



Erste Group worked alongside NET4GAS to issue largest CZK corporate bond issue in the past decade

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NET4GAS, s.r.o., the Czech gas transmission system operator, issues three-tranche (Series) bond in EUR and CZK amounting to EUR 710mln out of its newly established EMTN Program. The 7bln Czech koruna Reg S issue (equivalent of EUR 250mln) is the largest corporate CZK denominated bond issue in the last decade.

Erste Group acted as Active Bookrunner, Documentation and Marketing Bank for the inaugural 6.5-year CZK 7bln bond issue of the company and passive Bookrunner on the EUR part of the financing.

The bond issuance is part of a EUR 1bln refinancing of acquisition debt used by Allianz and Borealis to purchase NET4GAS from RWE in August 2013.

Ceska sporitelna, the Czech subsidiary of Erste Group, played a major role as Facility Agent and lender in the loan transaction amounting to EUR 400mln.

Tomas Cerny, Head of DCM CEE and SSA origination at Erste Group, said: "Despite volatility in the markets, the NET4GAS bond was very well received by the investors due to its credit profile. With a network of more than 3,800km of pipelines that transport 45bln cubic meters of natural gas every year, NET4GAS' state of art transit system can ship also from west to east when required, which secures its competitive position in the market.

As the Czech market doesn't offer too many investment opportunities at the moment, the NET4GAS bond with a fixed annual coupon of 2.25% provided an excellent opportunity. 98% of the deal was placed with Czech investors while the remaining 2% with Austrian and German investors.

This is the largest CZK denominated corporate bond issue in the last decade and a sizable CEE transaction also by European standards."

Acting as one of two Active Bookrunners, Marketing and Documentation Bank, Erste Group Bank AG („Erste Group“) worked closely with the management of NET4GAS to place the debut 6.5-year CZK 7bln bond and via its Czech subsidiary, Ceska sporitelna, also acted in capacity of the bank debt Facility Agent.

The issue maturing in January 2021 was successfully priced at a spread of mid-swaps plus 150 bps, and will carry a coupon of 2.25% p.a. The total order book exceeded CZK 8.8bln. Banks purchased 72% of the deal, followed by asset managers 19% and insurance companies 9%.

NET4GAS is rated BBB by S&P (stable outlook) and Fitch (positive outlook).

Background details about the issuer/borrower:

NET4GAS owns and operates a network of more than 3,800 km of high-pressure pipelines that both supply the Czech domestic market and transit natural gas through the Czech Republic to markets across Europe. NET4GAS is a provider of key infrastructure for the transport of gas in Europe, transporting approximately 45 billion cubic meters of gas each year, of which only one-fifth is for domestic consumption. The remainder is shipped by gas suppliers,

including Russia's Gazprom, to utilities in Western Europe and neighbouring central European countries under long-term ship-or-pay contracts.

Allianz Capital Partners, which is the captive, alternative asset platform of Allianz Group and Borealis Infrastructure, the infrastructure investment arm of the Ontario Municipal Employees Retirement System (OMERS), each own a 50 percent stake in NET4GAS.

About Erste Group:

Erste Group is the leading financial services provider in the Eastern part of the EU. Approximately 46,000 employees serve 16.5 million clients in around 2,900 branches in 7 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia). Erste achieved a top position as bookrunner for corporate and sovereign bonds in Austria and CEE, with a market share of 10% between 2010 and 2014.

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