

The Croatian Government approved the issuance of corporate bonds in the amount of up to 162 million euros by state-owned power utility HEP.

The statement from the Government said that the bonds will be denominated in local currency or euro, depending on the market conditions at the time of the sale and the most favorable borrowing price, as the issue could be sold in one or more tranches. The bonds will have a seven-year maturity, while the interest rate, the yield and the other terms will be determined at the time of the sale. The bond issue does not require the provision of state guarantees.

The Croatian unit of Erste Bank, Privredna Banka Zagreb and Zagrebacka Banka will act as joint agents on the issue. They will receive a fee of 0.15 % of the bonds' total nominal value. The proceeds will be used for financing HEP's 2019 investment plant and for other corporate issues. According to the Government, HEP plans to invest some 500 million euros this year in the construction of new electricity production capacities and the reconstruction of existing ones. The company plans to invest heavily in hydropower plants as well as other renewable energy sources in order to raise by 50 % the share of renewable energy in its portfolio.

In March, credit rating agency Standard & Poor's (S&P) said that it has upgraded its long-term issuer credit rating of HEP to BB+ from previous BB. S&P explained that the outlook is stable and reflects its expectation that HEP's stand-alone performance will be solid, with funds from operations (FFO) to debt ratio above 60 % in the next 12 months. The raising of the rating follows the recent upgrade of Croatia to BBB- from BB+, as S&P believes the country now has greater capacity to support the power utility.