

## **SPP - distribúcia confirmed stable profitability in 2014**

During the second half year 2014 the trend of warm winter period continued. The year 2014 was the warmest year in Slovak Republic since the first official measures were performed during year 1880 (Source: Slovak hydro meteorological office; 2015) leading to a shortfall in the natural gas consumption by 806 million m<sup>3</sup> for the year 2014. However despite the fact that the natural gas consumption decreased by 15.96% in comparison to 2013 the total revenues decreased only by 7.74% and EBITDA decreased only by 2.51% proving SPP - distribúcia to be a very stable business.

SPP – distribúcia managed to keep the optimisation processes running also during 2H2014. SPP - distribúcia continued in great effort in all sections of the company to find the optimisation potential to reduce the impact of the lower revenues on profitability.

The operating profit in 2014 was on the level €131.9 million - only 0.23% less than in 2013. The achieved optimisation is not only one-off cost reduction the major part is sustainable for future periods with positive outlook for further savings.

The conflict between Ukraine and Russia did not have any notable adverse effect on the company in the 1H2014. SPP – distribúcia confirms the same trend also for 2H2014 and 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 allowing for any potential fluctuations in deliveries.

Total operating costs decreased by 11.87% in comparison to the prior year. The major savings were achieved by insourcing services and decreasing the service level agreements and by renegotiating costs for storage of natural gas.

Result from financial activities was affected mainly by issue of bonds €500.0 million in order to optimise the capital structure, and by upstreaming the proceeds via an intercompany loan.

The company's profit before income taxes and the net profit was at the level of €130.1 million and €97.5 million, respectively. The corporate income tax rate changed from 23% in 2013 to 22% in 2014.

Total assets increased by €564.5 million comparing to 31<sup>st</sup> December 2013. The increase was driven mainly by:

- Increase in receivables and prepayments €531.1 million as a result of upstream of bond proceeds and cash and cash equivalents €309.6 million; partially offset by
- Decrease of other non-current assets €187.9 million as a result of partial loan repayment by the parent company the remaining part €37.1 million was transferred to current assets, property, plant and equipment €84.8 million and inventories and other assets €3.4 million.

Total liabilities increased by €1,344.9 million from 31<sup>st</sup> December 2013. The increase was driven mainly by:

- Increase of liabilities payable to shareholders as a result of decreased registered capital by €757.4 million, bonds €494.0 million, bank loans €80.0 million, trade payables deferred income and other liabilities €21.9 million; partially offset by
- Decrease of deferred tax liability €8.4 million.

Total equity decreased by €780.4 million mainly as a result of the second part of capital structure optimisation and hence the decrease of registered capital by €757.4 million.

**SPP - distribúcia, a. s.**  
**FINANANCIAL OVEVIEW**  
**Period ended 31 December 2014**

<b>ASSETS (in € million)</b>	<b>31.12.13</b>	<b>31.12.14</b>	<b>31.12.15 (Outlook Plan)</b>
Property, plant and equipment	2,565.5	2,480.7	2,412.5
Non-current intangible assets and other assets	7.9	7.9	26.6
Investments in subsidiaries	1.0	1.0	0.0
Other non-current assets	225.0	0.0	0.0
<b>Total non-current assets</b>	<b>2,799.4</b>	<b>2,489.6</b>	<b>2,439.1</b>
Inventories	156.8	153.0	151.0
Receivables and prepayments	119.9	651.0	100.6
Income tax asset	3.5	3.8	0.0
Other current assets	0.0	37.1	0.0
Cash and cash equivalents	13.4	323.0	154.9
<b>Total current assets</b>	<b>293.6</b>	<b>1,167.9</b>	<b>406.5</b>
<b>TOTAL ASSETS</b>	<b>3,093.0</b>	<b>3,657.5</b>	<b>2,845.6</b>

<b>EQUITY AND LIABILITIES (in € million)</b>	<b>31.12.13</b>	<b>31.12.14</b>	<b>31.12.15 (Outlook plan)</b>
Registered capital	1,957.4	1,200.0	1,200.0
Legal reserve fund and other funds	391.5	384.2	388.5
Retained earnings	113.2	97.5	99.9
<b>Total equity</b>	<b>2,462.1</b>	<b>1,681.7</b>	<b>1,688.4</b>
Loans and bonds	105.0	629.0	630.0
Deferred income	8.2	10.4	8.3
Retirement and other long-term employee benefits	4.1	5.1	4.2
Deferred tax liability	387.0	378.6	373.8
Other non-current liabilities	0.0	0.0	3.8
<b>Total non-current liabilities</b>	<b>504.3</b>	<b>1,023.1</b>	<b>1,020.1</b>
Trade and other payables	126.6	895.6	130.3
Current income tax	0.0	0.0	0.0
Loans	0.0	56.9	6.8
Provisions and other current liabilities	0.0	0.2	0.0
<b>Total current liabilities</b>	<b>126.6</b>	<b>952.7</b>	<b>137.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,093.0</b>	<b>3,657.5</b>	<b>2,845.6</b>

**SPP - distribúcia, a. s.**  
**FINANCIÁL OVEVIEW**  
**Period ended 31 December 2014**

<b>INCOME STATEMENT (in € million)</b>	<b>31.12.13</b>	<b>31.12.14</b>	<b>31.12.15 (Outlook plan)</b>
Other revenues	3.0	3.9	3.6
Natural gas distribution	369.4	339.7	360.8
<b>Total revenues</b>	<b>372.4</b>	<b>343.6</b>	<b>364.4</b>
Own work capitalised	4.9	4.8	5.5
Purchases of natural gas and consumables and services	(11.3)	(9.4)	(8.0)
Storage of natural gas and other services	(85.9)	(62.2)	(64.8)
Depreciation and amortisation	(101.6)	(98.8)	(98.5)
Staff costs	(45.5)	(45.9)	(45.8)
Provision for bad and doubtful debts	(2.1)	0.0	0.0
Provisions and impairment losses, net	(2.8)	(2.0)	0.0
Other, net	4.1	1.8	0.3
<b>Total operating expenses</b>	<b>(240.2)</b>	<b>(211.7)</b>	<b>(211.3)</b>
<b>OPERATING PROFIT</b>	<b>132.2</b>	<b>131.9</b>	<b>153.1</b>
Financial revenues	1.0	6.9	0.4
Financial costs	(1.0)	(8.7)	(16.0)
<b>PROFIT BEFORE INCOME TAXES</b>	<b>132.2</b>	<b>130.1</b>	<b>137.5</b>
INCOME TAX	(19.0)	(32.6)	(37.6)
<b>NET PROFIT FOR THE PERIOD</b>	<b>113.2</b>	<b>97.5</b>	<b>99.9</b>

<b>INVESTOR RATIOS</b>		<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2015 (Outlook plan)</b>
EBITDA	€ million	238.70	232.71	251.62
CAPEX	€ million	35.40	15.78	52.48
FCF	€ million	167.65	184.71	149.32
Net Debt / EBITDA	multiple	0.38	1.56	1.92
FCF / EBITDA	multiple	0.70	0.79	0.59
EBITDA / Interest	multiple	246.08	26.69	15.69
Gross debt / FCF	multiple	0.63	3.71	4.26
FFO / Net debt	multiple	2.05	0.53	0.41

**Useful links:**

**SPP - distribúcia, a. s. - Annual report 2014:**

<http://www.spp-distribucia.sk/files/files/Annual%20report%20SPP%20-%20distrib%C3%BAcia%202014.pdf>

**SPP - distribúcia, a.s. - Audited financial statements 2014:**

<http://www.spp-distribucia.sk/files/files/Financial%20statements%20of%20SPP%20-%20distribucia%2C%20a s %20as%20at%2031 12 2014.pdf>