

Confirmation of the rating of HEP reflects its vertically integrated position in the Croatian electricity market, where the company benefits from a 84-percent stake, and its product mix with a high proportion of cheaper electricity production, and healthy financial profile of the company with low debt and strong credit metrics.

Moody's agency confirmed on Friday a valid 'Ba2' credit rating of Croatian Power Company (HEP) and its stable outlook due to the good financial position of the company

Confirmation of the rating reflects the expectations, it says in a statement by Moody's, that HEP will be able to maintain a financial profile, despite the limitations of the current energy prices and the risks that this situation is prolonged, due to HEP's modest level of debt and the business mix of the company.

"In particular, the rating certificate recognized HEP-financial flexibility to withstand a possible prolonged period of lower electricity prices," said Moody's.

As elsewhere in Europe, the prices of electricity in the Balkans have fallen in the past year but are slightly higher compared to prices in Western Europe, due to the very limited capacity interconnections. HEP dominates the Croatian market, with a share of approximately 84 percent of the retail electricity market.

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On the other hand, the rating is limited due to the lack of diversification of HEP in terms of market presence, the development of the regulatory framework in Croatia, the volatility of earnings due to dependence on hydropower production instability and a significant investment program, which includes new production capacity and replacement of outdated property.

The stable outlook of HEP's rating reflects Moody's assessment that the company will maintain a financial profile consistent with the rating category and that its rating will remain unchanged if there is a negative pressure on the Croatian credit rating.

Given the negative outlook for the rating of Croatia, Moody's does not expect pressure on the rating of HEP in the short term. Nevertheless, the rating of HEP could rise if the company shows stable profit and cash flow profile. This could be achieved in case of changes in the current production profile and / or changes in the regulatory environment. HEP's earnings remain exposed to a number of factors which company management cannot influence, such as precipitation and prices of raw materials and energy in regional markets, says Moody's.

As a dominant company in the country, HEP is also exposed to possible further reduction of the share of supply in the segment due to market liberalization. If any of these risks results in the weakening of HEP's liquidity and / or financial position, rating of the company could



Croatia:Moody's confirmed credit rating and stabile outlook of power utility HEP Elektroprivreda

come under negative pressure, says Moody's, transmits Serbia-energy.eu