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11 September 2020

AB "Ignitis grupė"

Confirmation of Intention to Float on Nasdaq Vilnius and London Stock Exchange

AB "Ignitis grupė", a leading utility and renewable energy company in the Baltic region, following its announcement on 4 September 2020 regarding the publication of a registration document (the "**Registration Document**"), today confirms its intention to proceed with an initial public offering (the "**IPO**" or the "**Offer**") of the Company's securities. The Company intends to apply for the admission of the Company's ordinary shares (the "**Shares**") to trading on the Main Trading List of Nasdaq Vilnius and for the admission of global depositary receipts representing the Shares ("**GDRs**") to the standard listing segment of the Official List of the FCA and to trading on the Main Market of the London Stock Exchange (the "**Admission"**). Admission will be subject to receipt of requisite regulatory approvals.

The final offer price in respect of the IPO (the "Offer Price") will be determined following publication of the Prospectus and a book-building process, with Admission currently expected to occur in October 2020.

Ignitis Overview

- Ignitis grupė is a leading utility and renewable energy group in the Baltic region, with operations in its home markets in Lithuania, Latvia, Estonia, Poland and Finland.
- The Group has transformed into a regional leader in the transition to green energy. Ignitis grupė achieved a 96 per cent reduction in generation-based carbon dioxide emissions between 2015 and 2019, and in 2019 it generated 98% of its power from renewables, with no coal or nuclear generation facilities in its portfolio. The Group is committed to becoming net CO2 neutral by 2050.
- The Group has a large, regulated and long-term contracted profit base giving high visibility into returns and cash flows, with attractive growth opportunities in relation to its green generation business in particular.
- The Group is organised into the following business units:
  - Networks (70% of the Group's adjusted EBITDA in 2019):
    Ignitis grupė operates the largest networks business in the Baltics, with distribution networks for electricity and gas covering the whole of Lithuania, and reaching 1.8 million customers. The business is fully regulated and generates stable earnings for the Group.
  - Green Generation (17% of the Group's adjusted EBITDA in 2019):
    with a total capacity of 1.4 GW of operational assets and assets under construction, providing sustainable and profitable growth. Investments in green energy will be the main source of growth in the medium term with the Group targeting 1.6 to 1.8 GW of installed Green Generation capacity by 2023 and 4 GW by 2030.
  - Flexible Generation (8% of the Group's adjusted EBITDA in 2019): provides reliable and flexible power and regulated services to the Lithuanian transmission grid with 1.1 GW of installed gas power generation capacity.
  - Customers & Solutions (4% of the Group's adjusted EBITDA in 2019): consists of a core energy supply and trading business complemented by innovative energy solutions for residential and business customers.
- The Group plays an important role in ensuring the long-term energy security of Lithuania and wider Baltic region, with the Government of Lithuania as a key long-term stakeholder.
- With an established track record in sustainable energy development, Ignitis grupė demonstrates a strong commitment to best-in-class environmental, social and governance ("**ESG**") principles. The Group is governed by a Supervisory Board, with five Independent Members, including the Chairperson, and two Members representing the Ministry of Finance of the Republic of Lithuania, the Company's principal shareholder.

Darius Maikštėnas, CEO and Chairman of the Management Board said:
"*Ignitis grupė has experienced real transformation in recent years and we are very proud to have grown to be a leading regional utility player with the majority of power generation coming from renewable sources. The Company benefits from a large, regulated asset base with high levels of visibility over future earnings. Our ambition is to continue on our growth trajectory and we are targeting an increase in installed green generation capacity to between 1.6 and 1.8 GW by 2023 and 4 GW by 2030. Our clear growth strategy, together with our extensive distribution networks and our increasing range of customer-focused solutions and innovations – from unique remote solar platforms to smart meters and EV charging stations – positions the Group well to meet the region's growing demand for clean energy."*

Darius Daubaras, Chairman of the Supervisory Board said:
"The Group has achieved a great deal in a relatively short amount of time and I am proud to see it become Lithuania's national green energy champion, whilst meeting the highest international standards – from environmental protection to best practices in corporate governance. The Group mirrors the rapid modernisation, development and ambition of Lithuania, which since 2012 has been one of the fastest growing economies in the European Union. The Group has a clear growth strategy built around our four business segments, and I am excited about the growth opportunities that lie ahead."

Vilius Šapoka, Minister of Finance of the Republic of Lithuania said:
"*This is an exciting chapter in the development of Lithuania's economy. An IPO of Ignitis grupė would provide the investment needed to ensure both Lithuania's and the wider Baltic region's energy security and to help achieve the decarbonisation targets of these countries over the coming decades. Furthermore it would deepen and improve the liquidity of our capital markets, attracting fresh capital into our dynamic economy."*

Confirmation of Offer Details

- Admission of its Shares to the Main Trading List of Nasdaq Vilnius and admission of its GDRs to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities.
- The Offer will be solely comprised of new shares issued.
- Immediately following Admission, the Company intends to have a free float of between 25 percent to 33.33 percent of the Company's issued share capital. The Republic of Lithuania, through the Ministry of Finance, will remain the Company's controlling shareholder with a shareholding of at least 66.67 percent of the Company's issued share capital.
- The Offer is expected to have a retail component for residents of Lithuania, Latvia and Estonia.
- In connection with stabilisation transactions, the Company is expected to agree to buyback up to 10% of the total number of shares and GDRs offered, subject to receipt of shareholder approval.
- The Company intends to use the net proceeds raised from the Offer to facilitate the Company's growth, including but not limited to investments in the Networks segment (e.g., cabling, smart meters, digitisation, etc.) and the Green Generation segments, and for general corporate purposes.
- Any additional details in relation to the Offer will be disclosed in the Prospectus,

when published.

- The Company has engaged J.P Morgan Securities plc ("**J.P.Morgan**"), Morgan Stanley & Co. International plc ("**Morgan Stanley**"), Swedbank AB (in cooperation with Kepler Cheuvreux S.A.) ("**Swedbank**") and UBS Europe SE ("**UBS**”**)** to act as Joint Global Co-ordinators and Joint Bookrunners and BofA Securities Europe SA ("**BofA Securities**") to act as Joint Bookrunner in the event the IPO proceeds.

Key Strengths and Business Highlights

One of the largest utility and renewable energy groups in Lithuania and the Baltic region with a critical role for the region's energy security and decarbonisation

- Lithuania is one of the fastest growing economies in Europe, demonstrating a degree of economic resilience to the COVID-19 pandemic.
- The Group is one of the largest utility and renewable energy groups in the Baltic region, and plays a critical role in the region's energy security and decarbonisation goals, accounting for 57% of total green energy installed capacity in Lithuania.
- The Group is the leading group across Lithuania’s energy value chain, with close to 100% market share in distribution networks, and with the largest installed electricity capacity of any energy group in the country (owning 63% of the country's installed capacity).

Resilient business with highly visible cash flows from regulated or long-term contracted activities

- The Group has amongst the highest shares of regulated or long-term contracted activities in its business mix in the sector. Approximately 87 percent of the Group's adjusted EBITDA in the year ended 31 December 2019 was attributable to either regulated or long-term contracted activities.
- The Networks segment operates under a supportive and predictable regulatory framework, benefiting from a country-wide monopoly and regulated returns with growth in the regulated asset base arising from investments in modernisation and expansion.

Attractive growth driven by green energy and distribution network investments

- The Group is well-positioned to capitalise on the growth opportunities presented by the transition to renewable energy in Lithuania and the Group's other target markets.
- Lithuania, Latvia, Estonia and Poland have all adopted energy policies supporting the extensive build-out of renewable generation capacities (with a combined target of an additional 24 GW by 2030), in line with decarbonisation commitments. The opportunity in Lithuania is underpinned by a structural electricity deficit, making the development of new domestic green energy generation assets and synchronisation with the EU grid a national priority to ensure the country's energy security. Poland also represents a key opportunity, as coal generation still accounted for 86 percent of total electricity generation in 2019 and this is expected to be gradually phased out.
- Strong green energy development platform with track record of success and competitively positioned across the Baltics and Poland.
- The Group is targeting to reach 1.6-1.8 GW of installed green generation capacity by 2023 and 4 GW by 2030.

Strong and disciplined financial profile supporting shareholder returns and resulting in a low cost of capital

- Resilient EBITDA and value-accretive investments in Green Generation and Networks with stable results in H1 2020. Adjusted EBITDA remained stable with an adjusted EBITDA margin of 22.7% in H1 2020 (22.3% in H1 2019), demonstrating the Company's financial resilience in the current market environment.
- The Group maintains a robust capital structure with commitment to an investment-grade rating (BBB or above) and target leverage of Net Debt / EBITDA < 5.0x (H1 2020: LTM Net Debt / EBITDA of 4.05x, LTM Net Debt / Adj. EBITDA of 3.94x).
- Targets high single-digit to low double-digit levered equity returns for investments
- Fixed starting dividend level set at EUR 85 million for the year ending 31 December 2020 and minimum annual dividend growth rate set at 3 percent going forward.*

* *This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indication of the Company's expected or actual future results. Accordingly, potential investors should not place any reliance on the target in deciding whether or not to invest in the Company and should not assume that the Company will make any distributions at all, and should decide for themselves whether or not the target is reasonable or achievable.*

Experienced management team with track record of building a sustainable energy platform

- Led by an experienced senior management team, the Group has established a significant track record in sustainable energy development, while at the same time demonstrating a commitment to best-in-class governance and ESG principles.
- The Group's transformation to a leading green energy producer was supported in 2015 by the initiation of the Group's two waste-to-energy/biomass CHP plant projects in Lithuania (with total investments of approximately EUR 500 million), one of which has now been completed and the other of which is nearing completion.
- This was followed in 2016 by the acquisition of the Group's first two wind farms (in Lithuania and Estonia). In line with the Group's strategy of increasing green generation capacities, the Group acquired two additional wind farms in 2018 and in the same year acquired the development project for the wind farm project in Mažeikiai, Lithuania (one of the largest wind farm projects in Lithuania). This was followed in 2019 by the commencement of construction of the Group's first wind farm in Poland (94 MW), now nearing completion.
- The Group has also successfully completed two green bond issuances (in 2017 and 2018), with the 2017 bond being awarded the Green Bond Pioneer award by the Climate Bonds Initiative.
- Since 2016, the Company earned the highest possible A+ rating in the Governance index and was declared the leader in corporate governance in the corporate category.

<u>Dividend Policy</u>

Pursuant to the Company's dividend policy, which came into force on 4 September 2020, dividends paid by the Company will be decided based on a fixed starting level plus a minimum annual growth rate:

- The fixed starting dividend level was set at EUR 85 million for the year ending 31 December 2020 and the minimum annual dividend growth rate was set at a minimum of 3 percent* going forwards.

In line with the fixed starting dividend level of EUR 85 million, a dividend of EUR 42 million for the first half of 2020 was proposed for declaration by the Management Board on 3 September 2020 and approved by the Supervisory Board on 9 September 2020, and will be paid to the Principal Shareholder, subject to approval by the Principal Shareholder (as the sole shareholder of the Company). The Company intends to declare a dividend of EUR 43 million* for the second half of 2020, for expected payment in the first half of 2021, subject to, among other matters, approval at the Company's Annual General Meeting, financial results for the year ending 31 December 2020 and other factors.

** The minimum annual dividend growth rate and dividend target are targets only and not a profit forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's or the Group's expected or actual future results. Accordingly, recipients of this announcement should not place any reliance on the targets and should not assume that the Company will make any distributions at all and should decide for themselves whether or not these targets are reasonable or achievable.*

Group Strategy

The Group's current long-term strategy (the "**Strategy**") is focused on creating a sustainable future by continuing to grow renewables, ensure resilience and flexibility of the energy system, enable energy transition and evolution and capture growth opportunities. The Strategy includes the following key components:

- Creating a sustainable future.
- Growing renewables to meet regional energy commitments.
- Ensuring the resilience and flexibility of the energy system and enabling energy transition and evolution.
- Capturing growth opportunities and developing innovative solutions to make life easier and more energy smart.
- Operating with a transparent, effective and strong governance model.
- Maintaining its focus on financial discipline.

In June 2020 Ignitis Group announced its 2020-2023 strategic plan, the first phase of its roadmap to deliver on its longer-term ambitions. The strategy aligns the Group with the United Nations' Sustainable Development Goals and commits it to reduce net CO_2 emissions to zero by 2050. Key elements of the 2020-23 strategy include:

- Investing €1.7-2.0 billion through 2023 across the Group's business segments, in particular expanding green power generation and improving Networks.
- Increasing installed Green Generation capacity from 1.1 GW currently to between 1.6 and 1.8 GW by 2023.
- Installing between 1.1 and 1.2 million smart meters by 2023, through the Networks

segment.

- Reducing the SAIFI quality indicator for the electricity distribution network to between 1.09 and 1.11 interruptions per customer by 2023 (compared to 1.31 in 2019).
- Maintaining the Group's market-leading position for the provision of regulated services to the TSO in Lithuania.
- Attractive investments targeting levered equity IRR of high single to low double digit.
- Maintenance of investment grade rating at BBB or above.
- Maintaining a net debt to EBITDA ratio of less than 5x.

Growing its presence regionally remains a priority for the Group, which has already established a strong position in its home markets of Lithuania, Latvia, Estonia, Poland and Finland. The Group continues to explore new opportunities in these countries to support the energy transition, particularly through green generation including onshore and offshore wind, waste to energy, hydro power, biomass or solar technologies.

The Group's strategy is aligned with the targets of Lithuania's National Energy Independence Strategy. This includes the adoption of smart metering, innovative technologies and the digitisation of the Lithuanian energy sector, as well as the development of additional green energy generation capacity and synchronisation with continental European energy grids. By continuing to modernise networks and maintain flexible generation capacity, the Group stands by its commitment to ensure resilience and flexibility of the energy system while supporting the energy transition.

Copies of the Ignitis grupė Corporate Strategy and Strategic Plan 2020-2023 are available on the Ignitis grupė website https://ignitisgrupe.lt/en/strategy.

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About AB "Ignitis grupė"

AB "Ignitis grupė" (www.ignitisgrupe.lt/) is a leading utility and renewable energy company in the Baltic region. Its core business is focused on operating electricity and gas distribution Networks, and managing and developing its Green Generation portfolio. The Group also manages strategically important Flexible Generation assets and provides Customers and Solutions services, including the supply of electricity and gas, solar, e-mobility, improved energy efficiency, and innovative energy solutions for households and businesses.

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Certain data in this announcement has been rounded. As a result of the rounding, the totals of data presented in this announcement may vary slightly from the actual arithmetic totals of such data. Percentages may have been rounded and accordingly may not add up to 100%.

The contents of the Company's and the Group's website, including the websites of the Group's business units, are not incorporated by reference into, and do not form part of, this announcement.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares and GDRs have been subject to a product approval process, which has determined that the Shares and GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares and GDRs may decline and investors could lose all or part of their investment; the Shares and GDRs offer no guaranteed income and no capital protection; and an investment in the Shares and GDRs is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Banks will only approach investors who meet the criteria of professional clients and eligible counterparties (other than in Lithuania, Latvia and Estonia).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares and GDRs.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and GDRs and determining appropriate distribution channels.