

SPP - distribúcia confirms stable profitability despite of warm winter period

The winter season 2013/2014 was one of the warmest for the last 50 years in Slovak Republic leading to a shortfall in the natural gas consumption by 580 million m³ for the first 6 months. Despite of the lower revenues by €26.5 million in comparison with the prior year SPP – distribúcia managed to keep the net profit at the level of €64.64 million which is only €2.05 million lower comparing to the prior year.

The conflict between Ukraine and Russia did not have any notable adverse effect on the company. SPP – distribúcia claims to have sufficient gas in storage for keeping the security of supply standard for households and sufficient free entry capacities are available in the market which can be used for sourcing of gas from alternative routes than from Russia.

Total operating costs decreased 15.4 percent in 1H2014 versus 1H2013. The company recorded the most significant savings in the service level agreements since most of the services were insourced from 1st January 2014. Total savings net of insourcing costs reached €7.24 million in 1H2014. Significant saving was also achieved in costs for storage of natural gas which decreased by €3.16 million compared to 1H2013.

Result from financial activities was affected by providing intercompany loan in amount €230.70 million with interest rate 4.245%.

The company achieved pre-tax income of €84.86 million and net profit on the level of €64.64 million. The corporate income tax rate changed from 23% in 2013 to 22% in 2014.

Total assets increased €418.70 million from 31st December 2013 driven by:

- Increase in receivables and prepayments €500.29 million as a result of upstream of bond proceeds and cash and cash equivalents €144.79 million; partially offset by
- Decrease of other non-current assets €160.87 million as a result of partial loan repayment by the parent company, property, plant and equipment €46.40 million and inventories and other assets €19.09 million

Total liabilities increased €470.63 million from 31st December 2013 driven by:

- Increase of loans (issued bonds) €494.10 million, deferred income and other liabilities €5.44 million; partially offset by
- Decrease of trade payables €24.17 million and deferred tax liability €4.23 million due to change in tax rates

Total equity decreased €51.91 million as result of the dividend distribution from net profit 2013.

SPP – distribúcia, a.s.
BALANCE SHEETS
As at 30 June 2014 and 31 December 2013
(EUR '000)

ASSETS:	30 June 2014	31 December 2013
NON-CURRENT ASSETS		
Property, plant and equipment	2 519 108	2 565 508
Investments in subsidiaries	1 005	1 005
Non-current intangible assets and other assets	7 718	7 911
Other non-current assets	64 153	225 026
Total non-current assets	<u>2 591 984</u>	<u>2 799 450</u>
CURRENT ASSETS		
Inventories	141 340	156 769
Receivables and prepayments	620 223	119 937
Income tax asset	0	3 474
Cash and cash equivalents	158 197	13 408
Total current assets	<u>919 760</u>	<u>293 588</u>
TOTAL ASSETS	<u>3 511 744</u>	<u>3 093 038</u>
EQUITY AND LIABILITIES:		
CAPITAL AND RESERVES		
Registered capital	1 957 418	1 957 418
Legal reserve fund and other funds	388 073	391 484
Retained earnings	64 642	113 150
Total equity	<u>2 410 133</u>	<u>2 462 052</u>
non-current liabilities		
Deferred income	9 865	8 309
Retirement and other long-term employee benefits	3 592	4 107
Deferred tax liability	382 740	386 973
Loans	598 835	105 000
Other liabilities	2 516	0
Total non-current liabilities	<u>997 548</u>	<u>504 389</u>
CURRENT LIABILITIES		
Trade and other payables	102 429	126 597
Current income tax	1 372	0
Loans	262	0
Total current liabilities	<u>104 063</u>	<u>126 597</u>
Total liabilities	<u>1 101 611</u>	<u>630 986</u>
TOTAL EQUITY AND LIABILITIES	<u>3 511 744</u>	<u>3 093 038</u>

SPP – distribúcia, a.s.
INCOME STATEMENTS
Period ended 30 June 2014 and 30 June 2013
(EUR '000)

Income Statements	30 June 2014	30 June 2013
REVENUES FROM SALES OF SERVICES:		
Natural gas distribution	179 831	206 320
Other revenues	1 739	1 165
Total revenues	181 570	207 485
OPERATING EXPENSES:		
Own work capitalised	2 121	2 371
Purchases of natural gas and consumables and services	-5 234	-4 601
Depreciation and amortisation	-48 314	-51 262
Storage of natural gas and other services	-29 657	-41 965
Staff costs	-21 001	-23 296
Provision for bad and doubtful debts, obsolete and slow-moving inventory, net	-116	-412
Provisions and impairment losses, net	-1 522	-777
Other, net	3 497	1 475
Total operating costs	-100 226	-118 467
OPERATING PROFIT	81 344	89 018
Financial revenues	4 318	521
Financial costs	-809	-449
PROFIT BEFORE INCOME TAXES	84 853	89 090
INCOME TAX	-20 211	-22 401
NET PROFIT FOR THE PERIOD	64 642	66 689