

SPP – distribúcia a.s. half year financial results for 2018

First half of the year 2018 was impacted to a large extent by long winter. Even though it did not reach the intensity of the previous year in terms of low temperatures, it lasted significantly longer. According to the Slovak Hydrometeorological Institute, this exceptionally long cold weather was caused by significantly cold wave of air that hit our territory twice. This led to 2018's March being the coolest month since 1951. Therefore, exceptionally good results were achieved mainly from January to March 2018.

Early in 2018, Slovak Regulatory Office for Network Industries (hereinafter "RONI") announced the intention to amend the Decree of the Office No. 223/2016 establishing price regulation in the gas industry. The amendment came into force in July 2018 and for SPP – distribúcia a.s. resulted only in immaterial modification in calculation of fees for exceeding the daily distribution capacity for seasonal agricultural sales.

Except of the above, the current tariff decision has been effective since 1st January 2017, and will likely be in place until 2021, which is in line with the end of the current regulatory period.

As previously mentioned, long cold weather in the beginning of the year 2018 did not reach the exceptional winter of 2017, and that is the reason why such strong financial impact has also not been reached compared to 1HY 2017 results. Compared to 1HY 2017, natural gas consumption decreased by 46.2 million m³ (-1.7 %).

Total revenues decreased by -1.2%, EBITDA decreased by -7.8% and reached level of €169.5 million. Financial results for the 1HY 2018 confirm SPP-distribúcia a.s. as a profitable and financially stable company.

Operating profit in 1HY 2018 amounted to €122.8 million, which was €14.4 million (-10.5%) lower than in 1HY 2017. Decrease of the operating profit was caused mainly due to the decrease in natural gas distribution by -€7.5 million.

SPP - distribúcia a.s. continued in its efforts to optimize its operating activities also during the year 2018 by monitoring work productivity in maintenance activities and savings in procurement to maintain stable level of operating costs.

Company's profit before income tax and net profit were at the level of €114.2 million and €83.1 million, respectively.

Total assets decreased by €69.1 million compared to 31st December 2017. The decrease was driven mainly by:

- Decrease in non-current assets by €39.8 million driven mainly by depreciation and amortization;
- Decrease in receivables and prepayments €64.4 million mainly driven by decrease in receivable from cash-pooling;
- Decrease of inventories in total amount of €15.1 million;
- Increase of cash and cash equivalents by €50.3 million compared to end of year 2017.

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Total equity decreased by €69.5 million mainly as a result of dividend distribution of €153.3 million and current year profit €83.1 million.

Total liabilities remained stable, only increasing by €0.4 million compared to 31st December 2017. The increase was driven mainly by:

- Increase in current corporate tax liability by €3.5 million and trade and other payables by €4.9 million;
- Decrease in deferred tax liability by €2.3 million and loans by €6.6 million.

ASSETS (in € million)	30.06.2018	31.12.2017
Property, plant and equipment	2 237.1	2 275.4
Non-current intangible assets and other assets	15.2	16.7
Investments in subsidiaries	1.0	1.0
Total non-current assets	2 253.3	2 293.1
Inventories	125.5	140.6
Receivables and prepayments	186.7	251.1
Cash and cash equivalents	104.9	54.6
Total current assets	417.0	446.3
TOTAL ASSETS	2 670.3	2 739.4

EQUITY AND LIABILITIES (in € million)	30.06.2018	31.12.2017
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	288.3	287.6
Retained earnings	83.1	153.3
Total equity	1 571.4	1 640.9
Loans and bonds	632.1	631.6
Deferred income	13.3	12.9
Retirement and other long-term employee benefits	5.1	4.9
Other non-current liabilities	0.0	0.3
Deferred tax liability	342.6	344.9
Total non-current liabilities	993.1	994.6
Trade and other payables	93.9	89.0
Current income tax	6.8	3.3
Loans	0.3	6.9
Provisions and other current liabilities	4.8	4.7
Total current liabilities	105.8	103.9
TOTAL EQUITY AND LIABILITIES	2 670.3	2 739.4

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FINANCIAL OVERVIEW
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INCOME STATEMENT (in € million)	30.06.2018	30.06.2017
Natural gas distribution	207.5	215.0
Other revenues	14.3	18.9
Total revenues	221,8	233,9
Own work capitalised	4.4	4.4
Purchases of natural gas and consumables	-12.5	-10.7
Storage of natural gas and other services	-24.6	-24.9
Depreciation and amortisation	-46.5	-46.2
Staff costs	-20.5	-19.9
Provision for bad and doubtful debts, net	-0.1	-0.1
Provisions and impairment losses, net	-0.2	-0.4
Other, net	1.0	1.1
Total operating costs	-99,0	-96,7
OPERATING PROFIT	122.8	137.2
Financial revenues	0.2	0.6
Financial costs	-8.7	-9.6
PROFIT BEFORE INCOME TAXES	114.2	128.2
Income tax	-31.1	-35.2
NET PROFIT FOR THE PERIOD	83.1	92.9

INVESTOR RATIOS		30.06.2018	30.06.2017
EBITDA	€ million	169.5	183.8
CAPEX	€ million	6.4	6.3
FCF	€ million	133.8	156.4
FCF / EBITDA	multiple	0.79	0.85
EBITDA / Interest	multiple	19.4	19.1

Useful link:

SPP – distribúcia. a. s. - Annual reports & Audited financial statements :
http://www.spp-distribucia.sk/en_investor-relations/en_annual-reports