

**Rating object**

Ignitis grupe UAB  
Long Term Local Currency Senior unsecured issues of Ignitis grupe UAB

**Rating incl. outlook / watch**

BBB+ / positive  
BBB+ / positive

The present update is, in the regulatory sense, a public unsolicited rating.

**Date of inception / disclosure to rated entity / maximum validity:**

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Ignitis grupe UAB	20.12.2022	20.12.2022	Until withdrawal of the rating
Long Term Local Currency Senior unsecured issues of Ignitis grupe UAB	20.12.2022	20.12.2022	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

**Rating summary:**

Creditreform Rating (CRA) has confirmed the rating of the unsolicited corporate issuer rating of Ignitis grupe UAB (hereinafter Ignitis or the Group) and their unsolicited corporate issue rating of long-term local currency senior unsecured notes at **BBB+**. The outlook for the ratings changed to **positive** from **stable**.

The current rating (**BBB+ / positive**) attests a highly satisfactory level of creditworthiness to Ignitis grupe UAB, representing a low-to-medium default risk for the Company.

Ignitis is of strategic importance for the Republic of Lithuania as its electricity and gas distribution grid operator and as one of the countries most important domestic energy suppliers. The Group benefits from a stable and supportive regulatory framework, generating around half of its revenues in a regulated environment, thus bringing solid and predictable cash flows. Given the fact that the Republic of Lithuania owns 74.99% of the Company's shares, and based on our rating methodology for government-related companies, we assume that the Lithuanian government would be willing to support the Company in meeting any extraordinary financial shortfalls. For this reason, and based on the direct correlation between the country's GDP growth and its energy consumption, the rating of Ignitis grupe UAB is linked to the sovereign rating of the Republic of Lithuania (CRA rating **A+ / stable** as of 11 November 2022). Any change in the sovereign rating could have an impact on the corporate rating of Ignitis.

The share of the Group's commercial activities, which are associated with higher market, price and climate risks, has increased in recent years. The Group's strategy focuses, among other things, on strengthening its generation capacities and its commercial activities, and provides for considerable capital expenditure in this context. In addition, the Group aims to further expand the share of its revenue abroad. This also entails country and integration risks, among other things. The further increase in riskier business activities, together with the Group's investment plans, could lead to a deterioration of the Group's financial position and weigh on our rating assessment.

From January until September 2022, the Group generated revenues of EUR 3,027.8m, 159.8% more compared to the corresponding period of 2021 (EUR 1,165.4m). The adjusted EBITDA of Ignitis in the first 9 month of the financial year 2022 was 30.8% higher compared to analogous period last year and reached EUR 333.5m. The adjusted EBITDA grew in all main business segments, and Green Generation installed capacity expansion was again its main driver (+313.8%). The increase by the Green Generation segment resulted mainly from the launch of Pomerania WF in Poland and better results of the operating assets, mainly caused by higher electricity market price of 228.7% compared to the same period in 2021.

The reported net cash flows from operating activities amounted to EUR -144.4m in 9M 2022. Compared to 9M 2021, it decreased by EUR 346.2m, mainly due to an increase in working capital, which was partly offset by receivable repaid by EPSO-G for the shares of AB "LitGrid" and higher net profit.

In view of the good financial development and the strong performance of the Green Generation segment in the first nine months of 2022, Ignitis forecasts an adjusted EBITDA of EUR 420m to EUR 460m for the full year 2022. In 2022 the Group expects a performance increase in both core segments, Green Generation and Networks. Green Generation is expected to grow mainly due to the full year effect of Pomerania WF. Additionally, due to higher electricity prices in the market, Ignitis expects better results from the unhedged portfolio as part of the operational Green Generation assets.

**Primary key rating drivers:**

- + Strategic importance for the country
- + Government-related company, 74.99% state-owned
- + Transparent and supportive regulatory framework
- + Monopoly status as a distribution network operator
- + Earnings differentiation
- + Good access to financial markets
- + Positive business development in 2021
- + Positive business development in the first nine months of 2022
  
- Growing share of high-risk business
- High capital intensity
- Exposure to price and demand fluctuations on the energy markets
- Dependency on weather and other exogenous conditions
- Dependency on energy imports
- Geopolitical risks
- Single significant geographical segment

**ESG-criteria:**

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Ignitis grupe UAB we have not identified any ESG factor with significant influence.

However, for Ignitis' business model in particular, ESG factors play an important role in order to continue to align with market needs and, in particular, to comply with legal and regulatory conditions. Sustainability is at the core of the Group's strategy.

Ignitis is rated by MSCI (rating AA) as a leader in its industry and is highly committed to pursuing climate action goals, expanding its renewable energy portfolio and streamlining key social and governance practices. During 9M 2022, the Group received a rating of 'C' in the ISS ESG corporate rating and for the fourth year in a row was awarded by Governance Coordination Centre with the highest governance rating in the category of large-sized companies.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

**Rating scenarios:**

*Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.*

Best-case scenario: A-

In our best-case scenario for one year, we assume a rating of A-. Taking into consideration the Group's investment plans for the coming years, we do not expect any improvements in Ignitis Group's financials.

Worst-case scenario: BBB

In our worst-case scenario for one year, we assume a rating of BBB. This could be the case if the Group's financials deteriorate following a decline in its earnings capacity due to unfavorable developments in its trading or generating business activities, or following a substantial increase in debt due to cost overruns and/or significant delays in construction work. Another factor could be the downgrade of the sovereign rating of the Republic of Lithuania and the worldwide geo-political and economic risks.

**Analysts / Person approving (PAC):**

Name	Function	Email-Address
Holger Becker	Lead analyst	H.Becker@creditreform-rating.de
Natallia Berthold	Analyst	N.Berthold@creditreform-rating.de
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

**Initial rating:**

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Ignitis grupe UAB	Initialrating	20.08.2019	26.08.2019	withdrawal of the rating	BBB+ / stable
LT LC Senior Unsecured Issues issued by Ignitis grupe UAB	Initialrating	20.08.2019	26.08.2019	withdrawal of the rating	BBB+ / stable

**Status of solicitation and information basis:**

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

**Rating methodology / Version / Date of application:**

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.3	July 2022
<a href="#">Government-related Companies</a>	1.0	April 2017
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

**Regulatory requirements:**

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating<sup>1</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

**Conflict of interests**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

<sup>1</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

No ancillary services in the regulatory sense were carried out for this rating object.

## **Rules on the presentation of credit ratings and rating outlooks**

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

## Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

**Contact information**

Creditreform Rating AG

Europadamm 2-6  
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626  
Telefax: +49 (0) 2131 / 109-627

E-Mail: [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
Web: [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch  
Chairman of the Board: Michael Bruns

HR Neuss B 10522