Tear Sheet:

Augstsprieguma Tikls

September 24, 2026

This report does not constitute a rating action.

The ongoing 2026-2028 regulatory tariff period enabled a material increase in the weighted average cost of capital (WACC), which translates into higher EBITDA during the period. We now expect Augstsprieguma Tikls (AST) to report EBITDA in the range of €70 million-€80 million annually in 2026 and 2027, up from €59 million in 2025. We view the 2026–2028 regulatory period as mostly supportive, offering cost coverage and enhanced remuneration. Specifically, the WACC increased to 5.82% from 2.72% in the previous period. The regulatory asset base (RAB), which reflects the value of assets as of Jan. 1, 2025, was set at €415 million by the regulator. Any changes in the RAB during the 2026-2028 regulatory period will be incorporated into the regulatory account and reflected in the subsequent tariff calculation.

While gross capex is projected to decline to approximately €100 million in 2026 from €167 million in 2025, capex funded by internal sources will increase. With the capex-to-EBITDA ratio falling from 3x in 2025 to around 1x by 2028, we expect a larger share will need to be funded by AST, rather than by external funding from EU grants. Over 2026-2028, we expect net investment of about €200 million in total. We anticipate front-loaded EU grants (€40 million–€55 million in total) during 2026-2028 and at the same time limited use of received congestion revenues to net capex. We think external funding could be dilutive to future earnings, as investments funded via grants or congestion revenues do not contribute to the RAB, in contrast to self-funded investments.

Forecasted credit ratios, specifically adjusted FFO to debt, indicate strong financial flexibility with expected levels well above 50% by the end of 2026 and during 2027. We continue to consolidate unallocated congestion income with debt in our calculations. We therefore forecast adjusted FFO to debt to remain at 50%-60% by end of 2027, which is well above the rating threshold of 23%. The regulator has approved the use of €44.4 million in congestion income to cover expenses and reduce tariffs over 2026-2028. We expect congestion revenue of €15 million-€25 million annually and add about €50 million of accumulated congestion revenues as debt by 2028.

AST intends to issue a new bond during 2026. While we believe the company maintains sufficient liquidity for the next 12 months--with cash sources exceeding uses by more than 1.1x--a significant €100 million bond maturity looms in January 2027. We note that management plans to issue a replacement bond in October 2026 to address this. In addition, a €10 million overdraft facility is planned for replacement in December 2026, while the €90 million facility remains due in

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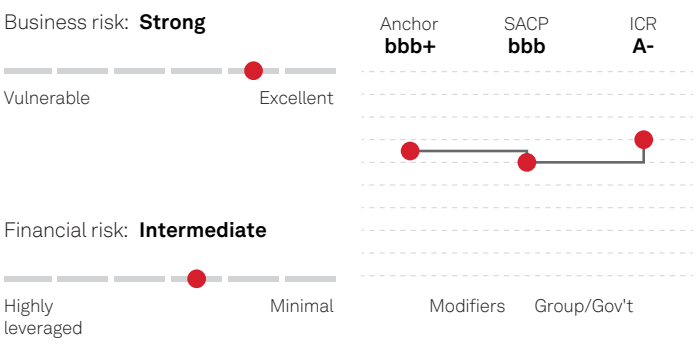
March 2028. Any failure to successfully execute this refinancing schedule could necessitate a reassessment of AST's liquidity position.

Our assessment of high likelihood of support from Latvia (A/Stable/A-1) improves the stand-alone rating by two notches. This reflects our view of AST's very important role as the sole electricity transmission operator in Latvia, ensuring supply security and desynchronization from Russian electricity. The strong link is based on Latvia's 100% ownership of AST, via the Ministry of Climate and Energy, as well as the government's track record of support. It demonstrated this in the €25.7 million capital increase in November 2022 to support upcoming investments for electricity synchronization with continental Europe, finalized at the start of 2025. We do not expect any government intervention that would affect AST's financial position, including changes to the financial policy to support fiscal deficits.

However, we note the recent default of Air Baltic Corp. on Aug. 21, 2026, also owned by Latvia, albeit directly owned by different ministries (see Air Baltic Corp. Downgraded To 'SD' On Amended Bond Terms; Senior Secured Bonds Downgraded To 'D', Aug. 21, 2026). We do not believe that the default of Air Baltic changes the level of support from the Ministry of Climate and Energy to AST.

Ratings Score Snapshot



Issuer credit rating
A-/Stable/--

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

Recent Research

- Industry Credit Outlook Update Europe: Utilities, July 16, 2026
- Tear Sheet: Augstsprieguma Tikls, Dec. 12, 2025
- Research Update: Latvian Electricity Transmission Operator AST Outlook Revised To Stable On Sovereign Downgrade; 'A-' Rating Affirmed, Oct. 11, 2024
- Latvia 'A/A-1' Ratings Affirmed; Outlook Stable, May 21, 2026

Company Description

AST is the sole power transmission system operator (TSO) in Latvia. Established in 1939, it was part of Latvenergo until 2012, when it was unbundled in line with EU directives. The Ministry of Climate and Energy currently owns AST. Since 2012, AST has leased its network from LET, the Latvia-based network owner that maintains the existing transmission network and constructs new ones. Latvenergo has maintained generation and distribution activities, the latter regulated under the same framework as AST.

In 2017, AST purchased 18.31% and 16.05% of Conexus, the Latvian gas TSO, from Uniper and Itera Latvija, respectively. In December 2020, AST merged with LET, effectively owning the transmission network and taking on 68.46% of Conexus by acquiring 34.1% of its shares from Gazprom. Conexus is accounted for as an equity affiliate within AST.

AST owns 5,513 kilometers of power lines and 156 substations, and its S&P Global Ratings-adjusted EBITDA amounted to €59 million during 2025.

Outlook

The stable outlook incorporates our view that AST will continue to use its congestion income efficiently, maintaining regulatory FFO to debt at 40%-55% (adjusted with liabilities related to unallocated congestion revenue received), while volatility of credit metrics reduces as congestion income is used.

Downside scenario

A downgrade of Latvia would trigger a similar action on AST.

A downgrade could also stem from AST reporting regulatory FFO to debt below 23% or if the final terms of the regulatory framework for the period commencing in January 2026 is proven substantially weaker than anticipated. In these scenarios, we would likely revise downward our assessment of AST's stand-alone credit profile (SACP) by one notch to 'bbb-'.

Upside scenario

We could revise our SACP assessment upward by one notch to 'bbb+' if the regulatory framework were to become more supportive than we currently anticipate, combined with significant reduction and usage of accumulated congestion income. This would have no impact on our issuer credit rating unless we also raised the rating on Latvia to 'A+' from 'A'.

Key Metrics

Augstsprieguma Tikls--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	49	59	75-80	70-80	70-80
Funds from operations (FFO)	48	57	75-80	70-80	70-80
Gross capital expenditure	175	166	100-110	70-80	70-80
EU Funds			30-40	5-10	0-5
Dividends	10	10	15-20	20-25	20-25
Debt (excluding unallocated congestion income)	49	74	70-80	90-100	150-160
Debt (including unallocated congestion income)			85-100	120-140	195-215
Adjusted ratios					
Debt/EBITDA (x)	1.0	1.3	1.0-1.5	1.0-1.5	2.0-3.0
FFO/debt (%)	98.6	76.7	80-90	50-65	30-50

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

Financial Summary

Augstsprieguma Tikls--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	147	131	303	166	166	278
EBITDA	47	94	47	45	49	59
Funds from operations (FFO)	47	91	47	44	48	57
Interest expense	1	2	1	1	0	1
Cash interest paid	0	3	0	1	1	2
Operating cash flow (OCF)	54	91	35	47	75	37
Capital expenditure	13	32	31	53	175	166
Free operating cash flow (FOCF)	41	59	4	(6)	(100)	(129)
Discretionary cash flow (DCF)	40	51	(25)	(14)	(110)	(140)
Cash and short-term investments	57	49	92	113	68	62
Gross available cash	57	49	92	113	68	62
Debt	162	69	26	5	49	74
Common equity	385	465	448	450	457	466
Adjusted ratios						
EBITDA margin (%)	31.9	71.8	15.5	27.0	29.3	21.1
Return on capital (%)	3.0	10.5	2.3	2.6	3.2	3.8
EBITDA interest coverage (x)	59.1	45.4	70.5	65.6	118.8	56.5
FFO cash interest coverage (x)	2,369.0	34.5	203.5	53.7	64.4	39.1
Debt/EBITDA (x)	3.5	0.7	0.5	0.1	1.0	1.3
FFO/debt (%)	28.7	131.8	181.0	849.4	98.6	76.7
OCF/debt (%)	33.3	131.7	135.1	905.4	154.4	49.2
FOCF/debt (%)	25.3	85.4	15.3	(125.6)	(204.9)	(173.8)
DCF/debt (%)	24.4	73.8	(97.5)	(261.7)	(225.7)	(187.8)

Peer Comparison

Augstsprieguma Tikls--Peer Comparisons

	Augstsprieguma Tikls	REN-Redes Energeticas Nacionais SGPS S.A.	Fingrid Oyj	Zapadoslovenska energetika a.s.
Foreign currency issuer credit rating	A-/Stable/--	BBB+/Stable/A-2	A+/Stable/A-1	A/Stable/--
Local currency issuer credit rating	A-/Stable/--	BBB+/Stable/A-2	A+/Stable/A-1	A/Stable/--
Period	Annual	Annual	Annual	Annual
Period ending	2025-12-31	2025-12-31	2025-12-31	2025-12-31
Mil.	EUR	EUR	EUR	EUR
Revenue	278	648	1,269	2,332
EBITDA	59	494	382	436
Funds from operations (FFO)	57	407	284	373
Interest	1	70	46	18

Augstsprieguma Tikls--Peer Comparisons

Cash interest paid	2	77	76	22
Operating cash flow (OCF)	37	491	439	367
Capital expenditure	166	277	474	311
Free operating cash flow (FOCF)	(129)	214	(35)	56
Discretionary cash flow (DCF)	(140)	110	(170)	(262)
Cash and short-term investments	62	27	610	289
Gross available cash	62	27	610	289
Debt	74	2,549	1,208	867
Equity	466	1,524	644	1,256
EBITDA margin (%)	21.1	76.3	30.1	18.7
Return on capital (%)	3.8	6.1	15.1	14.2
EBITDA interest coverage (x)	56.5	7.1	8.2	23.9
FFO cash interest coverage (x)	39.1	6.3	4.7	17.6
Debt/EBITDA (x)	1.3	5.2	3.2	2.0
FFO/debt (%)	76.7	16.0	23.6	43.1
OCF/debt (%)	49.2	19.3	36.4	42.4
FOCF/debt (%)	(173.8)	8.4	(2.9)	6.4
DCF/debt (%)	(187.8)	4.3	(14.1)	(30.2)

Liquidity

We assess AST's liquidity as adequate because we expect liquidity sources will cover uses by more than 1.1x over the 12 months starting June 30, 2026. Our view of its adequate liquidity is further underpinned by its good relationship with banks, given that it has successfully contracted bank loans and overdraft facilities at reasonable prices.

Principal liquidity sources	Principal liquidity uses
• Cash and cash equivalents of about €95 million; • Undrawn bank line amounted to about €100 million maturing beyond next 12 months; • About €74 million of cash FFO over the next 12 months; and • Annual congestion income and dividends from Conexus amounting to around €20 million-€25 million in the next 12 months.	• About €67 million of capital expenditures net of EU funds and customer contribution; • €16 million working capital outflow; • Dividends of around €20 million set in law; and • Debt maturity of €102 million over the next 12 months.

Government Influence

The ratings on AST benefit from two notches of uplift, owing to our view of a high likelihood of timely and sufficient extraordinary government support for AST in case of financial distress. This reflects our assessment of AST's:

- Strong link with the Latvian government, which owns 100% of the company through The Ministry of Climate and Energy, and the government's influence on the group's high-level strategic decision-making; and
- Very important role for the state, as the sole electricity transmission operator in Latvia ensuring supply security and providing critical infrastructure.

Rating Component Scores	
Foreign currency issuer credit rating	**A-/Stable/--**
Local currency issuer credit rating	**A-/Stable/--**
Business risk	**Strong**
Country risk	Intermediate
Industry risk	Very Low
Competitive position	Satisfactory
Financial risk	**Intermediate**
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	Negative (-1 notch)
Stand-alone credit profile	**bbb**

Related Criteria

- Criteria | Corporates | General: Sector, July 7, 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
- General Criteria: Rating Government, 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
- General Criteria: Stand, Sept. 30, 2010

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