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Augstsprieguma Tikls

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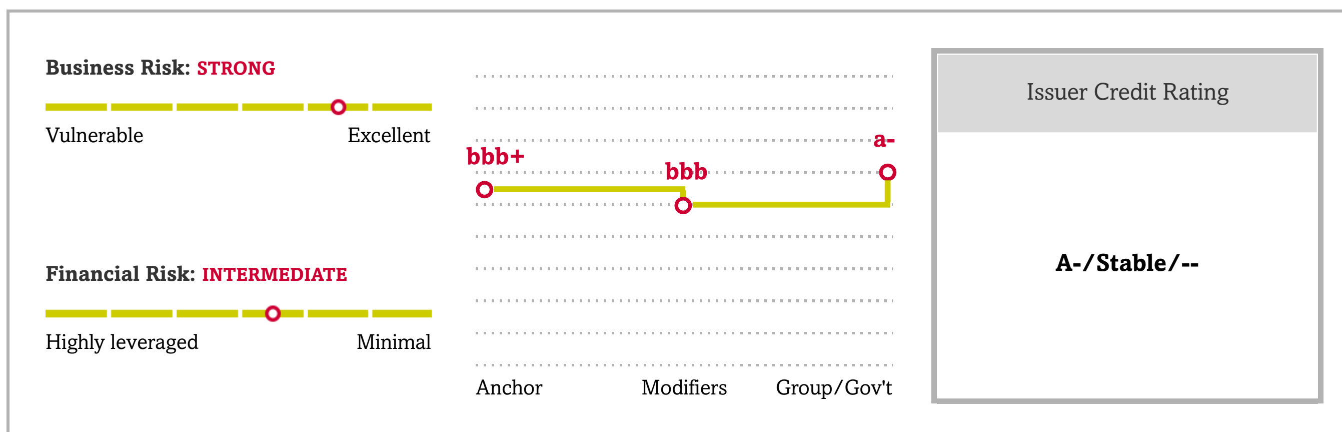
Augstsprieguma Tikls



Credit Highlights

Overview

Key strengths	Key risks
Monopoly position as owner and operator of Latvia's high voltage electricity transmission grid, and majority owner of Latvia's gas transmission and storage operator.	Small size of the business compared with European peers.
Operating under a regulatory framework we view as strong/adequate.	Lack of regulatory framework track record.
Investments partially co-financed by EU funds (up to 45% total investments), which improves metrics.	High capital expenditure (capex) program to synchronize with Europe with little regulatory asset base (RAB) build-up, since congestion income and EU-funded investments are not included in RAB.
High likelihood of support from the government of Latvia.	Some volatility in metrics and our expectation of weak 2022 ratios, though we expect recovery through regulation from 2023.

Augstsprieguma Tikls (AST) is the sole transmission system operator (TSO) for electricity and gas in Latvia. AST fully owns and operates the electricity transmission network in Latvia. In addition, it owns 68.46% of Conexus Baltic Grid (CBG), the sole gas transmission operator in Latvia, which we view as an insulated subsidiary of AST because of its operational, management, and regulatory autonomy. AST's rating is constrained by its small size compared with other EU TSOs.

We see the framework under which AST operates as credit supportive, despite it being relatively new. The new framework follows a RAB-based methodology with only 20% of allowed revenue subject to volume risk and efficiency incentives. We understand that AST's revenue is unaffected by the recent decision to cut end-user tariffs by 50% to protect them from the surge in electricity market prices, because the government compensates AST for the difference. However, congestion income and EU-funded investments do not build RAB. We therefore expect the RAB to slowly grow by a compound annual growth rate (CAGR) of 3% over the next four years.

Although the surge in electricity purchase costs will weigh on AST's 2022 EBITDA, our base case assumes the company will be compensated in one year in line with existing regulations. We expect AST's 2022 EBITDA to be €20 million-€30 million, leading to funds from operations (FFO) to debt of 20%-25% (compared with €80 million-€90 million and 100%-110% in 2021), because the electricity price surge since fourth-quarter 2021 adds to AST's costs. In line with our regulatory assessment, we expect AST to receive compensation within the next regulatory period through a tariff review based on the regulatory account. That said, we also monitor the updates to the framework for the new

period starting in January 2023, notably in terms of cost allowance and recovery after the rise of electricity prices in fourth-quarter 2021.

The high capex program will weigh on our metrics, despite being EU co-funded. AST will invest more than €260 million over the next four years to strengthen its electricity network and build interconnectors with other Baltic countries to synchronize the country with Europe and disconnect completely from Russia. Up to 45% of total investments will be EU-funded, and the remainder will be debt-funded. We therefore anticipate that S&P Global Ratings-adjusted debt will increase to €150 million-€160 million by 2024, from €80 million-€90 million in 2021, maintaining our forecast FFO to debt of about 25%-30% over 2023-2024.

AST is fully owned by the Latvian government and an essential part of its infrastructure. Our 'A-' rating on AST reflects our view that the government would support the company in case of distress (leading to a two-notch uplift above the stand-alone credit profile [SACP]). We do not anticipate any changes in the ownership given the company's important role for Latvia: to ensure a stable electricity supply, and to reach synchronization with Europe and reduce its reliance on Russia.

Outlook: Stable

The stable outlook mirrors that on Latvia and reflects our forecast of predictable cash flow from AST's regulated transmission activities, with FFO to debt declining from the unusually high level of 100%-110% in 2021, to the temporary dip at 20%-23% in 2022, and stabilizing between 25%-30% over the medium term due to the high capex program. The stable outlook assumes that AST will be able to pass through its cost increase with a one-year lag in line with existing regulations.

Downside scenario

A downgrade could stem from FFO to debt falling below 23% without recovery prospects, which could happen if regulations do not enable cost pass through, although this is not our base case.

A one-notch downgrade of the sovereign would not trigger an automatic downgrade.

Upside scenario

We see prospects for an upgrade as remote, given the company's small size, and the short track record of its operations and the current regulatory regime. Longer term, it would require FFO to debt above 35% coupled with:

- A track record of regulatory framework providing for cost-recovery;
- Strong build-up of the RAB supporting the regulated revenue;
- More clarity on financial policy; and
- The company's commitment to the higher rating.

A one-notch upgrade of the sovereign would not trigger an upgrade of AST.

Our Base-Case Scenario

Assumptions

- The regulatory framework started in 2021, with the first period lasting two years; the subsequent periods will be five years, from January 2023.
- A €20 million revenue growth from the start of the second regulatory period (RP2) in 2023 upon higher tariffs to cover for increasing electricity prices since fourth-quarter 2021.
- 80% of allowed revenue fixed and based on Latvian power-generation capacity, which could be reassessed at the new regulatory period.
- Weighted average cost of capital (WACC) of 2.63% in 2022, from 2.65% in 2021, and 3.31% in 2020.
- Stable reported EBITDA at about €42 million-€44 million in RP2 and €20 million-€25 million in 2022.
- Congestion income excluded from revenue (about 4% revenue) and EBITDA (about 8% EBITDA) but included in operating cash flow.
- Investments in line with the board- and regulator-approved 10-year investment plan, co-financed with EU funds that cover up to 45% of total capex over 2022-2025.
- CBG remains an insulated subsidiary of AST, and although it is consolidated under International Financial Reporting Standards (IFRS), we treat it as an equity investee for our analytical purposes (so that S&P Global Ratings-adjusted EBITDA and FFO for AST only includes dividends from CBG).
- Dividend policy of 64% payout ratio (excluding corporate income tax [CIT]; 80% including CIT). The dividend calculation is based on the previous year's net income including the dividend received from CBG that are already taxed. As a result, and to avoid double taxation, state revenue service adjusts the tax rate for group companies.
- Interest rate of 0.5% on the sole €100 million bond due in January 2027.

Key metrics

Augstsprieguma Tikls--Key Metrics*

	--Fiscal year ending Dec. 31--				
	2020a	**2021f§**	**2022f**	**2023f**	**2024f**
(Mil. €)					
Funds from operations (FFO)	46.6	80-90	20-30	40-45	40-45
Capital expenditure	13.0	35-40	50-60	80-90	100-110
Dividends	1.4	5-10	25-30	0-5	10-15
Debt	162.2	80-90	120-130	140-150	150-160
Debt to EBITDA (x)	3.5	0.5-1	4.5-5	3.0-3.5	3.5-4.0
FFO to debt (%)	28.7	100-110	20-25	25-30	25-30

*All figures adjusted by S&P Global Ratings. §Includes one-off dividends from CBG of €58.3 million. a--Actual. f--Forecast.

AST benefits from low cost of debt and low income tax, so that FFO and EBITDA are aligned. With low income tax on AST's standalone net profit over the forecast period, combined with the current low cost of debt of 0.5% on the sole €100 million bond in the capital structure, AST's EBITDA and FFO are relatively similar. We expect the dip in FFO in 2022 to be recovered from 2023, upon the start of the new regulatory period and new tariffs.

AST's high capex program will mostly be debt financed. AST plans to invest more than €260 million over the next four years. Part of it will be EU-funded, and the remainder will be a combination of free cash flows and debt. As a result, we expect the reported debt will increase to about €180 million by 2024 from €100 million in 2021.

Company Description

AST is the only electricity TSO in Latvia. The group owns 5,613 kilometers of power lines and 140 substations. AST transmits approximately 9 terawatt hours (TWh) of electricity throughout Latvia and neighboring countries, including Estonia, Lithuania, Russia, and Belarus, through seven interconnections (two with Estonia, four with Lithuania, and one with Russia). By 2025, AST aims to have synchronized with Europe and disconnected Latvia from the Russian power system.

Established in 1939 and fully owned by the Latvian finance ministry, the AST group is now composed of the electricity TSO and 68.46% of the gas TSO (CBG).

That said, we view CBG as an insulated part of the AST group in our analysis of AST, and therefore adjust metrics as if it were an equity affiliate. We believe CBG is insulated from the rest of the group for the following reasons:

- Day-to-day operations, financial reporting, and cash management are separated between the two networks;
- CBG is regulated, and we believe that ultimate decision-making on CBG strategy rests collectively with its government and private investor shareholders, and is executed through AST's and CBG's strategic goals and governance directions;
- CBG has a significant minority shareholder (MM Infrastructure Investments Europe Ltd.) with two members part of the recently created supervisory council, which has the final decision on all CBG-related matters;
- AST appointed four members of the current supervisory council, itself composed of seven members. Of the four members, one is an AST employee, one is from the finance ministry, and two are independent;
- AST's dividends to the government are calculated on the group's pretax net income including dividends from CBG, not on a consolidated basis; and
- Although CBG is consolidated under AST's IFRS reports and therefore falls by default under AST's bonds, we believe that CBG is a profitable business with limited debt, and is therefore very unlikely to need any support from AST.

In our EBITDA projection for AST, we do not consolidate CBG, but instead include dividends from CBG to AST (we expect a dividend of €4 million in 2022 and similar amounts over the longer term, on a normalized basis).

Peer Comparison

Table 1

Augstsprieguma Tikls--Peer Comparison

Industry sector: Electric

	Augstsprieguma Tikls	REN-Redes Energeticas Nacionais SGPS S.A.	Fingrid Oyj	Zapadoslovenska energetika a.s.	Madrilena Red de Gas II, S.A.U.
Ratings as of Jan. 25, 2022	A-/Stable/--	BBB/Stable/A-2	AA-/Stable/A-1+	A-/Stable/--	BBB-/Stable/A-3
	--Fiscal year ended Dec. 31, 2020--				
(Mil. €)					
Revenue	147.2	563.3	684.3	1,210.8	173.9
EBITDA	46.9	442.6	213.3	256.9	136.3
Funds from operations (FFO)	46.6	375.5	156.3	209.7	101.3
Interest expense	0.8	59.6	13.8	19.2	29.2
Cash interest paid	0.0	55.6	16.2	18.6	27.9
Cash flow from operations	54.0	335.8	295.0	202.7	101.0
Capital expenditure	13.0	133.5	156.3	125.0	10.8
Free operating cash flow (FOCF)	41.0	202.3	138.7	77.7	90.3
Discretionary cash flow (DCF)	39.6	88.9	(9.6)	3.5	90.3
Cash and short-term investments	57.2	61.5	125.9	82.6	46.6
Debt	162.2	2,832.3	1,049.0	586.9	915.5
Equity	384.8	1,407.7	632.4	217.4	362.5
Adjusted ratios					
EBITDA margin (%)	31.9	78.6	31.2	21.2	78.4
Return on capital (%)	3.0	4.9	7.2	25.1	9.4
EBITDA interest coverage (x)	59.1	7.4	15.5	13.4	4.7
FFO cash interest coverage (x)	2,369.0	7.8	10.6	12.3	4.6
Debt/EBITDA (x)	3.5	6.4	4.9	2.3	6.7
FFO/debt (%)	28.7	13.3	14.9	35.7	11.1
Cash flow from operations/debt (%)	33.3	11.9	28.1	34.5	11.0
FOCF/debt (%)	25.3	7.1	13.2	13.2	9.9
DCF/debt (%)	24.4	3.1	(0.9)	0.6	9.9

We compare AST with electricity TSOs and DSOs in other countries with a similar framework assessment. While AST's peers are all assessed against a regulatory framework that we view to be strong/adequate, we consider the recently created (January 2021) Latvian framework to be weaker because of its limited track record. It is also less

predictable, in our view, because of the upcoming changes that we expect will occur in the new regulatory period.

AST is also much smaller in size than peers, which is one of the main constraints for our rating on the group.

Business Risk: Strong

The new framework introduced in January 2021 provides some regulatory visibility.

We believe Latvia's new regulatory framework for power networks is credit supportive. Notwithstanding the framework's short track record, the energy market has been overseen by the same regulator--Public Utilities Commission of Latvia (PUC)--since 2001. The regulator operates as a stand-alone entity subject to public law, and is financially independent from the Latvian government. We view the PUC as highly independent, with operations and financing being separate from the government.

The new framework introduces regulatory periods, with the first spanning two years; the subsequent periods are five years, in line with other EU regulatory frameworks. We understand that the first two years serve as a trial period to test the efficiency of the framework, following the recent reorganization whereby the historical owner of the transmission network (Latvijas elektriskie tikli) was merged with AST to implement a full ownership unbundling model.

The new framework follows a revenue cap RAB methodology that provides more transparency and predictability than the previous framework, which followed a cost-plus method (the previous methodology had been in place since 2007). From 2021, allowed revenue is calculated based on the installed capacity in Latvia, allowed and justified costs, and AST's RAB, as well as the regulatory WACC, as follows:

- AST's RAB, used for the allowed revenue calculation in the new methodology, is estimated at about €414 million. Despite large ongoing investments in progress, investments financed by EU contributions or by congestion income do not increase the RAB. We therefore expect the RAB to slowly increase toward €425 million by 2025;
- The WACC has decreased to 2.63% in 2022 from 2.65% in 2021 and 3.3% in 2020. It is calculated annually and is applied to the tariff upon request from the network; and
- We consider the framework to provide stability and protect AST from volume risk, as 80% of the allowed revenue is fixed and based on Latvian installed capacity, with only 20% based on actual volumes transmitted through the Latvian network.

AST benefits from an efficiency incentive that enables it to retain 50% of its over-profit while giving the remaining 50% to end-users through tariff changes (as they report their costs and revenue calculation annually). This is the only incentive under the new framework. We understand that more incentives and penalties may be discussed over the coming two years and could materialize during the next regulatory period starting in 2023.

We will monitor the discussions regarding RP2 to ensure that our assessment is maintained.

We understand that the first regulatory period, which began in January 2021, is to be used as a stepping stone toward a stable and predictable framework, set to start in January 2023. We expect the framework will be updated to provide more stability and recoverability than previously expected. In our base case, we believe that:

- The extraordinary costs linked to the increase in power prices in 2021 will be recovered from January 2023 through

an increase in allowed operating expenditure resulting in an equivalent increase in allowed revenue;

- The impacts of the synchronization following the third commissioned interconnector between Latvia and Estonia will be included in allowed operating expenses;
- Congestion income, since it is not contributing to the RAB, can be used for corporate purposes; and
- The split between capacity-based and volume-based revenue will be changed from 80/20.

Discussions regarding the new framework are due to start in mid-2022, and since we do not yet know the extent of any changes, we will closely monitor the situation to ensure that our assessment of the Latvian electricity framework for networks remains valid.

Our rating on AST is constrained by its size and lack of regulatory track record.

The limited track record of the Latvian electricity regulatory framework, the upcoming regulatory reset, the relative strength of the framework compared with EU frameworks, and the small size of AST compared with European electricity TSOs are all factors that constrain our rating.

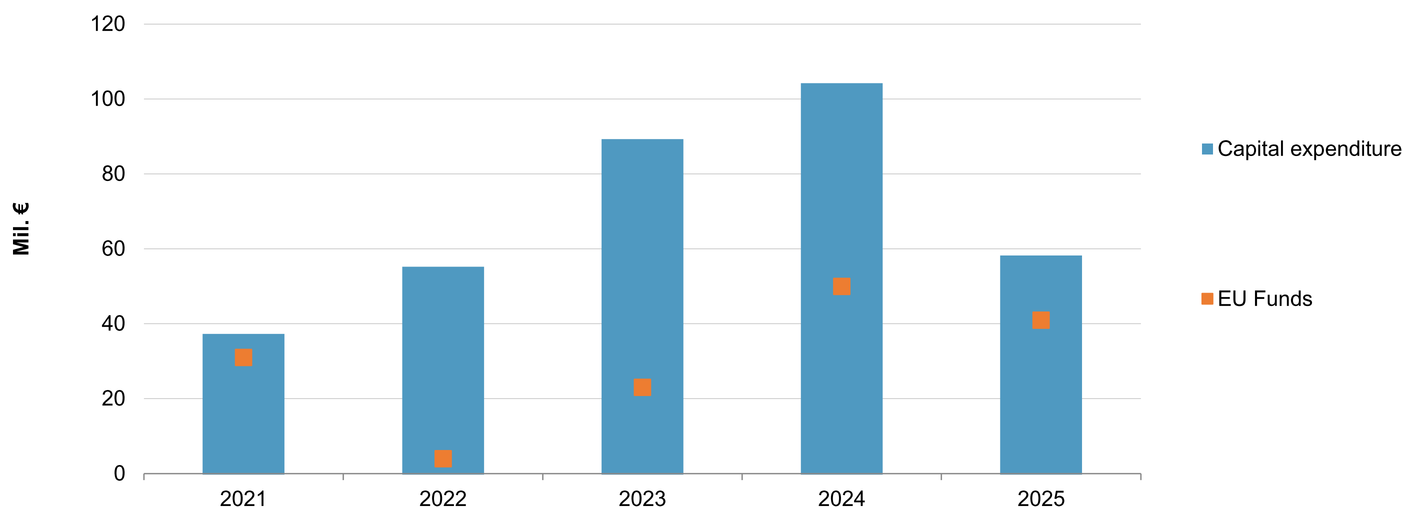
Financial Risk: Intermediate

The large upcoming capex program weighs on AST's credit metrics.

AST plans to invest €250 million-€280 million over the next four years to secure interconnectors in the Baltics, to synchronize the Latvian electricity market with Europe while stopping its reliance on Russia, and to increase its own network's capacity and reliability. This will result in free operating cash flow (FOCF) of between negative €55 million and negative €100 million over 2022-2025. Though co-financed by EU funds for up to 45% of total investments, we see the investment program as weighing on the group's, because it will result in annual debt issuance and an increase of adjusted net debt toward €155 million by 2025 from expected €81 million in 2021. We also understand that capex funded with EU grants will not form part of the RAB and generate future returns for AST.

Chart 1

Total Capital Expenditure Is Funded By EU Funds Up To 45%



Source: S&P Global Ratings.

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We expect AST's 2022 FFO to debt to temporarily decline to about 20%-23% in 2022.

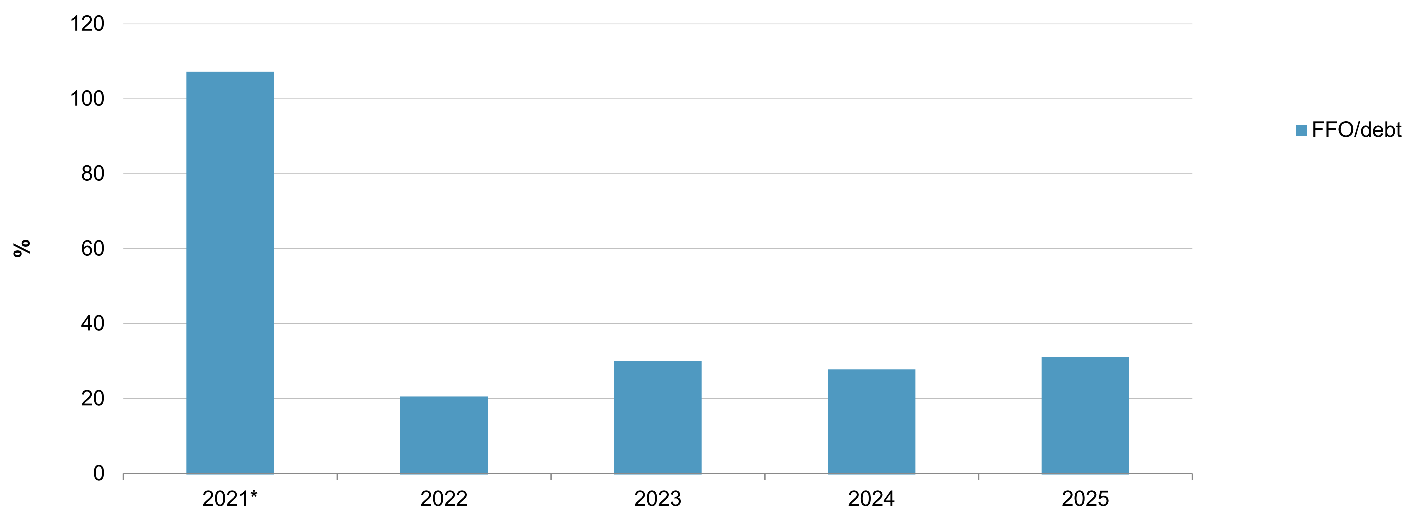
Following the sharp increase of electricity prices in fourth-quarter 2021, we now forecast total operating expenditure to reach about €40 million-€50 million, from €25 million-€35 million previously. This will result in a decrease of reported EBITDA by about €10 million-€15 million in 2022 to €25 million-€35 million, from €40 million-€45 million previously, and forecast adjusted FFO to debt of 20%-23% in 2022.

We anticipate a recovery upon the new regulatory period from 2023.

As part of our regulatory assessment, we expect extraordinary costs to be recovered upon the new tariff proposal by the network, should the regulator deem the costs to be acceptable. As a result, we believe the additional costs related to this increase in prices will be included in the allowed income over 2023-2028, resulting in an increase of allowed revenue to €110 million-€120 million from €95 million-€100 million excluding congestion income. Combined with expected lower operating expenditure following a return to normal of electricity prices, our base case forecasts that our adjusted EBITDA will stabilize at about €40 million-€45 million until 2028, including about €4 million annual dividends from CBG. We expect that adjusted FFO to debt will stabilize at about 25%-30% over RP2.

Chart 2

S&P Global Ratings-Adjusted Funds From Operations To Debt Should Stabilize At About 25%-30%



FFO--Funds from operations. *FFO includes the extraordinary dividends from CBG of €58.3 million. Source: S&P Global Ratings.

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Financial summary

Table 2

Augstsprieguma Tikls--Financial Summary			
Industry sector: Electric			
	--Fiscal year ended Dec. 31--		
	2020	**2019**	**2018**
(Mil. €)			
Revenue	147.2	181.1	186.2
EBITDA	46.9	36.7	32.0
Funds from operations (FFO)	46.6	35.9	18.7
Interest expense	0.8	1.7	12.7
Cash interest paid	0.0	0.0	12.7
Cash flow from operations	54.0	24.7	37.5
Capital expenditure	13.0	48.0	6.1
Free operating cash flow (FOCF)	41.0	(23.4)	31.4
Discretionary cash flow (DCF)	39.6	(26.3)	31.1
Cash and short-term investments	57.2	48.2	106.6
Gross available cash	57.2	48.2	106.6
Debt	162.2	43.0	177.0
Equity	384.8	70.0	70.3
Adjusted ratios			
EBITDA margin (%)	31.9	20.2	17.2

Table 2

Augstsprieguma Tikls--Financial Summary (cont.)

Industry sector: Electric

	--Fiscal year ended Dec. 31--		
	2020	**2019**	**2018**
Return on capital (%)	3.0	0.4	1.9
EBITDA interest coverage (x)	59.1	21.5	2.5
FFO cash interest coverage (x)	2,369.0	N.M.	2.5
Debt/EBITDA (x)	3.5	1.2	5.5
FFO/debt (%)	28.7	83.6	10.6
Cash flow from operations/debt (%)	33.3	57.4	21.2
FOCF/debt (%)	25.3	(54.4)	17.7
DCF/debt (%)	24.4	(61.1)	17.6

N.M.--Not meaningful.

Reconciliation

Table 3

Augstsprieguma Tikls--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts

	--Fiscal year ended Dec. 31, 2020--					
Augstsprieguma Tikls reported amounts (mil. €)						
	Debt	**Revenue**	**EBITDA**	**Operating income**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**
Reported	202.9	148.2	42.3	5.2	46.9	48.6
S&P Global Ratings' adjustments						
Cash taxes paid	--	--	--	--	(0.3)	--
Cash interest paid	--	--	--	--	(0.0)	--
Reported lease liabilities	14.4	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	2.1	--	--	--	--	--
Accessible cash and liquid investments	(57.2)	--	--	--	--	--
Dividends received from equity investments	--	--	5.6	--	--	--
Nonoperating income (expense)	--	--	--	5.6	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	5.4
Revenue: Other	--	(1.0)	(1.0)	(1.0)	--	--
Total adjustments	(40.7)	(1.0)	4.6	4.6	(0.4)	5.4
S&P Global Ratings' adjusted amounts						
	Debt	**Revenue**	**EBITDA**	**EBIT**	**Funds from operations**	**Cash flow from operations**
Adjusted	162.2	147.2	46.9	9.8	46.6	54.0

Liquidity: Adequate

We assess AST's liquidity as adequate because we expect liquidity sources to cover uses by more than 1.1x over the 12 months starting Dec. 31, 2021. The adequate liquidity is further underpinned by AST's good relationship with banks, as demonstrated by its ability to successfully contract bank loans and overdraft facilities at a good price. AST's good standing in the credit market was also demonstrated following the recent bond issuance of €100 million for 5.25 years at 0.5% in October 2021.

Principal liquidity sources	Principal liquidity uses
• Cash and cash equivalents of about €50 million; • Operating cash flows of about €30 million over the next 12 months; • A €20 million undrawn facility maturing in June 2023 to be used to finance working capital swings; • Annual working capital inflow from congestion income of around €4 million; and • EU funds to be used to co-finance investments of €4 million.	• About €55 million of capex excluding EU funds; • Dividends of about €29 million; and • No debt maturity until 2027.

Debt maturities

- €100 million bond maturing January 2027.

Covenant Analysis

AST has significant headroom under the three covenants from its overdraft facility maturing in 2023:

- Debt service coverage ratio greater than 1.2x;
- Equity greater than 25%; and
- Debt to EBITDA less than 6x.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of AST. The group's focus is on Latvia's electrification and synchronization with continental Europe. AST is also concentrating on reducing Latvia's exposure to Russian electricity.

Government Influence

Our assessment of a high likelihood of support from the Latvian government underpins our 'A-' rating. AST is the government's strategic asset as the owner and operator of the country's power transmission network and majority owner of the gas transmission network, CBG, with 68.46% of capital. We factor in two notches of uplift to the 'bbb' stand-alone credit profile (SACP) for AST to derive the rating. This is because we believe the government of Latvia (A+/Stable/A-1) is highly likely to provide timely and sufficient extraordinary support to AST in the event of financial distress. Our assessment is based on AST's:

- Very important role as the backbone of the energy system, which cannot be easily replaced. In addition, AST is the vehicle through which the government implements its energy policy, notably relating to the 2025 target of disconnection from Russia, the synchronization of the Baltic and Scandinavian power markets, and the acquisition of CBG as per the government's plan.
- Strong link with the government, mostly driven by the government's full ownership of AST. Privatization is unlikely because the full historical ownership of Latvenergo (now AST and Latvenergo) is embedded in law. In addition, most of AST's supervisory board comprises members of the finance ministry, who define the company's strategy and are involved in major decisions, notably after the regulator's approval of the 10-year investment plan.

We expect the government to be willing and able to support AST in case of financial distress, as highlighted by the 'A+/Stable' sovereign rating.

Issue Ratings - Subordination Risk Analysis

Capital structure

AST's capital structure comprises one €100 million bond maturing in January 2027 that we do not rate.

Ratings Score Snapshot

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:** Fair (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : bbb

- **Related government rating:** A+
- **Likelihood of government support:** High (+2 notches from SACP)

Related Criteria

- 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
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013

- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	**a-/bbb+**	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of February 17, 2022)*

Augstsprieguma Tikls	
Issuer Credit Rating	A-/Stable/--
Issuer Credit Ratings History	
12-Nov-2021	A-/Stable/--
12-Aug-2021	BBB+/Positive/--
16-Feb-2021	BBB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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