



Erste grants Prague municipality EUR 150mn loan to acquire city gas distribution company7

29.01.2014

Czech subsidiary of Erste Group financed the City of Prague acquisition from E.ON of approx. 50% share in Pražská plynárenská, a.s., a dominant gas distribution company in Prague and the suburbs

Erste Corporate Banking acted as Mandated Lead Arranger and Coordinator of the banking club that provided acquisition financing to Pražská plynárenská holding and committed significant part of the financing amounting to CZK 4.1bn (approx. EUR 150mn). The City of Prague takes with the present acquisition control of the key gas distribution company in the city. Erste Group acted as well as financial advisor to the City of Prague.

"We have been a long-standing partner for municipalities across the Czech Republic - so in a market context of divestments by large utilities, it was essential to source appropriate funding support for City of Prague buy-out of the E.ON share in PPH. The City's excellent credit rating (A with positive outlook S&P; A1 with Moody's) and the excellent financial performance of the acquired asset (Pražská plynárenská) enabled a leveraged structure of the deal.

Alongside the acquisition finance, we were able to provide the City of with financial advisory during the transaction, and I am very pleased to have been able to help them achieve their goals", stated Daniel Heler, Member of the Board of Česká spořitelna a.s.

Pražská plynárenská owns 99.9% of the local distribution infrastructure in the City of Prague and is the second largest gas distribution company in Czech Republic, serving approx. 438.000 customers. Its business model includes natural gas distribution & trading in the B2B / B2C segment. The company has a robust and predictable cash flow and a highly diversified customer base.

"There are some interesting acquisition opportunities opening up for international funds as well as local investors and municipalities as large European utilities continue to restructure their asset portfolios. On top of this, loan markets in CEE are highly liquid, which enables investors and municipalities to acquire selected energy infrastructure assets.

At Erste, we expect the gas & utilities sector to be at a tipping point in 2014 regarding the business model. Acquisition activity of City of Prague which makes a lot of sense from the city point of view confirms also this tendency", said Daniel Heler.

Erste Group has managed to build substantial credentials in the energy sector due to its strong advisory and acquisition finance team combined with an excellent liquidity position and local presence in the CEE region. Erste Group has played a leading advisory and financing role in all benchmark energy and infrastructure transactions executed in 2013 in the CEE region.

© 2016 Erste Group Bank AG