

CREDIT OPINION

25 June 2026

Update



RATINGS

SIA Rigas Udens

Domicile	Latvia
Long Term Rating	A3
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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SIA Rigas Udens (Latvia)

Update to credit analysis

Summary

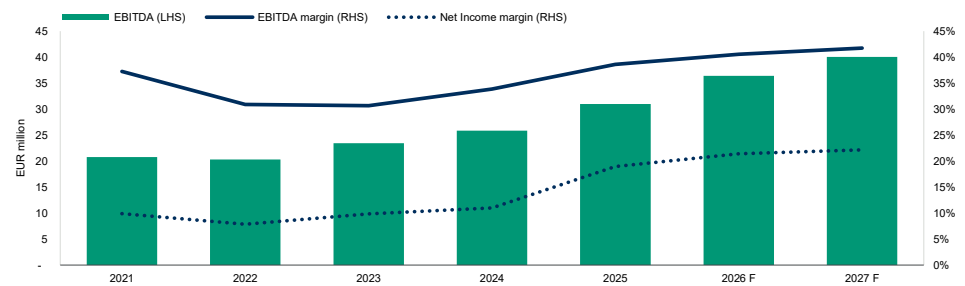
The credit profile of Rigas Udens (A3 stable) reflects its strong institutional and operational linkages with the City of Riga (unrated), which fully owns the company and tightly controls its strategy, tariff setting, and financial planning. Rigas Udens' activities are governed by a service agreement with the city, which exercises strict control over its operations.

The rating is further supported by a stable and predictable regulatory framework, which allows for cost reflective tariffs and underpins the company's ability to maintain adequate financial performance. The company's monopoly position in the provision of essential water and wastewater services further supports the stability and predictability of its operating environment. The credit profile also reflects our expectation that the City of Riga would intervene in a timely manner to prevent a default.

At the same time, the company's financial profile is increasingly influenced by its sizeable investment programme, which has led to higher capital expenditure and rising debt. While operating performance improved in 2025, supported by tariff increases and cost discipline, leverage is trending upward as the company finances its infrastructure expansion.

Exhibit 1

Satisfactory company's performance



F - forecast

Source: Rigas Udens, Moody's Ratings

Credit strengths

- » Strong institutional and operational linkages with the City of Riga
- » Supportive and predictable regulatory framework with cost reflective tariffs
- » Low business risk profile under monopoly water operations

Credit challenges

- » Significant investment programme leading to rising debt and leverage

Rating outlook

The rating outlook is stable reflecting the stable credit profile of its support provider, the City of Riga. The outlook also reflects Moody's expectation that there will be no adverse changes in the institutional and operational linkages between Rigas Udens and the City of Riga.

Factors that could lead to an upgrade

- » An upgrade of the rating of the Government of Latvia (A3 stable) would most likely have implications on the rating of Rigas Udens given the close linkages between the City of Riga and the sovereign as well as between Rigas Udens and the city.

Factors that could lead to a downgrade

- » A downgrade of the sovereign rating would most likely lead to a similar action on the Rigas Udens' rating because of the close linkages between the city and the sovereign.
- » An evidence that the City of Riga's credit quality is worsening independent of the credit quality of the sovereign, or any changes in the institutional and financial framework that weaken Rigas Udens' relationship with the city could also exert downward pressure on the Rigas Udens' rating.

Key indicators

Exhibit 2

Rigas Udens

	2021	2022	2023	2024	2025	2026 F	2027 F
Total Debt / Operating Income (%)	53%	78%	72%	90%	121%	132%	157%
EBITDA / Operating Income (%)	37%	31%	31%	34%	39%	41%	42%
Net Income / Operating Income (%)	10%	8%	10%	11%	19%	21%	22%
Total Debt to EBITDA (x)	1.4	2.5	2.3	2.6	3.1	3.3	3.8
Total Debt / Total Assets (%)	9%	15%	15%	10%	13%	16%	19%
ST Debt / Total Debt (%)	45%	10%	8%	9%	7%	13%	8%
Total Assets (mil. EUR)	313.8	344.8	359.8	717.3	752.1	766.6	809.1
Equity ratio	55%	51%	51%	74%	71%	70%	67%

F - forecast

Source: Rigas Udens, Moody's Ratings

Profile

Rigas Udens is a 100% municipally owned water utility, responsible for water supply and wastewater services in Riga and surrounding municipalities. The company operates under a long-term public service agreement with the municipality and provides near-full coverage of water and sewer services, benefiting from a regulated monopoly position and stable demand fundamentals.

Detailed credit considerations

The credit profile of Rigas Udens (the Company), as expressed in its A3 (stable) rating, reflects its very strong institutional and operational linkages with the City of Riga as the strategic, city-owned company responsible for water management activities.

Differentiating between Rigas Udens and the City of Riga remains of limited relevance from a credit risk perspective, given the intrinsic operational and financial ties between the two entities. Rigas Udens' credit strength remains closely aligned with that of the City of Riga, supported by (1) its clear public policy mandate and the essential nature of the services it provides in the city's utility sector, (2) full ownership and strong oversight exercised by the municipality, (3) the company's monopolistic position and strategic role within the local utility framework, and (4) a transparent regulatory and financial framework that supports cost recovery and adequate liquidity.

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As such, Rigas Udens' rating continues to be derived from the application of the approach for government-related issuers (GRIs) without a Baseline Credit Assessment, and remains based solely on expected support, in line with the Government-Related Issuers methodology published in May 2025.

The credit quality of the City of Riga reflects a track record of sound operating performance and a manageable debt burden, supported by satisfactory liquidity. The city's credit profile also benefits from its close macroeconomic, institutional and financial linkages with the Government of Latvia.

Moody's continues to factor in the City of Riga's commitment to provide timely support to Rigas Udens in case of liquidity stress or structural imbalance. The analysis also reflects the company's sustained alignment of interests with the municipality. Given these close linkages, a default by Rigas Udens would likely have negative implications for the perceived creditworthiness of the City of Riga and could weaken its willingness or ability to support other municipal entities.

Strong institutional and operational linkages with the City of Riga

Rigas Udens, established in 1991 and reorganised as a limited liability company in 2004, remains a wholly owned municipal enterprise of the City of Riga. It provides essential water supply and wastewater services to more than 600,000 residents in Riga and surrounding municipalities.

The company maintains its core functions across the full water management value chain, including water production and supply as well as wastewater collection and treatment. Service coverage was very high with 98% of the population covered in the operational area in 2025.

The institutional framework continues to reflect strong municipal control. The company operates under a long-term public service contract with the municipality, which defines its mandate and ensures operational continuity. The Riga City Council retains oversight through approvals of strategy, budgets and dividend policy, while governance bodies are appointed by the municipality.

Recent developments confirm the continuation of this strong relationship, including the periodic reaffirmation of the city's ownership and the absence of any material changes to governance or oversight arrangements.

Rigas Udens also remains closely aligned with the city's environmental and climate objectives, contributing to infrastructure modernisation and energy transition initiatives.

Supportive and predictable regulatory framework with cost reflective tariffs

The company operates under a stable regulatory framework, with tariffs set by the Public Utilities Commission on a cost-plus basis. This framework allows recovery of operating costs, depreciation, financing costs and a return on the regulated asset base.

In 2025, tariff levels have increased, supporting stronger revenue generation, reaching €2.67/m³ (excluding VAT) as of December 2025, reflecting higher depreciation and cost pressures.

In addition, management has indicated that tariff adjustments are expected to remain dynamic, with potential annual indexation and flexibility to respond to sudden cost changes, including inflation or interest rate increases.

The regulatory framework continues to support affordability, while enabling the company to finance its growing investment programme. The existing dividend policy, allocating 10% of profits to dividends, 30% to infrastructure development, and 60% to business reinvestment, balances distributions with reinvestment, and supports internal funding capacity.

Low business risk profile under monopoly water operations

Rigas Udens continues to benefit from a low business risk profile, driven by its monopoly position in water and wastewater services, stable demand, and the essential nature of its activities.

Operating volumes remained broadly stable in 2025, with minimal changes in water supply and sewerage volumes compared to 2024, confirming resilience of demand.

Financial performance improved in 2025, supported by tariff increases and cost control. Revenue increased to around €80 million from €76.3 million in 2024, while EBITDA rose to approximately €31 million from €25.9 million, resulting in a stronger EBITDA margin of around 38.6% in 2025, compared to 33.9% in 2024.

Liquidity improved in 2025, with liquidity ratio of 1.2x, up from 0.9x in 2024, supported by €23.6 million in cash and short-term deposits. Liquidity remains adequate, supported by cash balances, available committed and uncommitted credit lines, and access to diversified funding sources, including capital markets and multilateral institutions. In February 2026, the company signed an uncommitted loan facility of up to €50 million with the Nordic Investment Bank, further diversifying its funding sources beyond the existing facilities.

This stronger liquidity position partially offsets the rise in leverage. It suggests the company ended 2025 with a better short-term funding buffer even though debt levels increased materially.

Significant investment programme leading to rising debt and leverage

Rigas Udens is progressing with a substantial multi-year investment programme of approximately €235 million over 2025–2028, focused on wastewater treatment upgrades, network expansion, and environmental projects. Capital expenditure has accelerated materially, with investments rising to €48.5 million in 2025 (from €35.6 million in 2024), reflecting the ramp-up of investment projects.

The funding strategy has further diversified and in addition to loans from international financial institutions, including a €70 million [European Investment Bank](#) (EIB, Aaa stable) facility, the company has accessed capital markets, issuing €20 million of green bonds in 2025, with further issuances amounting €40 million planned in 2026–2027.

The net debt/EBITDA ratio rose to 2.4x in 2025 from 2.2x in 2024, and is projected to increase further, close to 3x in 2026 and trending towards 3.6x in 2027. Despite the rising debt, leverage remains manageable for a regulated utility with monopoly characteristics and a large equity cushion, and well below the EIB covenant limit of 5.0x.

Although the equity ratio declined to 70.7% in 2025 from 74.5% in 2024, it remains very strong in absolute terms, comfortably above the shareholder's financial target of more than 35% and the EIB minimum of 40%. The decline in total equity was not caused by operating weakness, but mainly because the revaluation reserve decreased while retained earnings increased, reflecting a shift away from the one-off revaluation uplift seen in 2024 toward more normal profit retention.

Total debt rose to €97.6 million in 2025 from €68 million in 2024, and it is projected to rise to €119 million and €150 million in 2026 and 2027, respectively. Despite the increase in debt, debt service coverage remains adequate, supported by strong operating cash flow, improving EBITDA, and the flexibility to adjust investment timing or tariffs if required. Refinancing risk is mitigated by diversified funding sources, access to international lenders, and continued strong market access.

ESG considerations

We take account of the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of Rigas Udens, the materiality of ESG to the credit profile is largely based on the ESG considerations for the City of Riga, along with some specific considerations.

Environmental considerations are not material to Rigas Udens' credit profile. Notably, exposure to water management risks is low given plentiful water reserves in Riga, which along with the population declines diminishes any potential water stress. Rigas Udens' biggest exposure to environmental risks is stemming from waste and pollution, and carbon transition. Recent amendments to Waste Water Treatment Directive by EU stipulate the need to achieve energy neutrality by all WWTPs by 2045, along with extended demands to waste water tertiary and quaternary treatment. Rigas Udens adopted a road map to achieve energy neutrality by 2040, for which it aims to reduce its scope 1 and 2 GHG emissions over the same period.

Social considerations are not material to Rigas Udens' rating. While the company is exposed to risks stemming from socially driven policy agendas, demographic trends and customer relationships on demand, these risks are not material for its credit profile, given the support coming from the City of Riga. Latvia overall, and to a lesser degree Riga area, have suffered from a demographic decline and population ageing. While this factor poses a challenge to the qualified labour availability, at the same time, it eases the pressure on

the company's water supply and waste water infrastructure, thus limiting the long-term investment needs. Exposure of Rigas Udens to health and safety, and responsible production risks is also limited due to the company's high and ever improving standards on water quality it supplies to its customers and strengthening waste water treatment processes. European Directive on the quality of water stipulates the water leakage level that all the water supply companies must achieve by 2026, which Rigas Udens is already fully compliant with.

Governance risks are material to Rigas Udens' rating. The governance framework is intrinsically intertwined with the Riga's own governance which ultimately makes the key decisions and exerts strong oversight. Moody's assessment also takes into account the supportive regulatory framework under which Rigas Udens operates and multi-year contract for service provision. Overall, company demonstrates very strong management and governance practices. These good practices are reflected in sound risk management policies, detailed and timely reporting, well-structured and independent board, transparency to stakeholders and general public.

Rating methodology and scorecard factors

The methodology used in this rating is [Government Related Issuers](#), published in May 2025.

Ratings

Exhibit 3

Category	Moody's Rating
SIA RIGAS UDENS	
Outlook	Stable
Issuer Rating	A3

Source: Moody's Ratings

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