

## SPP - distribúcia half year financial results for 2017

During the first half of the year 2017 the trend of relatively warm winters 2014-2016 comparing to long term average temperatures was changed positively. The natural gas consumption increased by 214.6 million m<sup>3</sup> (8.6 %) for the first 6 months in comparison to the prior year. Extraordinary good results were achieved mainly during months January, February and April 2017. January 2017 was the 9th coldest month since 1931 (Source: Slovak hydrometeorological Office; 2017).

Based on the extraordinary cold winter during first months 2017 we consider the strong positive financial impact as one – off effect also in connection to the long term temperature averages. The new tariff decision published by the Slovak Regulatory Office for Network Industries (RONI) effective as of 1 January 2017 remained the gas distribution tariffs on the comparable level to the prior period.

During January 2017, RONI published a tariff decision, which changed its previous decision from October 2016, for gas distribution fees effective 1 January 2017. The new price decision lowered the fixed fee component in the gas distribution tariff to the level comparable with the previous regulatory period and similarly the variable fee component increased to the level comparable to the previous regulatory period in household segment.

Increase of natural gas consumption for the first half year 2017 by 8.6% in comparison to 1HY 2016, was reflected to all financial figures. Revenues from natural gas distribution increased by 15.9%, EBITDA increased by 24.6% and reached level of €183.8 million. Financial results for the first half year 2017 confirm SPP-distribúcia as a profitable and financially stable company.

Operating profit in 1HY 2017 was on the level of €137.2 million which is by €39.7 million (40.7%) higher than in 1HY 2016. Increase in the profit was caused mainly due to increase in sales by €36.3 million. SPP - distribúcia continued optimization of its operating activities also during year 2017 mainly by increasing work productivity in maintenance activities and in procurement to maintain stable level of operating costs.

The company's profit before income taxes and the net profit were at the level of €128.2 million and €92.9 million, respectively.

Total assets decreased by €30.4 million comparing to 31<sup>st</sup> December 2016. The decrease was driven mainly by:

- Decrease in receivables and prepayments €110.0 million due to netting of dividend payment with receivable from cash-pooling;
- Decrease of non-current assets by €39.4 million driven mainly by depreciation and amortization;
- Increase of cash and cash equivalents by €126.2 million compared to end of prior year is caused by the fact that Company did not make upstream to shareholders as it was realized at the end of the prior year;
- Decrease of inventories in total amount of €7.2 million.

Total liabilities increased by €16.9 million comparing to 31<sup>st</sup> December 2016. The increase was driven mainly by:

- Increase of current corporate tax liability by €15.5 million;
- Increase of trade and other payables by €9 million and decrease of loans by €6.6 million;

Total equity decreased by €47.3 million mainly as a result of dividend distribution €143.0 million and current year profit €92.9 million.

<b>ASSETS (in € million)</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
Property, plant and equipment	2 308.2	2 346.1
Non-current intangible assets and other assets	18.2	19.7
Investments in subsidiaries	1.0	1.0
<b>Total non-current assets</b>	<b>2 327.4</b>	<b>2 366.8</b>
Inventories	141.3	148.5
Receivables and prepayments	38.2	148.2
Cash and cash equivalents	203.7	77.5
<b>Total current assets</b>	<b>383.2</b>	<b>374.2</b>
<b>TOTAL ASSETS</b>	<b>2 710.6</b>	<b>2 741.0</b>

<b>EQUITY AND LIABILITIES (in € million)</b>	<b>30.06.2017</b>	<b>31.12.2016</b>
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	287.3	284.5
Retained earnings	92.9	143.0
<b>Total equity</b>	<b>1 580.2</b>	<b>1 627.5</b>
Loans and bonds	631.2	630.7
Deferred income	12.7	12.0
Retirement and other long-term employee benefits	4.8	5.1
Other non-current liabilities	4.6	4.6
Deferred tax liability	348.2	350.3
<b>Total non-current liabilities</b>	<b>1 001.5</b>	<b>1 002.7</b>
Trade and other payables	101.2	92.2
Current income tax	22.6	7.1
Loans	0.3	6.9
Provisions and other current liabilities	4.8	4.6
<b>Total current liabilities</b>	<b>128.9</b>	<b>110.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 710.6</b>	<b>2 741.0</b>

<b>INCOME STATEMENT (in € million)</b>	<b>30.6.2017</b>	<b>30.6.2016</b>
Natural gas distribution	215.0	185.5
Other revenues	18.9	12.1
<b>Total revenues</b>	<b>233.9</b>	<b>197.6</b>
Own work capitalised	4.4	4.3
Purchases of natural gas and consumables and services	-10.7	-9.0
Storage of natural gas and other services	-24.9	-26.8
Depreciation and amortisation	-46.2	-49.4
Staff costs	-19.9	-19.8
Provision for bad and doubtful debts	-0.1	-0.1
Provisions and impairment losses, net	-0.4	-0.6
Other, net	1.1	1.1
<b>Total operating costs</b>	<b>-96.7</b>	<b>-100.3</b>
<b>OPERATING PROFIT</b>	<b>137.2</b>	<b>97.3</b>
Financial revenues	0.6	0.0
Financial costs	-9.6	-8.8
<b>PROFIT BEFORE INCOME TAXES</b>	<b>128.2</b>	<b>88.5</b>
Income tax	-35.2	-21.4
<b>NET PROFIT FOR THE PERIOD</b>	<b>93.0</b>	<b>67.1</b>

<b>INVESTOR RATIOS</b>		<b>30.06.2017</b>	<b>30.06.2016</b>
EBITDA	€ million	183.8	147.3
CAPEX	€ million	6.3	7.7
FCF	€ million	156.4	131.1
FCF / EBITDA	multiple	0.85	0.89
EBITDA / Interest	multiple	19.1	16.7