

SPP - distribúcia end of year financial results for 2017

The year 2017 was impacted by the following two circumstances: the new tariff decision published by the Slovak Regulatory Office for Network Industries (RONI) that came into force 1 January 2017, and an exceptionally cold winter.

During January 2017, RONI published a tariff decision, which changed its previous decision from October 2016, for gas distribution fees effective from 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.

January 2017 has been 9th coldest month measured in Slovakia since year 1931 (Source: Slovak hydrometeorological Office). Extraordinary good results were achieved mainly during winter months, most particularly in months January and December 2017. This led to increase in natural gas consumption in general. Compared to prior year, natural gas consumption increased by 222.7 million m³ (4.5 %).

Based on the exceptionally cold winter 2017 on one hand, and long term temperature averages on the other, strong positive financial impact can be considered as one-off effect.

Increase of natural gas consumption impacted all financial figures. Total revenues increased by 12.4%, EBITDA increased by 16.6% and reached level of €331.6 million. Financial results for the year ended 31 December 2017 confirm SPP-distribúcia is a profitable and financially stable company.

Operating profit in 2017 amounted to €230.3 million, which was €45.9 million (24.9%) higher than in 2016. Increase in profit was caused mainly by increase in sales by €47.7 million. In order to maintain stable level of operating costs, SPP-distribúcia continued to streamline its operating activities, mainly by increasing work productivity in maintenance and in procurement.

Company's profit before income tax and net profit were at the level of €212.9 million and €153.3 million, respectively.

Total assets decreased by €1.6 million compared to 31st December 2016. The decrease was driven mainly by:

- Increase in receivables and prepayments €102.9 million result of increase in receivable from cash-pooling;
- Decrease of non-current assets by €73.7 million driven mainly by depreciation and amortization;
- Decrease of cash and cash equivalents by €22.9 million compared to 2016 was caused by the upstream payment to shareholders realized at the end of 2017;
- Decrease of inventories in total amount of €7.9 million.

Total liabilities decreased by €15.0 million comparing to 31st December 2016. The decrease was driven mainly by:

- Decrease in deferred tax liability by €5.4 million and current corporate tax liability by €3.8 million;
- Decrease in other non-current liabilities by €4.3 million and trade and other payables by €3.2 million;

Total equity increased by €13.4 million mainly as a result of current year profit €153.3 million.

ASSETS (in € million)	31.12.2017	31.12.2016
Property, plant and equipment	2 275.4	2 346.1
Non-current intangible assets and other assets	16.7	19.7
Investments in subsidiaries	1.0	1.0
Total non-current assets	2 293.1	2 366.8
Inventories	140.6	148.5
Receivables and prepayments	251.1	148.2
Cash and cash equivalents	54.6	77.5
Total current assets	446.3	374.2
TOTAL ASSETS	2 739.4	2 741.0

EQUITY AND LIABILITIES (in € million)	31.12.2017	31.12.2016
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	287.6	284.5
Retained earnings	153.3	143.0
Total equity	1 640.9	1 627.5
Loans and bonds	631.6	630.7
Deferred income	12.9	12.0
Retirement and other long-term employee benefits	4.9	5.1
Other non-current liabilities	0.3	4.6
Deferred tax liability	344.9	350.3
Total non-current liabilities	994.6	1 002.7
Trade and other payables	89.0	92.2
Current income tax	3.3	7.1
Loans	6.9	6.9
Provisions and other current liabilities	4.7	4.6
Total current liabilities	103.9	110.8
TOTAL EQUITY AND LIABILITIES	2 739.4	2 741.0

INCOME STATEMENT (in € million)	31.12.2017	31.12.2016
Natural gas distribution	397.9	358.6
Other revenues	33.1	24.7
Total revenues	431.0	383.3
Own work capitalised	9.6	8.0
Purchases of natural gas and consumables	-17.3	-15.0
Storage of natural gas and other services	-50.9	-53.4
Depreciation and amortisation	-100.5	-99.2
Staff costs	-43.2	-41.5
Provision for bad and doubtful debts, net	0.0	0.1
Provisions and impairment losses, net	-0.8	-0.8
Other, net	2.4	2.9
Total operating costs	-200.7	-198.9
OPERATING PROFIT	230.3	184.4
Financial revenues	0.7	0.2
Financial costs	-18.1	-18.1
PROFIT BEFORE INCOME TAXES	212.9	166.5
Income tax	-59.6	-23.5
NET PROFIT FOR THE PERIOD	153.3	143.0

INVESTOR RATIOS		31.12.2017	31.12.2016
EBITDA	€ million	331.6	284.3
CAPEX	€ million	26.4	35.4
FCF	€ million	236.6	192.1
FCF / EBITDA	multiple	0.7	0.7
EBITDA / Interest	multiple	18.3	15.7

Useful links:

SPP – distribúcia. a. s. - Annual reports:

http://www.spp-distribucia.sk/en_investor-relations/en_annual-reports

SPP – distribúcia. a.s. - Audited financial statements:

http://www.spp-distribucia.sk/en_investor-relations/en_annual-reports