

SPP - distribúcia confirms stable profitability

During the second half year 2015 the trend of warm winter period continued. However the winter period was not as warm as during year 2014, which was the warmest year in Slovak Republic since the first official measures were performed during year 1880 (Source: Slovak hydro meteorological office; 2015). The natural gas consumption increased by 338.9 million m³ (by 8%) in comparison to the prior year. Total revenues increased by 4.2% and reached level of €362.2 million, EBITDA increased by 8.1% and reached level of €250.9 million proving SPP – distribúcia to be a very stable business.

Unbundling of supporting activities from SPP, a. s. took place during year 2015, together with optimisation processes running SPP - distribúcia continued in great effort in all sections of the company to find the optimisation potential to improve the profitability. Total operating costs decreased by 1.8% in comparison to the 2014 and reached level of €211.4 million.

The conflict between Ukraine and Russia did not have any notable adverse effect on the company during year 2015. SPP – distribúcia confirms the same trend also for 2015 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.

During 2015, Regulatory Office for Network Industries released a decision related to fee for access to the distribution network and gas distribution valid for the year 2016. This decision extended the number of tariff groups for gas distribution, while keeping the tariffs for end-consumers at a stable level.

Result from financial activities was affected mainly by interest expense from bonds (€500.0 million issued during 1H2014 in order to optimise the capital structure), and by interest income from upstreaming intercompany loan.

The company's profit before income taxes and the net profit were at the level of €134.6 million and €99.6 million in comparison to the 2014, when reached level of €130.01 million and €97.5 million, respectively.

Total assets decreased by €930 million comparing to 31st December 2014. The decrease was driven mainly by:

- Decrease in receivables and prepayments €552 million, in financial assets €37 million and cash and cash equivalents €242.4 million as a result of offsetting receivables and liabilities between SPP - distribúcia and SPP Infrastructure (parent company) due to decrease of share capital in amount of €757.4 million, decrease of reserve fund by €100 million and dividend distribution in amount of €97.5 million;
- Decrease of non-current assets €59 million driven mainly by depreciation and amortisation;
- Decrease of inventories, income tax asset and other current assets in total amount of €3.45 million.

Total liabilities decreased by €832.97 million from 31st December 2014. The decrease was driven mainly by:

- Decrease of liabilities payable to shareholders as a result of decreased registered capital by €757.4 million during year 2014 offset with bond proceeds and cash and cash equivalents;
- Decrease of prepayments for distribution €6 due to repayment to SPP, a.s.;
- Decrease of Loans as a result of bank loan repayment €50.0 million;
- Increase in other long and short-term payables €14.5 million due to financial lease of IT investments.

Total equity decreased by €96.9 million mainly as a result of decrease of reserve fund.

ASSETS (in € million)	31.12.2015	31.12.2014
Property, plant and equipment	2 413,09 €	2 480,70 €
Non-current intangible assets and other assets	16,44 €	7,90 €
Investments in subsidiaries	1,01 €	1,00 €
Total non-current assets	2 430,53 €	2 489,60 €
Inventories	153,37 €	153,00 €
Receivables and prepayments	63,06 €	651,00 €
Income tax asset	- €	3,80 €
Other current assets	- €	37,10 €
Cash and cash equivalents	80,69 €	323,00 €
Total current assets	297,12 €	1 167,90 €
TOTAL ASSETS	2 727,65 €	3 657,50 €
EQUITY AND LIABILITIES (in € million)	31.12.2015	31.12.2014
Registered capital	1 200,00 €	1 200,00 €
Legal reserve fund and other funds	285,33 €	384,20 €
Retained earnings	99,55 €	97,50 €
Total equity	1 584,88 €	1 681,70 €
Loans and bonds	629,87 €	629,00 €
Deferred income	11,27 €	10,40 €
Retirement and other long-term empl. benefit	5,34 €	5,10 €
Deferred tax liability	373,14 €	378,60 €
Other non-current liabilities	8,07 €	- €
Total non-current liabilities	1 027,69 €	1 023,10 €
Trade and other payables	100,41 €	895,60 €
Current income tax	1,12 €	- €
Loans	6,85 €	56,90 €
Provisions and other current liabilities	6,70 €	0,20 €
Total current liabilities	115,08 €	952,70 €
TOTAL EQUITY AND LIABILITIES	2 727,65 €	3 657,50 €

SPP – distribúcia, a. s.
FINANANCIAL OVEVIEW
 Period ended 31 December 2015

INCOME STATEMENT (in € million)	31.12.2015	31.12.2014
Natural gas distribution	357,64 €	339,70 €
Other revenues	4,58 €	3,90 €
Total revenues	362,22 €	343,60 €
Own work capitalised	6,13 €	4,80 €
Purchases of natural gas and consumables and serv.	- 15,59 €	- 9,40 €
Storage of natural gas and other services	- 60,65 €	- 62,20 €
Depreciation and amortisation	- 99,18 €	- 98,80 €
Staff costs	- 43,82 €	- 45,90 €
Provision for bad and doubtful debts	- 0,19 €	- €
Provisions and impairment losses, net	- 0,73 €	- 2,00 €
Other, net	2,61 €	1,80 €
Total operating expenses	- 211,42 €	- 211,70 €
OPERATING PROFIT	150,80 €	131,90 €
Financial revenues	1,79 €	6,90 €
Financial costs	- 17,96 €	- 8,70 €
PROFIT BEFORE INCOME TAXES	134,64 €	130,10 €
INCOME TAX	- 35,09 €	- 32,60 €
NET PROFIT FOR THE PERIOD	99,55 €	97,50 €

INVESTOR RATIOS		31.12.2015	31.12.2014
EBITDA	€ million	250,88 €	232,71 €
CAPEX	€ million	40,09 €	15,08 €
FCF	€ million	167,34 €	184,71 €
FCF / EBITDA	multiple	0.67	0.79
EBITDA / Interest	multiple	13.97	26.69