

IDEX BALTIC | PUSBROLIAI

Lithuania - a unique success story of biomass replacing fossil fuels

MAY, 2021



BIOMASS IN LT: Sustainable and strategic fuel



High forest density and developed wood industry provides Lithuania with vast qnt. of biomass for renewable energy

BIOMASS DOMINATES DH IN LITHUANIA

Market share in 2019 - 70%, forecast in 2025 - 60%

- Gas/waste to be pushed out* by biomass, merit order based on CO2 price
- Biomass to be accompanied by non combustibile technologies
- Renovation of buildings vs. higher DH share and city growth

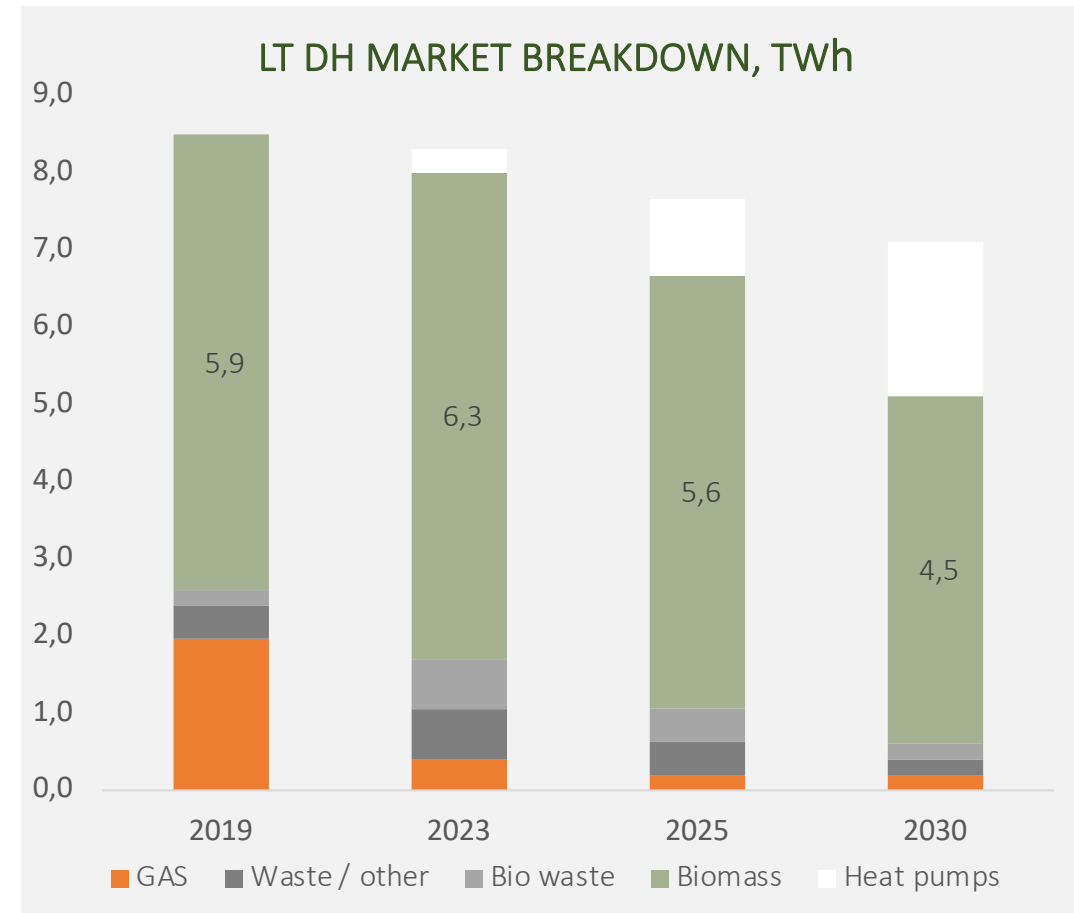
SUSTAINABLE BIOMASS - REGIONAL / STRATEGIC FUEL

- Carbon neutral source of energy
- Independence from gas and benefits local economies
- Focus towards forest and wood industry residues

SWITCH TO BIOMASS – ENRICHED LT ECONOMY

- Consumers: green energy and lower prices
- Innovations in biomass technologies, BaltPool biomass exchange, liberalized heat production market / heat auctions
- RES energy opportunities in DH attracted local and foreign investors

*Growing ETS price 60 €/toe + circular economy



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*In 2019 leading French DH company IDEX Group acquired portfolio of CHP/HPs in Vilnius & Kaunas and plans further expansion in the region
Same year No.2 biomass production and trading company Pusbroliai has been acquired*

IDEX BALTIC – largest private RES DH producer in LT

- 1 TWh energy from biomass
- Presence in Vilnius & Kaunas DH market, 6 HPs / CHP
- Planned Latvian market entry

PUSBROLIAI – vertically integrated biomass company

- Security of sustainable biomass supply
- 1.1 TWh of wood chips (2021, +67% YOY)
- Clients: LT / LV energy & industry, export to Nordics

Further expansion in the Baltic region


- HPs / CHPs
- DH networks
- Biomass production / trading



IDEX GROUP




IDEX GROUPE SAS, one of the largest district heating operators in France. Sales in 2020 have reached € 1.1 b




4 000 employees



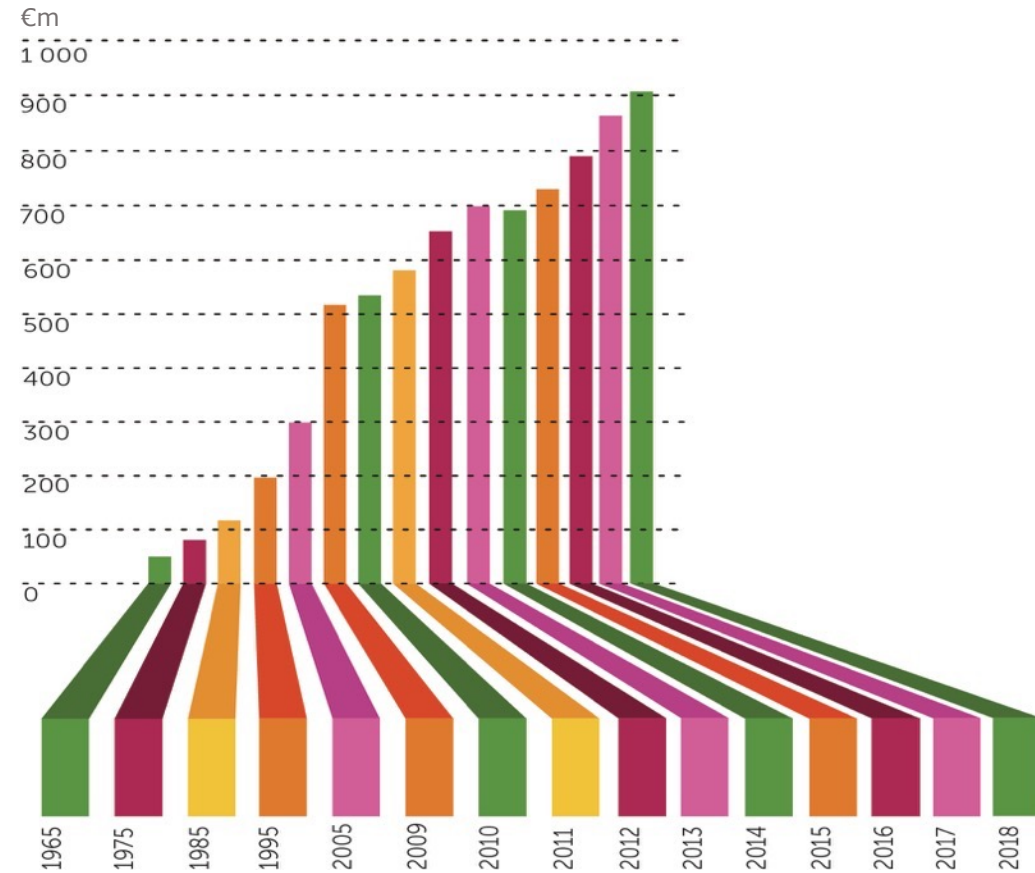
11 000 buildings operated



50 DH and cooling networks



100 local departments



PUSBROLIAI: part of IDEX strategy in the region



To develop IDEX Pusbroliai in to Northern European sustainable biomass supplier

SECURITY OF SUSTAINABLE BIOMASS SUPPLY TO IDEX

Chips from roundwood to be replaced by forest residues in DH: CO2 neutrality & pressure from furniture industry

Forest residues will provide green energy status & guarantees priority in the DH merit order

Existing infrastructure focused on forest residues to be further developed in order to become top player

GROWING BIOMASS DEMAND IN NORTHERN EUROPE

40 TWh demand in DK / SE / FI due to fuel switch from coal and growing imports from Baltics

10 TWh demand in LT / LV due to fuel switch from gas to wood chips

Demand of sustainable wood chips by furniture factories of global players: IKEA, VMG, Egger, Pfleiderer, Kronospan in LT, LV, PL

PROXIMITY TO FOREST INTENSIVE AREAS

Developed wood / forest industry in LT / LV / PL provides enough biomass for DH demand

Export from BY potential to LT, LV and PL - lower price of biomass provides opportunities to scale and balance the market

Proximity of LT / LV harbors to CPH & STO and price as a competitive advantage against other Nordic players

*Including wood industry residues (shavings, bark, sawdust, etc.)

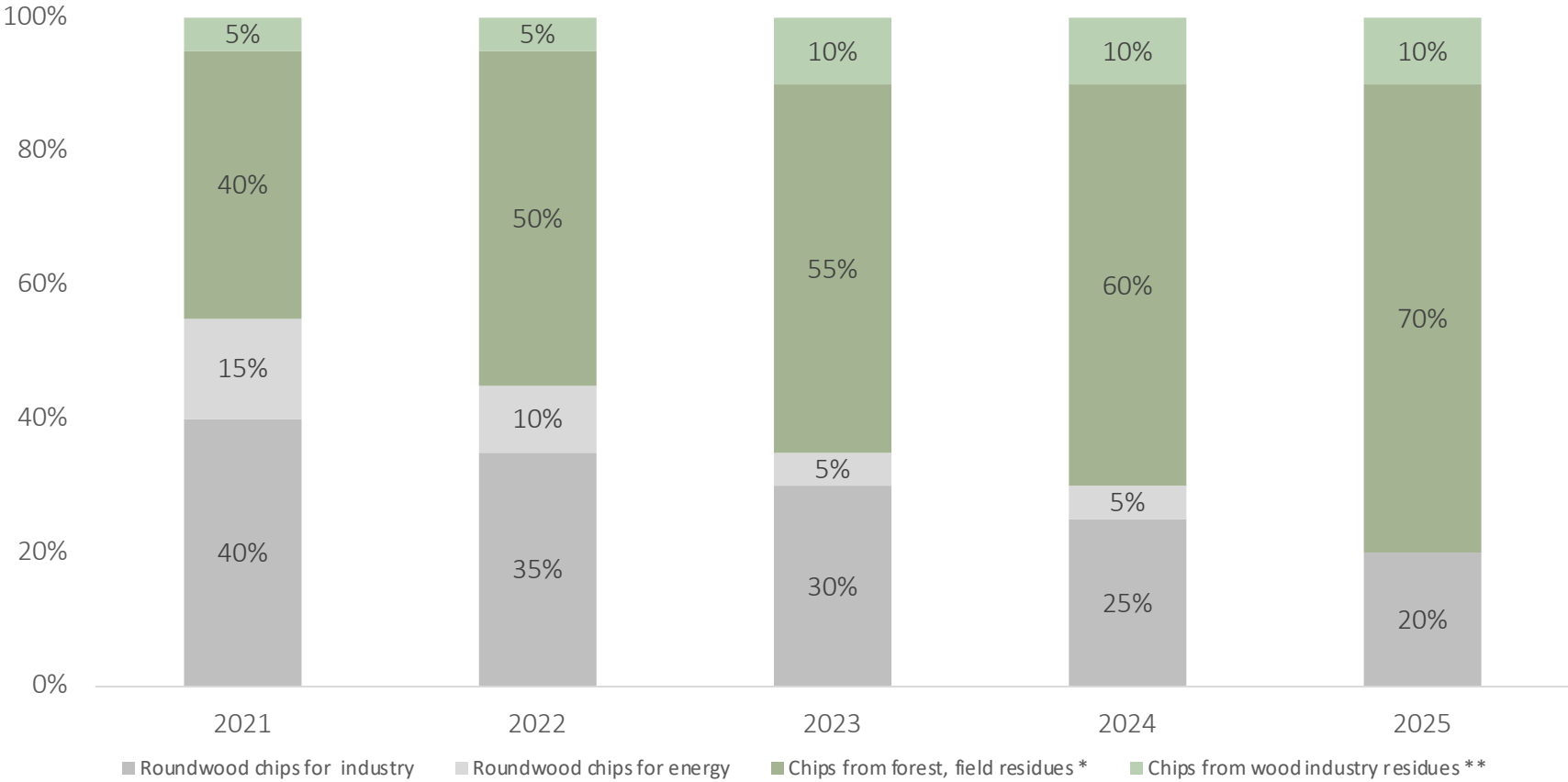
PRODUCTS: dynamics 2021 -2025



Focus on biomass sustainability by replacing roundwood chips to forest and wood industry residues as CO2 neutral fuel. Roundwood chips for furniture industry clients only



PUSBROLIAI SALES BY PRODUCT, DEVELOPMENT 2021 - 2025



*Remaining branches and cutting residues after wood cutting. ** Generally by-products of the wood industry

ESG / SUSTAINABILITY

Following the acquisition of Pusbroliai, IDEX Group has a clear target to introduce ESG / Sustainability policy within the company in 2021

COMPLIANCE WITH LATEST SUSTAINABILITY REQUIREMENTS FROM CLIENTS

- Certificates: ISO 14001, ISO 9001, SBP, SBP compliance and FSC
- Digitalized tracing system for biomass sustainability & legality
- Established risk mitigation guidance

INTEGRATION TO IDEX GROUP ESG

- IDEX Group reports on ESG annually
- Pusbroliai are developing their sustainability policy and goals
- Pusbroliai to be part of IDEX Group ESG report 2021

PUSBROLIAI SUSTAINABILITY GOALS BY 2025

- To be in line with RED II, EU timber regulation, IDEX Group ESG policy
- Focus on sustainable biomass as forest and industry residues
- Switch to green logistics: H2 / Electric trucks / Charging in own CHPs



IDEX GROUP SUSTAINABILITY EVALUATION (2020) AND GOALS (2025)



Commitment 1
Protecting the environment and moving towards carbon neutrality

Commitment 2
Committed to the interests of our clients

Commitment 3
Establishing supportive relationships and working conditions

Commitment 4
Respecting ethical business practices

Commitment 5
Respecting fundamental human rights

PUSBROLIAI: 2020/21 key export accounts



In 2020 Pusbroliai has started a shift from Lithuanian spot market (BaltPool) to export sales. 2020/21 successful supply of 51 GWh to Orsted (DK) contract extension for 2021/22. Spot sales in Sweden are planned in 2021/22 and negotiations for long-term sales with potential clients.

LATVIA

CAPACITY: 550 GWh
Sourcing: LT / LV / BY



DENMARK

CAPACITY: 51 GWh
Sourcing: LT



POLAND

CAPACITY: 20 GWh
Sourcing: BY / LT



SWEDEN

CAPACITY: Negotiations
Sourcing: LT / LV



LT/LV BIOMASS MARKET PRICE DRIVERS IN 2021/22

Local / global political, environmental and nature factors are boosting the price

INCREASED DEMAND FOR LT/LV BIOMASS

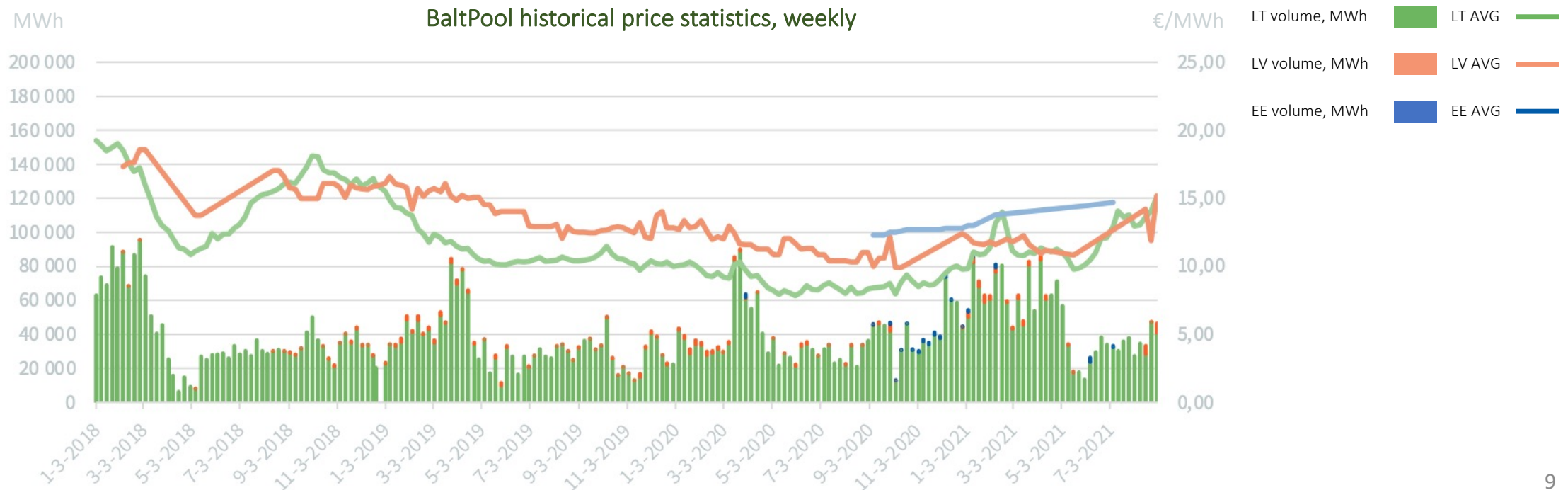
- Energy sector – supply disruption from BY
- Wood / furniture industry - shift from BY to LT
- Weather conditions

BELARUS UNCERTAINTY

- Counter-sanctions on the EU and / or Lithuania
- Increasing prices in BY due to decrease in sanitary cuttings
- Increased cellulose factory capacity

LT BIOMASS PRICE 2021/22 WINTER >20 €/MWh

- '21 summer auctions for winter: 12% of market, avg 17€/MWh
- Storage capacities are lower compared to prev. seasons
- Suppliers are focused on spot sales





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