S&P Global
Ratings

Research

Tear Sheet:

AB Ignitis Group

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This report does not constitute a rating action.

We expect Ignitis' credit metrics to have limited headroom through 2029, despite a downward revision in planned capex. The company is transitioning from rapid capacity expansion toward a "value-over-volume" strategy, focusing on green flexibility and regulated networks. Consequently, we forecast total capital expenditure (capex) of €2.5 billion-€3.0 billion for 2026-2029, down from the previous estimate of €3.0 billion-€4.0 billion for 2025-2028. We expect S&P Global Ratings-adjusted EBITDA will increase to €570 million-€630 million in 2026-2028, up from €482 million in 2025 (impacted by €77 million in nonadjusted, temporary regulatory accounting effects).

The asset rotation process has faced delays due to geopolitical uncertainties. Ignitis completed the sale of its 49% shares in Vilnius CHP to the private investor Quaero Capital, which has generated €110 million in proceeds in 2026. Due to higher transaction uncertainty, we do not factor any further asset rotation proceeds into our base case. This compares to our previous expectation of about €100 million proceeds in 2025 and more than €300 million in 2026. As a result, we forecast adjusted funds from operations (FFO) to debt to remain at about our 23% threshold for the current rating in 2026-2027, before improving slightly to 23.5% in 2028, indicating limited rating headroom.

Ignitis maintains significant capex flexibility, supporting its credit profile. While the share of committed capex is high in 2026 (about 97% of full capex) and 2027 (above 80%), we expect it to decline to 50%-65% of total capex in 2028-2029. Only 18% of the planned €1.0 billion-€1.2 billion in green capacity investments is currently committed. The final investment decision for the offshore wind project in Lithuania is likely to be postponed to after 2027 due to challenges in securing long-term power offtake agreements and financing. Furthermore, Ignitis has tightened its public leverage target to 3.0x-4.0x net debt to EBITDA (company adjusted) from a previous 5.0x, in line with the company's new "value-over-volume" strategy and reduced capex plan. We expect management to prioritize projects and potentially utilize noncommitted capex cuts or hybrid bond issuances to protect its credit profile. The company publicly commits to maintaining a credit rating of 'BBB' or higher.

The rating is supported by growing earnings from stable, regulated businesses and some positive evolution in the regulatory framework, which we expect to continue through 2029. We expect regulated activities to generate an increasing share of the company's adjusted EBITDA (50%-55%) during 2026-2029. The EBITDA of the networks segment has trended upward since 2022, driven by a growing regulated asset base and a higher weighted average cost of capital

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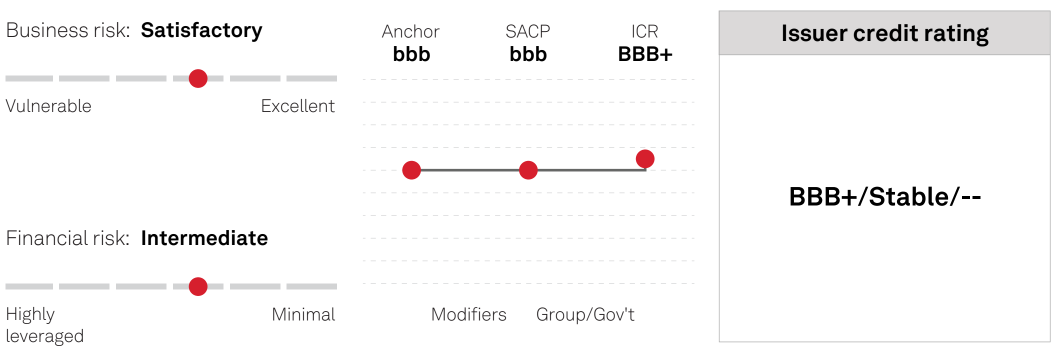
(WACC) set by the regulator. We expect WACC to continue to trend up in 2027-2029, driven by a higher level of debt and an increase in interest rates mainly related to the refinancing of bonds issued in 2017-2020 with lower interest rates compared to the current market rates. Additionally, the National Energy Regulatory Council provides a supportive framework via an additional tariff component linked to a 5.5x net debt to the national electricity and gas distribution operator’s regulated EBITDA leverage cap. We expect this component to contribute approximately €52 million to adjusted EBITDA in 2026 (roughly 9% of total adjusted EBITDA). These elements support our assessment of the preliminary regulatory advantage at strong/adequate.

The rating includes a one-notch uplift reflecting a moderately high likelihood of government support in a financial distress scenario. Lithuania, whose rights and obligations are exercised by the Ministry of Finance, holds a 74.99% stake in Ignitis. Given its status as a strategic national asset, management indicates the state is required by law to maintain at least a two-thirds ownership stake.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- Industry Credit Outlook 2026: EMEA Utilities, Jan. 14, 2026
- Research Update: Integrated Utility AB Ignitis Group Affirmed At 'BBB+' Amid Increasing Investments In Green Capacities; Outlook Stable, Sept. 18, 2025

Company Description

Ignitis is an integrated energy group in the Baltics, leading the regional energy transition. The company's investments focus on electrification and network resilience. Its green electricity generation and green flexibility technologies include onshore wind power, batteries, pumped-storage hydropower, and power-to-X. It targets to install 4 gigawatt (GW)-5 GW of green capacities. Ignitis benefits from an integrated business model and has the largest customer portfolio, energy storage facility, and network in the Baltics. Ignitis is active in the Baltic states, Poland, and Finland.

The company generated EBITDA (as adjusted by the company) of €546.1 million in 2025, to which green capacities contributed about 53%, followed by networks (48%), reserve capacities (gas-fired power plants, 7%) and customers and solutions (negative 9%). Its electricity generation fleet had an installed capacity of 2.1 GW at the end of 2025. In 2025, the company distributed 10.3

terawatt-hour (TWh) of electricity to 1.8 million customers across the Baltics and generated almost 4 TWh of electricity. Lithuania, whose rights and obligations are exercised by the Ministry of Finance, owns 74.99% of the company.

Outlook

The stable outlook on Ignitis reflects our expectation of a continued supportive operating and regulatory environment over the next two years as a result of a relatively low risk regulated distribution business. We also factor in our assumption of management maintaining a cautious financial policy. We anticipate FFO to debt back to remain at about 23% in 2026-2027.

Downside scenario

We could lower the rating if Ignitis' financial and operating performance materially deviated from our base case, with S&P Global Ratings-adjusted FFO to debt remaining below 23% without any prospects for recovery. This could lead us to change our assessment of its stand-alone credit profile (SACP). This could result from:

- Much higher-than-expected investments in new green capacities without remediation measures including a timely execution of further asset-rotation;
- Weaker cash flow generation, accompanied by cost overruns;
- Weakening liquidity, which is not included in our base case; or
- More aggressive financial policy with much higher shareholder remuneration than expected.

We could also lower the rating if we see a reduced likelihood of the company receiving extraordinary support from the Lithuanian government, which we do not expect, however.

Upside scenario

We currently see a higher rating as unlikely, mainly due to Ignitis' significant investment program. However, we could raise the rating if we revised our SACP assessment to 'bbb+', which could happen if the company's FFO to debt remained sustainably above 30%, with neutral to slightly negative discretionary cash flow.

Key Metrics

AB Ignitis Group--Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f
EBITDA	549.6	482.1	550-590	590-640	600-650
Funds from operations (FFO)	495.5	400.9	450-500	465-515	485-535
Capital expenditure (capex)	773.8	715	600-650	600-650	675-725
Dividends	106.3	107	125-130	110-115	110-120
Debt	1,716.8	2,004.7	2,000-2,100	2,100-2,200	2,100-2,200
Adjusted ratios					
Debt/EBITDA (x)	3.1	4.2	3.5-3.7	3.4-3.6	3.4-3.6
FFO/debt (%)	28.9	20.0	~23	~23	23.3-23.5

AB Ignitis Group--Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Financial Summary

AB Ignitis Group--Financial Summary

Period ending	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025
Reporting period	2020a	2021a	2022a	2023a	2024a	2025a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	1,215	1,869	4,381	2,542	2,296	2,473
EBITDA	334	335	539	507	550	548
Funds from operations (FFO)	305	291	481	387	496	463
Interest expense	23	24	31	35	47	55
Cash interest paid	19	26	31	39	46	55
Operating cash flow (OCF)	264	74	534	773	621	565
Capital expenditure	301	238	438	839	774	712
Free operating cash flow (FOCF)	(36)	(164)	97	(66)	(153)	(147)
Discretionary cash flow (DCF)	(109)	(279)	(7)	(172)	(259)	(254)
Cash and short-term investments	657	448	694	315	212	273
Gross available cash	657	448	694	315	212	273
Debt	667	983	1,030	1,420	1,717	2,005
Common equity	1,844	1,849	2,126	2,263	2,437	2,495
Adjusted ratios						
EBITDA margin (%)	27.5	17.9	12.3	20.0	23.9	22.2
Return on capital (%)	9.1	8.0	13.0	10.8	9.3	6.1
EBITDA interest coverage (x)	14.5	14.2	17.2	14.7	11.8	9.9
FFO cash interest coverage (x)	17.4	12.2	16.8	10.9	11.7	9.4
Debt/EBITDA (x)	2.0	2.9	1.9	2.8	3.1	3.7
FFO/debt (%)	45.8	29.6	46.7	27.3	28.9	23.1
OCF/debt (%)	39.7	7.5	51.9	54.4	36.2	28.2
FOCF/debt (%)	(5.4)	(16.7)	9.4	(4.7)	(8.9)	(7.3)
DCF/debt (%)	(16.3)	(28.3)	(0.6)	(12.1)	(15.1)	(12.7)

Peer Comparison

AB Ignitis Group--Peer Comparison

	AB Ignitis Group	Energie AG Oberoesterreich	MVM Energy Private LLC	Electricity Supply Board	Energie Steiermark AG
Ratings as of July 10, 2026	BBB+/Stable/--	A/Stable/--	BBB-/Negative/--	A+/Stable/A-1	A/Negative/--

AB Ignitis Group--Peer Comparison

	AB Ignitis Group	Energie AG Oberoesterreich	MVM Energy Private LLC	Electricity Supply Board	Energie Steiermark AG
	--Fiscal year ended Dec. 31, 2025--	--Fiscal year ended Sep. 30, 2025--	--Fiscal year ended Dec. 31, 2025--	--Fiscal year ended Dec. 31, 2025--	--Fiscal year ended Dec. 31, 2025--
(Mil. €)					
Revenue	2,473.0	2,916.6	9,928.0	6,620.6	2,158.5
EBITDA	482.1	467.0	2,086.6	1,909.5	361.0
Funds from operations (FFO)	400.9	368.4	1,439.2	1,609.4	331.2
Interest expense	52.0	21.6	208.7	255.6	33.6
Cash interest paid	51.7	13.4	181.5	292.2	25.7
Cash flow from operations	568.2	386.3	1,323.1	1,327.6	319.8
Capital expenditure	715.0	373.2	1,259.7	2,012.7	334.6
Free operating cash flow (FOCF)	(146.8)	13.2	63.5	(685.1)	(14.8)
Discretionary cash flow (DCF)	(253.8)	(54.0)	(834.7)	(885.2)	(86.1)
Cash and short-term investments	273.1	171.8	705.5	1,807.0	351.3
Debt	2,004.7	392.2	3,875.1	7,659.5	862.1
Equity	2,494.7	2,098.7	5,320.7	7,689.8	2,004.5
Adjusted ratios					
EBITDA margin (%)	19.5	16.0	21.0	28.8	16.7
Return on capital (%)	6.1	13.5	14.9	7.5	8.2
EBITDA interest coverage (x)	9.3	21.6	10.0	7.5	10.7
FFO cash interest coverage (x)	8.8	28.5	8.9	6.5	13.9
Debt/EBITDA (x)	4.2	0.8	1.9	4.0	2.4
FFO/debt (%)	20.0	93.9	37.1	21.0	38.4
Cash flow from operations/debt (%)	28.3	98.5	34.1	17.3	37.1
FOCF/debt (%)	(7.3)	3.4	1.6	(8.9)	(1.7)
DCF/debt (%)	(12.7)	(13.8)	(21.5)	(11.6)	(10.0)

N.M.--Not meaningful. Source: S&P Global Ratings

Liquidity

We assess the company's liquidity as adequate, because we forecast liquidity sources will cover uses by more than 1.6x over the 12 months from March 31, 2026. Qualitative factors that support our assessment include Ignitis' good relationships with local banks, demonstrated by the availability of multiple credit facilities, the company's good standing in credit markets as a publicly listed company, and its status as a state-owned entity. We do not view the liquidity to be strong given the significant capital spending plans and continuously negative discretionary cash flow. We do not think the management is committed to maintaining a sustainably strong liquidity position.

As of March 31, 2026, there were five credit lines and overdraft facilities available with five separate banks with a total commitment of €571.8 million maturing between August to November 2027, which the company expects to prolong during 2026.

We do not include a €150 million loan agreement with European Investment Bank concluded in June 2026 in liquidity sources, because this loan is restricted to support the financing of Kelmė wind farm and is not freely available for other purposes. We acknowledge this provides additional support for liquidity.

Principal liquidity sources	Principal liquidity uses
• Unrestricted cash and cash equivalents of about €300 million; • Total undrawn long-term committed credit facilities of €572 million; • Cash FFO of about €550 million-€600 million; and • Asset sales of €110 million consisting of fixed payment from sale of 49% stake in Vilnius CHP completed on March 30, 2026.	• Debt maturity of about €200 million in the next 12 months; • Total committed capex of about €590 million (growth and maintenance); • Dividend payments of about €120 million-€125 million; and • Working capital outflows of €30 million-€40 million.

Rating Component Scores

Foreign currency issuer credit rating	**BBB+/Stable/--**
Local currency issuer credit rating	**BBB+/Stable/--**
Business risk	**Satisfactory**
Country risk	Intermediate
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	**Intermediate (medial volatility table)**
Cash flow/leverage	Intermediate
Anchor	**bbb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**
Likelihood of government support	**Moderately high (+1 notch)**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 6, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011