



Czech Energo-pro is buying the Bulgarian energy business of the German E.ON. Although the deal was agreed at the end of last year and authorized by the Commission for Protection of Competition months ended until Czech company did the big purchase in Bulgaria. The reason, according to various sources has been the lack of funding to pay the price of 130 million. Now the news is that by the end of the month the money will be paid and the shares will be transferred.

During its seven years experience in Bulgaria, E.ON has repeatedly indicated that the Bulgarian market expectations were not justified and may abandon their assets here. From "E.ON Bulgaria" even complained to the European Commission for violation of competition in determining electricity prices since July last year. The new owner, Energo-pro is known in Bulgaria already as electricity trader but in CEE also known as power generation company having its own hydro power plants in different countries of the wider region of CEE/SEE. German energy giant decided to break with his Bulgarian business and quickly organize the sale and the buyer is selected. The original plan was to speed completion of the transaction - immediately after the permission of the regulator in March. Such a condition exists in the signed contract. After this deadline moves to the middle of May, and now the new end of the transaction is scheduled for the end of the month, ie Friday, up next Monday.

The delay, according to sources the newspaper was difficult because of the provision of funding. The deal originally was to be through a loan from Citibank (about 65 million) and the bulk of the remainder - the Czech Export Bank. The latter, however, refused to fund the initiative of Energo-pro. Now found a new foreign bank to additional financing transaction, said several sources.

If payment was not made, Germany's E.ON could easily sue and seek cost (and possibly default) of Energo-pro. This would aggravate the situation of the company and would seriously undermine her business this would be bad for the Czech Export Bank, which financed all foreign investment company.

Furthermore, Energo-pro and would have lost already paid deposit. The amount has not been officially announced, but the order of several million.

### **Clear desire**

The intention of Energo-pro to finalize the deal with E.ON was suggested and incorporated on June 12, a company which will own the electricity company "E.ON Bulgaria." On May 22, did management of the Czech company has decided to establish "Energo-pro Varna" Ltd.. The capital of the new company is 200 lev and the Czech Energo-pro is the sole owner. Governor of the Bulgarian unit is Jaromir Tesarzh, board member of the Czech company. Its headquarters is on the Square "Positano" 2 in Sofia.

According to sources, the newspaper company representatives in recent days had a meeting with the leadership of the Commission, of which they personally reported that the deal will

be finalized by early July. Such signals are emitted and to the state that prepares the stock sale of minority stakes.

By buying assets "E.ON Bulgaria" Czech company acquired elektrorazpredeleniyata in Varna and Gorna Oryahovitsa, which employs about 2,000 people and bring electricity to 1.1 million customers. This represents about 18% of the electricity distribution services in the country and the rest divided between the Czech CEZ and Austrian EVN. Through the Energo-pro acquire and license distribution that "E.ON Bulgaria" has. He was released from the company's regulator SEWRC for a period of 30 years. This means that Energo-pro must meet the energy regulator set an annual investment of 78 million lev 2013 Also the new owner must also provide an uninterrupted power supply to its subscribers resulting from obligations under the license.

E.ON entered the Bulgarian market in 2005 when g.q buy a package of state 67% distribution companies in Varna and Gorna Oryahovitsa to 140.7 million. For the remaining state shares of 33% in "E.ON Bulgaria Networks" and "E.ON Bulgaria Sales" is planned to be sold through the Bulgarian Stock Exchange, like those of "EVN Bulgaria", but the deal to sell postpone those plans. Now, if you deal with Energo-pro ended, minority share will soon be proposed to the capital market. Assuming that finding funding for the basic package has been difficult, can be expected that the new major owner does not have to buy packages. During its seven years experience in Bulgaria, the company has repeatedly indicated that the Bulgarian market expectations were not justified and may abandon their assets here. From "E.ON Bulgaria" even complained to the European Commission for violation of competition in determining electricity prices since July last year.

The accounts of the company and lower profits show the result of regulatory policy in recent years - to keep prices low as possible. Moreover, distribution companies (EDC) were under constant attacks by Prime Minister Boyko Borisov, who last year declared them main culprits for the appreciation of the current. In this investment environment is not strange that the German energy group leaves from Bulgaria. The bad thing is that it can follow.

### **The new owner**

The main experience of Energo-pro in the production of electricity from hydropower. The company was founded in 1994 by entrepreneurs and Jiri Tesar Jaromir Krushina through privatization of small hydropower plants in the Czech Republic. Gradually the group grew. Today Tesar holds 75% stake in the group and the remaining 25% are in the hands of Krushina. According to Czech media are both among the 25 richest Czechs with the general condition of about \$ 1 billion. The company owns 40 hydropower plants, of which eight are in Bulgaria. The rest are in the Czech Republic, Georgia, Turkey and Armenia.

The group entered the Bulgarian market in 2000 with the acquisition of HPS, and in 2011 received a license for electricity trading.

Energo-pro already has experience in distribution, and electricity since 2007 supplying

current 864 thousand abonati in Georgia, which covers about 70% of the country. The company is one of the largest foreign investors in the Georgian market invested about 7 billion kronor (350 million dollars). In early June, Energo-pro and signed a preliminary agreement for the acquisition of a water plant in Poland with an output of 100 megawatts. Negotiations have been stalled several times before reaching a deal. The deal is expected to be completed by the beginning of 2013, total installed capacity of all plants the company has over 800 MW and annual electricity production is 2.8 terawatt hours. The company is not public and not formally announced its financial results. According to its official website employs 5900 people. According to publications in Czech press Energo-pro is looking for acquisitions in Romania and Macedonia.

*Source Serbia Energy Magazine*