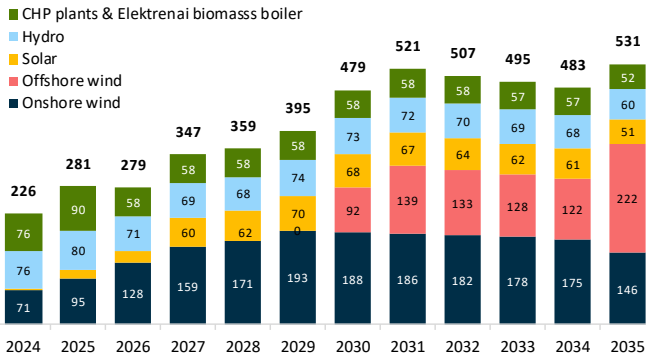
DDM (Dividend Discount Model)	
Dividend next 12m, EUR/sh.	1.326
Cost of equity	8.3%
Growth of dividends (constant)	3.0%
Fair value of stock, EUR	25.1

Peer comparison

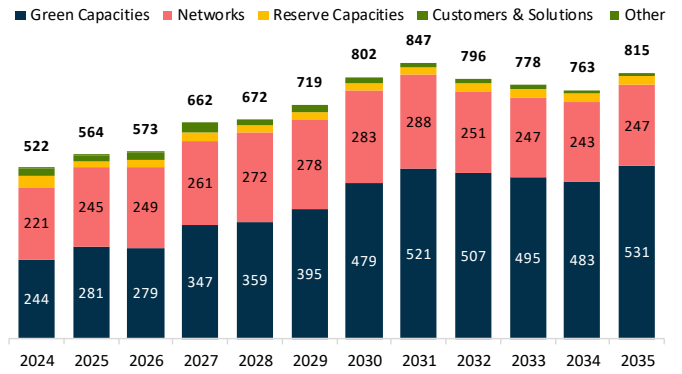
Company	Source	Mcap (EURm)	EV (EURm)	EV/EBITDA			EV/EBIT			P/E			Dividend yield			
				2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	
Ignitis Grupe AB	Norne	1,388	2,800	5.4	5.0	5.0	8.3	8.5	9.1	5.3	5.9	6.8	6.9%	7.1%	7.3%	
Integrated																
CEZ AS	Bloomberg	19,112	24,107	4.9	5.4	6.1	7.1	8.5	8.4	14.7	16.9	13.1	5.7%	4.8%	5.1%	
EDP SA	Bloomberg	13,899	38,446	7.7	7.8	7.7	12.3	12.8	12.7	10.5	11.6	11.3	6.1%	6.1%	6.0%	
Endesa SA	Bloomberg	20,323	30,366	5.9	5.8	5.6	10.1	9.9	9.4	11.5	10.9	10.2	6.0%	6.6%	7.1%	
Enel SpA	Bloomberg	69,113	147,424	6.5	6.4	6.3	9.9	9.9	9.7	10.1	10.1	9.7	6.7%	6.9%	7.1%	
Engie SA	Bloomberg	36,137	70,896	4.8	5.1	5.1	7.4	8.2	8.3	6.9	8.7	9.1	9.4%	8.2%	7.8%	
EVN AG	Bloomberg	4,389	5,713	7.3	6.8	6.5	13.4	12.1	11.6	9.6	10.0	9.9	4.3%	4.0%	4.0%	
E.ON SE	Bloomberg	32,145	69,099	7.7	7.5	7.2	12.2	12.1	11.8	10.9	11.1	11.1	4.5%	4.7%	4.9%	
Iberdrola SA	Bloomberg	83,881	159,307	9.9	9.8	9.3	15.2	15.6	14.7	15.1	14.9	14.1	4.6%	4.8%	5.1%	
Naturgy Energy Group SA	Bloomberg	21,138	35,043	6.7	6.9	6.9	10.3	11.0	11.2	11.3	12.5	13.0	6.4%	6.4%	6.4%	
Public Power Corp SA	Bloomberg	4,553	9,583	5.4	4.9	4.4	9.5	7.4	6.1	13.7	10.1	8.1	3.4%	4.6%	6.0%	
SSE PLC	Bloomberg	22,740	35,292	9.4	8.8	8.1	12.8	12.0	11.4	10.9	10.5	10.2	3.5%	3.8%	4.0%	
Verbund AG	Bloomberg	24,979	28,133	8.7	9.4	11.3	11.1	11.9	15.3	14.7	16.2	20.8	3.5%	3.2%	2.6%	
Average		29,367	54,451	7.1	7.1	7.0	10.9	11.0	10.9	11.7	11.9	11.7	5.4%	5.3%	5.5%	
Median		21,939	35,167	7.0	6.9	6.7	10.7	11.4	11.3	11.1	11.0	10.7	5.2%	4.8%	5.6%	
Networks																
Elia Group SA/NV	Bloomberg	6,290	17,333	11.8	9.4	7.8	20.5	16.0	13.2	16.9	15.5	13.7	2.4%	2.4%	2.5%	
Enagas SA	Bloomberg	3,304	5,933	8.0	8.8	9.5	14.2	16.1	17.9	25.3	13.2	14.6	8.3%	7.9%	7.9%	
Italgas SpA	Bloomberg	4,490	11,751	8.8	7.7	6.8	14.7	13.0	11.2	9.4	9.3	8.6	6.9%	7.2%	7.8%	
National Grid PLC	Bloomberg	57,571	107,679	13.1	12.1	11.2	18.8	17.6	16.3	14.0	13.7	13.1	5.5%	4.7%	4.8%	
Redeia Corp SA	Bloomberg	8,885	15,112	11.3	10.8	9.8	19.0	17.9	15.4	17.7	17.2	14.7	5.1%	5.0%	5.4%	
REN - Redes Energeticas Nacionais S	Bloomberg	1,511	4,146	8.3	8.1	7.9	16.9	17.0	16.4	13.1	13.1	13.2	6.7%	6.9%	6.8%	
Snam SpA	Bloomberg	14,623	31,006	11.3	10.6	10.1	18.0	17.3	16.5	11.8	11.6	11.5	6.7%	6.9%	7.1%	
Terna - Rete Elettrica Nazionale SpA	Bloomberg	15,742	26,499	10.8	10.4	9.4	16.6	16.3	14.7	15.7	16.2	15.0	4.7%	4.7%	5.0%	
Average		14,052	27,433	10.4	9.7	9.1	17.4	16.4	15.2	15.5	13.7	13.0	5.8%	5.7%	5.9%	
Median		7,587	16,223	11.0	9.9	9.5	17.5	16.7	15.8	14.8	13.5	13.5	6.1%	6.0%	6.1%	
Renewables																
Acciona Energia SA	Bloomberg	5,774	10,866	9.3	8.3	8.0	16.8	14.7	14.3	17.7	15.5	15.6	2.2%	2.2%	2.3%	
Alerion Cleanpower SpA	Bloomberg	812	1,359	10.4	8.2	5.1	20.5	18.6	7.3	28.3	33.3	7.9	1.8%	1.5%	6.4%	
Encavis AG	Bloomberg	2,764	4,812	15.0	14.3	12.1	24.9	22.0	19.1	31.9	28.7	25.7	na	na	na	
Enefit Green AS	Bloomberg	748	1,406	11.5	10.2	na	19.6	18.6	na	16.2	16.2	na	3.2%	2.8%	na	
ERG SpA	Bloomberg	2,910	5,256	9.4	8.7	8.3	17.1	15.8	15.2	13.7	12.9	12.7	5.4%	5.5%	5.6%	
Neoen SA	Bloomberg	6,022	9,824	18.1	13.8	11.8	30.9	22.8	19.4	74.6	49.7	40.7	0.4%	0.5%	0.5%	
RWE AG	Bloomberg	21,177	30,636	5.7	6.2	5.6	9.3	11.2	10.1	10.3	13.8	12.2	3.9%	4.1%	4.4%	
Scatec ASA	Bloomberg	1,076	3,318	7.8	8.7	8.2	10.1	11.3	11.4	16.3	18.0	19.3	0.0%	na	na	
Voltaia SA	Bloomberg	1,102	3,024	13.8	10.6	9.0	30.4	20.6	16.4	N/A	N/A	65.5	28.9	0.0%	0.0%	0.0%
Ørsted AS	Bloomberg	20,791	32,666	8.4	7.7	7.2	15.5	12.2	11.6	18.7	13.8	13.1	na	0.0%	2.9%	
Average		6,318	10,317	11.0	9.7	8.4	19.5	16.8	13.9	25.3	26.7	19.6	2.1%	2.1%	3.2%	
Median		2,837	5,034	9.9	8.7	8.2	18.4	17.2	14.3	17.7	17.1	15.6	2.0%	1.9%	2.9%	

Key Operating Indicators

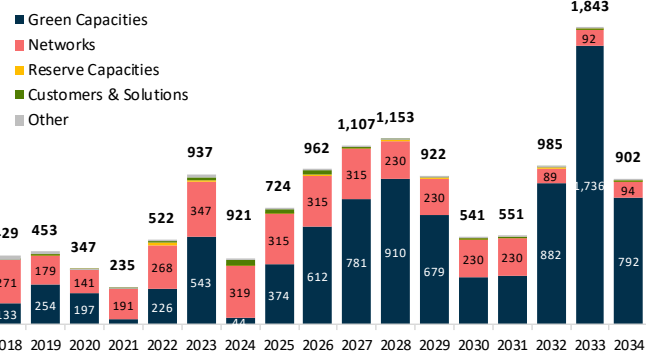
Green Capacities adj. EBITDA (consolidated), EURm



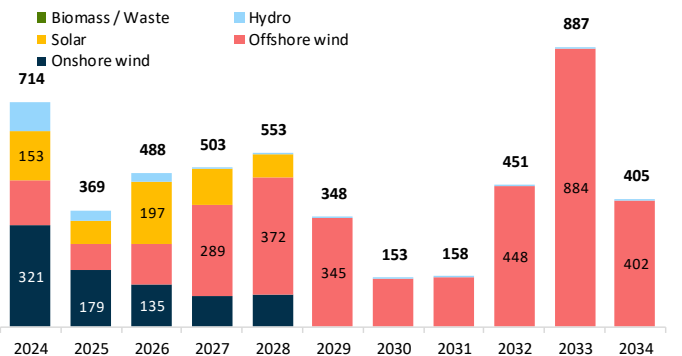
Adj. EBITDA by segment, EURm



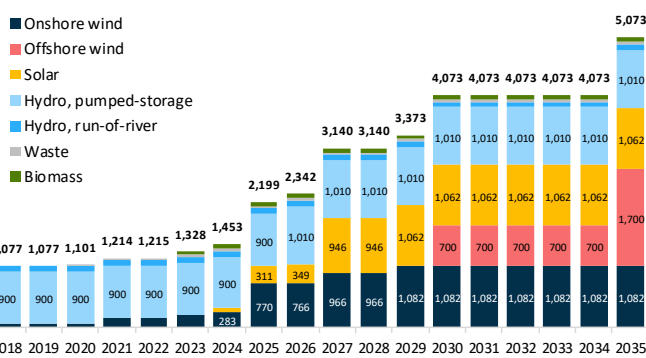
Investments by segment (consolidated), EURm



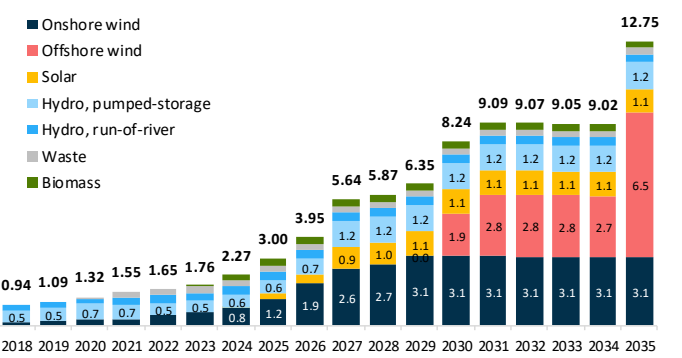
Investments in Green Capacities (proportionate), EURm



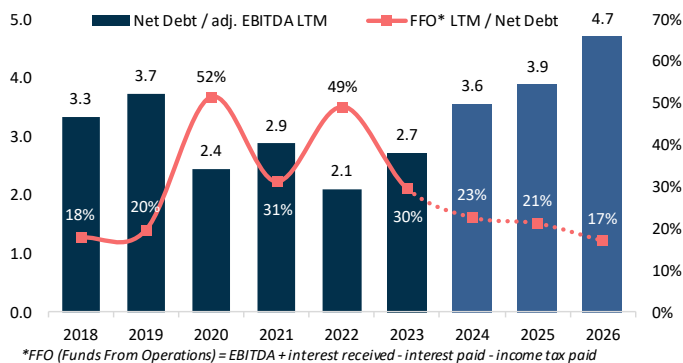
Installed electricity capacity of Green Cap. (gross), GW, EOY



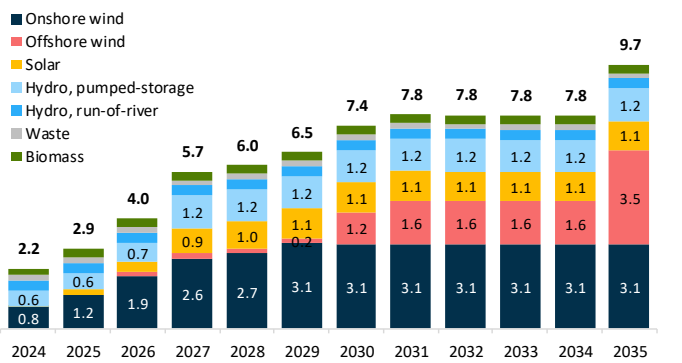
Electricity generated, Green Cap. (100% basis), TWh



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	2,199	2,457	2,620	2,774
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	2,207	2,464	2,629	2,782
Purchases of electricity, nat. gas and other s	-795	-729	-706	-1,381	-3,609	-1,758	-1,349	-1,491	-1,560	-1,509
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	-90	-110	-124	-137
EBITDA	148	202	335	343	540	507	521	556	563	655
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	339	331	306	334
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	300	278	239	235
Taxes	12	-7	-25	-16	-44	-34	-38	-41	-35	-35
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	262	237	204	200
EPS (EUR)	-0.41	1.04	2.85	2.16	4.04	4.42	3.61	3.27	2.82	2.76
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	540	544
Non-current assets	2,411	2,771	2,899	2,954	3,250	4,217	4,946	5,422	6,061	6,781
Inventories	43	47	66	186	570	275	275	268	231	191
Accounts receivable	143	118	128	275	424	266	262	297	338	343
Other current assets	129	131	169	395	333	171	138	138	138	138
Cash and cash equivalents	128	132	659	449	694	205	230	178	315	311
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	906	881	1,022	984
Total assets	2,854	3,198	3,921	4,258	5,272	5,244	5,851	6,303	7,084	7,766
Shareholders' equity	1,255	1,300	1,812	1,856	2,126	2,263	2,415	2,554	2,658	2,755
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	2,415	2,554	2,658	2,755
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	618	634	642	651
Non-current liabilities	1,169	1,350	1,804	1,705	2,064	2,320	2,730	3,097	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	211	236	218
Other current liabilities	175	178	223	355	692	414	387	387	387	387
Current liabilities	383	499	304	697	1,082	661	707	652	983	965
Total equity and liabilities	2,854	3,198	3,921	4,258	5,272	5,244	5,851	6,303	7,084	7,766
Cash flow (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Operating profit (EBIT)	-20	83	215	192	388	352	339	331	306	334
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	-64	-41	-35	-35
Change in working capital	45	-29	-55	-237	-25	329	80	-12	21	17
Cash flow from operating activities	179	177	281	105	564	800	540	488	540	627
Acquis. of prop., plant & equip. and intang. :	-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	3	4
Cash flow from investment activities	-367	-347	-258	-235	-456	-1,081	-754	-656	-883	-1,027
Free cash flow	-188	-170	22	-129	108	-281	-214	-169	-343	-400
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	-62	-2	19	20
Cash flow from financing activities	112	25	696	-81	137	-209	239	116	479	397
Change in cash	-76	-145	718	-210	245	-490	25	-53	137	-3

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	386	441	468	580
Networks (adj.)	440	465	439	510	698	592	778	902	979	1,064
Reserve Capacities (adj.)	63	66	111	152	237	129	129	118	121	127
Customers & Solutions (adj.)	630	539	505	1,024	3,001	1,734	1,079	1,165	1,198	1,149
Other and Eliminations (adj.)	-65	-3	-10	-14	-77	-161	-165	-154	-128	-131
Total adjusted	1,145	1,151	1,135	1,888	4,317	2,636	2,208	2,472	2,639	2,789
Adjustments	-75	-52	88	10	70	23	2	-7	-10	-7
Total reported	1,070	1,099	1,223	1,899	4,387	2,659	2,210	2,464	2,629	2,782

EBITDA per segment (EURm)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Green Capacities (adj.)*	38	43	50	108	253	223	244	281	279	347
Networks (adj.)	169	181	138	145	164	180	221	245	249	261
Reserve Capacities (adj.)	13	22	29	37	35	50	37	19	19	24
Customers & Solutions (adj.)	7	11	27	41	16	30	18	18	25	30
Other and Eliminations (adj.)	-6	3	2	2	2	2	2	0	0	0
Total adjusted	221	260	246	333	469	484	522	564	573	662
Adjustments	-76	-53	88	10	70	23	2	-7	-10	-7
Total reported	145	207	334	343	540	507	524	556	563	655

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>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>1,010</i>	<i>1,010</i>
<i>Run-of-river</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>
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	0.78	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>	-	<i>0.54</i>	<i>0.72</i>	<i>0.65</i>	<i>0.54</i>	<i>0.52</i>	<i>0.56</i>	<i>0.58</i>	<i>0.72</i>	<i>1.18</i>
<i>Run-of-river</i>	-	<i>0.27</i>	<i>0.23</i>	<i>0.29</i>	<i>0.38</i>	<i>0.37</i>	<i>0.38</i>	<i>0.38</i>	<i>0.38</i>	<i>0.38</i>
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	2.27	3.00	3.95	5.64
Electricity market price, EUR/MWh:										
Lithuania	50.0	46.1	34.0	90.2	229.2	92.9	93.2	85.5	84.7	79.5
Latvia	49.9	46.3	34.0	88.6	225.9	94.1	90.2	85.2	84.4	79.3
Estonia	47.0	45.9	33.7	86.5	192.0	91.0	87.3	81.8	81.0	76.0
Poland	53.1	53.6	47.2	87.3	166.3	111.9	94.7	104.2	101.0	98.0
Avg. realised el. price, EUR/MWh (ex. Kruoni)	na	na	na	na	na	na	105.2	112.3	87.5	79.3
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	1.61	1.67	1.67	1.67

Networks, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
RAB (Regulated Asset Base), EURm	-	1,416	1,186	1,258	1,345	1,429	1,584	1,795	1,948	2,086
WACC (regulatory), combined el. and gas	-	4.85%	5.00%	5.05%	4.13%	4.14%	5.08%	5.65%	5.05%	4.96%

Reserve Capacities, key metrics	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Installed electricity capacity (period end), M	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055	1,055
Electricity generated, TWh	0.07	0.02	1.20	0.82	0.28	0.31	0.69	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

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	474	636
Other income	2	1	1	2	2	3	1	2	2
Total revenues	1,359	928	442	471	708	654	439	476	638
Purchases of electricity, nat. gas and other s	-1,181	-678	-325	-297	-458	-393	-253	-302	-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	-22	-27
EBITDA	206	195	45	108	159	189	105	94	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	46	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	36	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	31	62
EPS (EUR)	1.50	1.76	0.40	0.78	1.49	1.64	0.69	0.43	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	202	262
Other current assets	333	209	208	195	171	153	138	138	138
Cash and cash equivalents	694	768	726	453	205	347	276	197	230
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	783	906
Total assets	5,272	4,928	5,050	5,068	5,244	5,328	5,366	5,527	5,851
Shareholders' equity	2,126	2,060	2,084	2,101	2,263	2,321	2,370	2,401	2,415
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	2,401	2,415
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	613	618
Non-current liabilities	2,064	2,107	2,217	2,241	2,320	2,322	2,370	2,475	2,730
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	144	195
Other current liabilities	692	667	578	543	414	436	387	387	387
Current liabilities	1,082	761	750	726	661	684	626	652	707
Total equity and liabilities	5,272	4,928	5,050	5,068	5,244	5,328	5,366	5,527	5,851

Cash flow (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Operating profit (EBIT)	163	157	8	69	118	148	60	46	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	-18	-38
Cash flow from operating activities	706	365	147	37	250	254	138	68	79
Acquis. of prop., plant & equip. and intang. e	-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	-189	-133
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	-23	-25
Cash flow from financing activities	-168	-161	8	-14	-42	-14	-23	110	166
Change in cash	403	74	-42	-273	-248	142	-71	-78	33

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	75	110
Networks (adj.)	223	122	106	198	167	206	161	181	230
Reserve Capacities (adj.)	72	15	47	25	43	45	19	29	36
Customers & Solutions (adj.)	918	680	335	276	442	338	216	223	302
Other and Eliminations (adj.)	-77	-33	-51	-28	-50	-57	-42	-30	-37
Total adjusted	1,265	883	501	545	708	646	442	479	641
Adjustments	94	45	-59	17	20	7	0	-2	-2
Total reported	1,359	928	442	561	727	654	442	476	638

EBITDA per segment (EURm)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Green Capacities (adj.)*	67	70	39	45	68	77	57	42	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	0	6
Other and Eliminations (adj.)	1	2	0	1	-1	2	1	1	-1
Total adjusted	112	150	104	92	139	182	108	96	136
Adjustments	94	45	-59	17	20	7	0	-2	-2
Total reported	206	195	45	108	159	189	108	94	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>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>	<i>900</i>
<i>Run-of-river</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>	<i>101</i>
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:	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Onshore wind	0.13	0.16	0.10	0.11	0.21	0.24	0.14	0.16	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>	<i>0.15</i>	<i>0.13</i>	<i>0.08</i>	<i>0.17</i>	<i>0.14</i>	<i>0.11</i>	<i>0.13</i>	<i>0.14</i>	<i>0.18</i>
<i>Run-of-river</i>	<i>0.07</i>	<i>0.15</i>	<i>0.10</i>	<i>0.05</i>	<i>0.07</i>	<i>0.16</i>	<i>0.09</i>	<i>0.06</i>	<i>0.07</i>
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	0.49	0.67

Electricity market price, EUR/MWh:	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Lithuania	226.7	102.2	81.3	101.2	87.0	89.7	96.2	95.3	91.5
Latvia	226.5	100.4	80.9	101.2	93.9	86.7	86.7	96.3	91.2
Estonia	218.9	99.9	74.5	95.8	93.9	90.0	75.8	96.0	87.5
Poland	159.6	129.9	115.3	110.9	91.3	81.3	90.0	101.3	106.3

Avg. realised el. price, EUR/MWh (ex. Kruonis)	na	na	na	na	111.2	112.8	98.3	94.8	115.0
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Heat	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Installed heat capacity (period end), MW	180	180	180	180	329	329	329	349	349
Heat generated, TWh	0.25	0.28	0.20	0.20	0.40	0.46	0.37	0.29	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, annu	4.13%	4.14%	4.14%	4.14%	4.14%	5.08%	5.08%	5.08%	5.08%

Reserve Capacities, key metrics	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	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

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	19.18	19.18	19.18	19.18
Market capitalisation, period end (EURm)	na	na	1,549	1,560	1,377	1,364	1,388	1,388	1,388	1,388
Enterprise value (EURm)	na	na	2,151	2,517	2,364	2,681	3,245	3,578	4,084	4,682

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	1.5	1.6	1.7
EV/EBITDA	na	na	6.4	7.3	4.4	5.3	6.2	6.4	7.3	7.1
EV/EBIT	na	na	10.0	13.1	6.1	7.6	9.6	10.8	13.3	14.0
P/E	na	na	7.3	9.7	4.7	4.3	5.3	5.9	6.8	6.9
P/B	na	na	0.85	0.84	0.65	0.60	0.57	0.54	0.52	0.50
Dividend yield	na	na	6.5%	5.7%	6.6%	6.8%	6.9%	7.1%	7.3%	7.6%

Balance sheet	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Net Debt (incl. lease liabilities)	736	967	600	957	987	1,318	1,856	2,189	2,695	3,293
Net Debt / EBITDA LTM	4.97	4.78	1.79	2.79	1.83	2.60	3.56	3.93	4.79	5.03
Net Debt / adj. EBITDA LTM	3.33	3.72	2.44	2.88	2.10	2.72	3.56	3.88	4.71	4.98
FFO* LTM / Net Debt	17.8%	19.6%	51.5%	31.3%	49.1%	29.6%	22.6%	21.1%	17.0%	15.7%
Equity / Assets	46%	42%	46%	44%	40%	43%	41%	41%	38%	35%

Growth (YoY)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenue	-3%	2%	12%	55%	131%	-42%	-13%	12%	7%	6%
EBITDA	-34%	37%	65%	3%	57%	-6%	3%	7%	1%	16%
EBIT	nm	nm	159%	-11%	102%	-9%	-4%	-2%	-7%	9%
Net profit to shareholders	nm	nm	201%	-6%	83%	9%	-18%	-9%	-14%	-2%
EPS	nm	nm	173%	-24%	88%	9%	-18%	-9%	-14%	-2%

Margins	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
EBITDA	14%	19%	27%	18%	12%	20%	24%	23%	21%	24%
EBIT	-2%	8%	18%	10%	9%	14%	15%	13%	12%	12%
Net profit to shareholders	-2%	5%	14%	8%	7%	13%	12%	10%	8%	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%	11.2%	9.5%	7.8%	7.4%
ROCE**	-1.1%	3.8%	9.1%	7.4%	13.1%	10.5%	8.6%	7.3%	6.1%	5.9%
ROCE** a dj.	2.8%	6.2%	5.4%	7.9%	10.7%	9.8%	8.6%	7.5%	6.3%	6.0%

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

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

Valuation, risks and sources

Target price and valuation

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

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

Valuation

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

Sources

The sources used in the preparation of this report were: Ignitis Group, 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. 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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