MOODY'S RATINGS

Rating Action: Moody's Ratings assigns first-time Baa1 rating to AB "Ignitis grupe"; outlook stable

31 Aug 2026

Paris, August 31, 2026 -- Moody's Ratings (Moody's) has today assigned a first-time Baa1 long-term issuer rating to AB "Ignitis grupe" (Ignitis Group). Concurrently, we have assigned a Baseline Credit Assessment (BCA) of baa2. The outlook is stable.

RATINGS RATIONALE

The Baa1 issuer rating of Ignitis Group combines a baa2 BCA with a one-notch uplift reflecting our expectation of extraordinary government support under our Government-related Issuers (GRI) methodology. The uplift reflects our expectation of strong support from the Government of Lithuania (A2 stable), underpinned by the company's strategic importance to Lithuania's energy system and the government's 74.99% ownership stake, as well as our assessment of high default dependence between the company and the Lithuanian government.

The baa2 BCA reflects Ignitis Group's large proportion of regulated earnings under a supportive regulatory framework, a diversified generation portfolio and a leading market position in Lithuania. The company owns Lithuania's nationwide electricity and gas distribution network through AB "Energijos skirstymo operatorius" (ESO), the country's electricity and gas distribution monopoly. We view the Lithuanian regulatory framework as well-developed and transparent, albeit still developing. Regulated activities accounted for approximately 48% of EBITDA (as adjusted by the company) in 2025 and will likely represent at least half of EBITDA (as adjusted by the company) over the next several years.

The BCA also benefits from Ignitis Group's diversified Green Capacities portfolio of 2.1 gigawatts (GW) across the Baltic region and Poland, including the Kruonis Pumped Storage Hydroelectric Power Plant, one of Europe's largest pumped-storage hydroelectric facilities, and approximately 1.1 GW of strategically important gas-fired reserve capacity. Cash flow stability is further supported by a comprehensive hedging strategy across generation and supply activities, limiting exposure to wholesale electricity and gas price volatility.

At the same time, the BCA is constrained by the group's sizeable investment programme, which will likely result in sustained negative free cash flow (before asset disposals) over the next several years. The group plans to invest approximately EUR2.5 billion-EUR3.0 billion during 2026-29, primarily in regulated network infrastructure, green generation and flexibility assets. The BCA is also constrained by the company's residual exposure to merchant power prices and the historically loss-making Customers & Solutions segment, although profitability in that business is expected to improve following recent regulatory reforms relating to Lithuania's prosumer framework.

The baa2 BCA also reflects Ignitis Group's prudent financial policy and our expectation that management will balance growth investments with the maintenance of solid credit metrics. The group's financial policy targets net debt/adjusted EBITDA of 3.0x-4.0x and funds from operations (FFO)/net debt of at least 23% (both company definition) for 2026-2029 period, while maintaining adequate liquidity and preserving the flexibility to defer, phase or reprioritise discretionary investments, if required. Under our base case, we expect Moody's-adjusted FFO/net debt to remain in the low-to-mid-20% range during 2026-29, compared with 21.3% as of 30 June 2026, despite elevated capital spending, supported by growing regulated earnings. This expectation is supported by expected asset-rotation proceeds, and the flexibility to defer uncommitted growth capex. These factors provide sufficient flexibility to protect credit metrics, if needed, and reinforce management's commitment to preserving credit quality.

LIQUIDITY

Ignitis Group's liquidity is good. As of 30 June 2026, the company reported approximately EUR275 million of cash and cash equivalents and approximately EUR570 million of available committed facilities. In addition, the company has access to additional bank facilities and benefits from a well-laddered debt maturity profile, with an average debt maturity of around seven years. We expect liquidity to remain supported by operating cash flow, committed facilities, proceeds from asset-rotation transactions and access to the debt capital markets.

The company faces a EUR300 million green bond maturity in July 2027, which we expect will be refinanced in a timely manner.

STRUCTURAL CONSIDERATIONS

Ignitis Group's Baa1 issuer rating is not constrained by structural subordination. While a portion of the group's debt is located at operating subsidiaries, primarily within renewable energy project-finance structures, we consider the risk of structural subordination to be mitigated by several factors. Approximately 60% of total group debt is held at the holding company level, while the group's largest and most stable cash flow contributor, ESO, carries no external debt. As a result, holding company creditors have access to substantial upstream cash flow from the regulated networks business.

Structural subordination is also mitigated by parent-level financial covenants that limit the amount of structurally senior debt within the group. As of year-end 2025, both the subsidiary indebtedness ratio and the subordinated leverage ratio remained comfortably below their respective covenant thresholds.

ESG CONSIDERATIONS

Governance considerations were a key driver of this rating action. Ignitis Group's governance profile benefits from strong disclosure practices, a majority-independent supervisory board, prudent financial policies and a demonstrated track record of executing large-scale investment programmes while maintaining solid credit metrics. Governance risks associated with majority government ownership are mitigated by transparent governance structures, public-market oversight and established corporate governance standards. We assess governance risk exposure at G-2.

The company's ESG Credit Impact Score of CIS-2 indicates that environmental, social and governance considerations have a limited impact on the current rating. Environmental risks primarily relate to physical climate exposure affecting network and renewable generation assets, while social risks reflect the potential for regulatory and political intervention that is common among regulated utilities. These risks are mitigated by a strong governance framework and our expectation of government support, if this were to become necessary.

RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects our expectation that Ignitis Group will maintain Moody's-adjusted FFO/net debt in the low-to-mid-20% range and net debt/EBITDA (company definition) within management's 3.0x-4.0x target during 2026-2029, consistent with a baa2 BCA, while executing its investment programme.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward rating pressure is unlikely in the near term given the scale of Ignitis Group's investment programme. Over time, the BCA and the rating could be upgraded if the company were to sustain FFO/net debt above 25% while maintaining strong liquidity despite continued investment spending. Positive rating pressure could also arise if the rating of the Government of Lithuania or the government support assumptions incorporated into the rating strengthen.

The BCA could be downgraded if Ignitis Group's financial profile weakens such that FFO/net debt declines below 20% on a sustained basis. The BCA could also be downgraded if structural subordination increases materially, or if there is a material adverse change in the regulatory framework governing the group's network activities. A one-notch downgrade of the BCA may not necessarily result in a lower rating. The rating could be downgraded if the government support assumptions currently incorporated into the rating weaken.

Our ratio threshold for a downgrade of the BCA could evolve over time if the share of minority interests within the capital structure grows materially as the group executes its asset rotation strategy.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Government-related Issuers published in May 2025 and available at https://ratings.moodys.com/rmc-documents/443641, and Unregulated Utilities and Power Companies published in August 2025 and available at https://ratings.moodys.com/rmc-documents/449372. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

COMPANY PROFILE

AB "Ignitis grupe" is a leading integrated energy group in the Baltic region, operating across electricity and gas distribution, green generation and green flexibility, reserve generation and customer supply activities. The Government of Lithuania, through the Ministry of Finance, owns 74.99% of the company's shares. In 2025, Ignitis Group reported adjusted EBITDA of EUR546 million.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

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These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

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Olga Kravets
AVP - Ratings

Paul Marty
Exec Dir - Ratings

Releasing Office:
Moody's France SAS
21 Boulevard Haussmann
Paris, 75009
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454
