

## CREDIT OPINION

25 June 2025

### Update



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### RATINGS

#### 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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## Rigas Udens (Latvia)

### Update to credit analysis

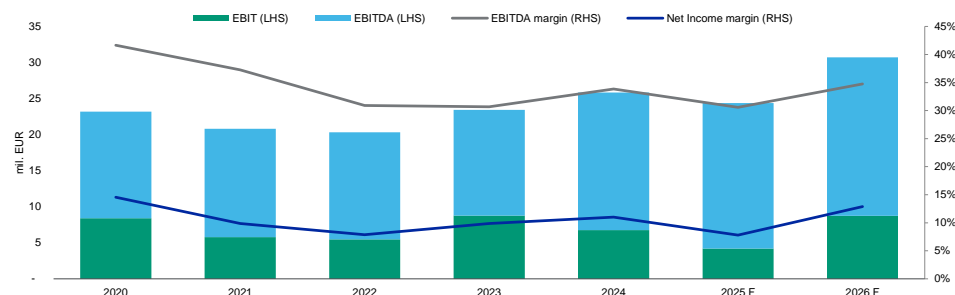
#### Summary

The credit profile of Rigas Udens (A3 stable) reflects its strong institutional and operational linkages, as well as its integral role within the City of Riga (unrated), evidenced by a clear public policy mandate to provide water supply and sewer services. 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, and our expectation that the City of Riga would provide timely support in the event of acute liquidity stress. Rigas Udens' financial performance and service level are shaped by the city, which defines its strategy and approves its business, investment, and financial plans.

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 regulatory and financial frameworks ensure cost recovery through tariff coverage
- » Low business risk profile underpinned by monopoly regulated water operations

#### Credit challenges

- » Significant investment programme to drive infrastructure expansion and increase company debt

## 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 the 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

	2020	2021	2022	2023	2024	2025 F	2026 F
Total Debt / Operating Income (%)	62%	53%	78%	72%	90%	122%	140%
EBITDA / Operating Income (%)	42%	37%	31%	31%	34%	31%	35%
Net Income / Operating Income (%)	15%	10%	8%	10%	11%	8%	13%
Total Debt to EBITDA (x)	1.5	1.4	2.5	2.3	2.6	4.0	4.0
Total Debt / Total Assets (%)	11%	9%	15%	15%	10%	12%	14%
ST Debt / Total Debt (%)	14%	45%	10%	8%	9%	7%	15%
Total Assets (mil. EUR)	302.9	313.8	344.8	359.8	717.3	825.1	859.5
Equity ratio	55%	55%	51%	51%	74%	75%	73%

F - forecast

Source: Rigas Udens, Moody's Ratings

## Detailed credit considerations

The credit profile of Rigas Udens (the Company), as expressed in its A3 (stable) rating, reflects its very strong linkages with the City of Riga as the strategic city owned company in charge of the city's water management activities.

Differentiating between Rigas Udens and the City of Riga is not meaningful from a credit risk perspective because of the intrinsic operational ties between the two entities. Rigas Udens' credit strength is inextricably linked with that of the City of Riga because of 1) its clear public policy mandate and the key services it provides in the city's utility sector, 2) full ownership and strong oversight exercised by the city, 3) the company's monopolistic status and strategic role for the city's utilities sector, and 4) the clarity of the regulatory and financial frameworks securing sufficient levels of liquidity.

As such, Rigas Udens' rating derives from the application of the approach for government-related issuers (GRIs) without a BCA rated solely on support, as described in our Government Related Issuers rating methodology published in May 2025.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

The credit quality of the City of Riga reflects the track record of sound financial position and its manageable and decreasing debt burden, complemented by a satisfactory liquidity. The city's credit profile is further supported by its close macroeconomic, institutional and financial ties with the Government of Latvia.

Moody's takes into account the city's commitment to support Rigas Ūdens on a timely basis, should the company experience a liquidity shortage or face a structural imbalance. We also factor in the company's very close and enduring alignment of interest and objectives with the city government. Given the company's very close linkages with the city, a default on the part of Rigas Ūdens' would likely have a negative impact on the market perception of the City of Riga's own creditworthiness and its willingness to support other city's providers of public services.

### **Strong institutional and operational linkages with the City of Riga**

Rigas Ūdens, established in 1991 and reorganised into a limited liability company in 2004, is a wholly owned municipal enterprise of the City of Riga. It plays a critical role in the city's infrastructure, providing essential water supply and wastewater services to over 600,000 residents across Riga and parts of the Greater Riga area, including Marupe, Ķekava, Ropazi, and Adazi municipalities.

Rigas Ūdens provides the following public water management services: 1) water production, storage, and treatment; 2) water supply; 3) wastewater collection; 4) wastewater treatment and discharge into the environment. In 2024, water supply and sewer services covered 98% of the population of the City of Riga's water management region.

The company's institutional framework and governance structure reflect its close ties with the City of Riga. It operates under a long-term public service contract with the municipality, renewed every 10 years, which defines its responsibilities and ensures continuity of service. The Riga City Council exercises strong oversight through strategic planning, budget approvals, and dividend policy. The company's Supervisory Board and Management Board are appointed by the municipality and are responsible for aligning operations with city-wide development goals, including environmental sustainability and infrastructure modernisation.

Rīgas ūdens is also a key contributor to the city's climate and energy transition plans. It is actively involved in the implementation of the Riga Sustainable Energy and Climate Action Plan (SECAP 2030) and the Climate City Contract, which aim to achieve climate neutrality by 2050.

### **Supportive regulatory and financial frameworks ensure cost recovery through tariff coverage**

The company operates within a robust regulatory environment governed by the Public Utilities Commission, which approves tariffs based on a cost-plus methodology. Tariffs are designed to cover operating costs, capital expenditures, and financing costs, including returns on the regulated asset base (RAB). In 2024, the RAB was revalued to €688 million, with €487 million proposed for inclusion in the tariff base from 2026.

Tariffs remain affordable, with household water service costs averaging 0.81% of monthly income in 2024, well below the 1.5% affordability threshold. The company's services are fully regulated, and tariff adjustments are made in response to changes in energy prices, inflation, and investment needs. The most recent tariff increase in January 2025 reflects changes in the depreciation of fixed assets and the return on capital.

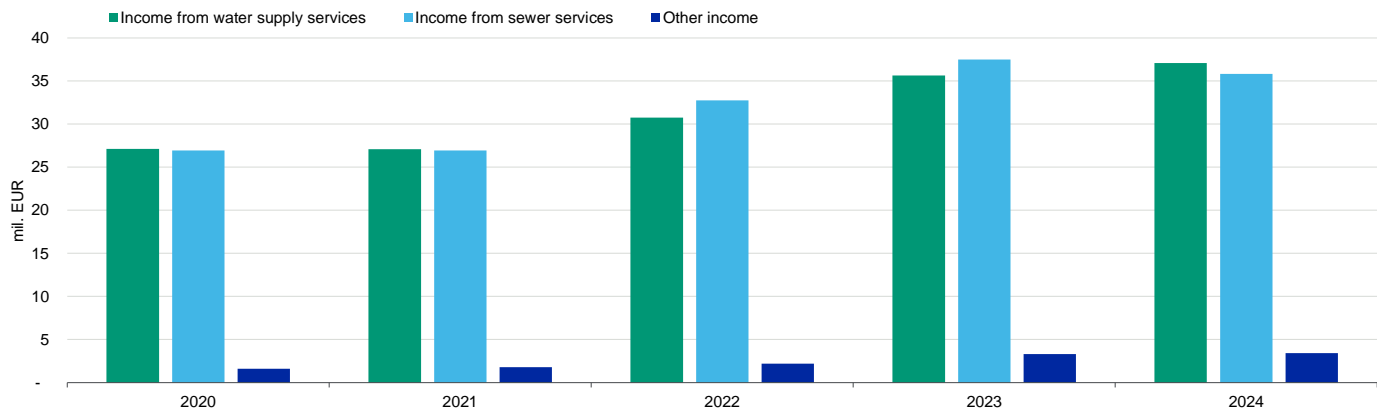
Rigas Ūdens benefits from a stable and predictable financial framework. Its dividend policy, approved by the Riga City Council, allocates 10% of profits to dividends, 30% to infrastructure development, and 60% to business reinvestment. This structure supports long-term sustainability while maintaining financial discipline.

### **Low business risk profile underpinned by monopoly regulated water operations**

Rigas Ūdens holds a natural monopoly in Riga's water and wastewater sector. It operates 1,536 km of water supply lines and 1,282 km of sewer networks, supported by six water abstraction stations, 285 boreholes, and 107 sewage pumping stations. The company sources water from both surface (Daugava River) and underground sources (Baltezers, Zaķumuiza, Rembergi), and treats wastewater at the Daugavgrīva biological treatment plant.

In 2024, the company supplied 36.6 million m<sup>3</sup> of drinking water and treated 51.3 million m<sup>3</sup> of wastewater. Service coverage in Riga exceeds 98% for both water and sewerage, and customer satisfaction reached 89%, with a loyalty index of 72.

Exhibit 3

**Split of revenues by business**

Source: Rigas Udens, Moody's Ratings

The company's financial performance remains solid. Revenue in 2024 was €76.3 million, with EBITDA of €25.9 million and a margin of 33.9%. Liquidity is supported by €12.7 million in cash and short-term deposits, a €15 million long-term credit facility, and a €5 million credit line. The equity ratio improved to 74.5% following the asset revaluation.

### Significant investment programme to drive infrastructure expansion and increase company debt

Rigas Udens is executing a €235 million investment programme for 2025–2028, focused on wastewater treatment upgrades, network rehabilitation, and renewable energy projects. In 2024, €35.6 million was invested, including the completion of the Baltics' largest sewage pumping station. The company plans to expand services in underserved areas such as Mangaļsala and Darzini, supported by municipal co-financing.

Key projects include: 1) Expansion of the Daugavgrīva treatment plant to meet EU Directive 2024/3019 requirements; 2) Rehabilitation of 90 km of water supply and 55 km of sewerage networks by 2030; 3) Installation of solar power plants and biogas cogeneration to achieve energy neutrality; and 4) Implementation of a telemetry system for water metering and digitalisation of infrastructure management.

To finance these investments, the company has secured a €70 million [European Investment Bank](#) (EIB, Aaa stable) loan in April 2025, with the first tranche to be disbursed in 2026. The company plans to issue €60 million in green bonds, with the first €20 million already issued in June this year at a fixed annual interest rate of 4% and a 5-year maturity. This marks the first time a municipal enterprise in Latvia—and in the Baltics—has raised funding through the capital markets, as well as the first issuance aligned with the European Green Bond Standard. Additional funding will come from local banks, EU grants, and retained earnings.

Total outstanding debt at year-end 2024 amounted €68 million and it is projected to rise to €97 million in 2025 and €124 million in 2026. Despite this increase, debt service coverage remains adequate, and refinancing risk is low due to diversified funding sources and 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 4

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

Source: Moody's Ratings

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