

SPP - distribúcia year-end financial results for 2016

The year 2016 was the 7th warmest year in Slovak Republic since the year 1935 (Source: Slovak hydro meteorological office; 2017), however comparing to 2015 the average temperature was a little lower. Slight increase of sales compared to prior year was caused by lower average temperatures during last months of the year 2016.

The natural gas consumption increased by 93.2 million m³ in comparison to the prior year, however still below long-term averages by 37.1 million m³. The natural gas consumption increased by 2% in comparison to the year 2015, the total revenues increased by 5.8%, EBITDA increased by 13.4% (comparable to year 2015) and reached level of €284.3 million proving SPP – distribúcia to be a very stable business.

The operating profit in 2016 was on the level €184.3 million – 22.2% higher than in 2015. During the year 2016 SPP - distribúcia continued to improve the performance of its operating activities mainly by increasing work productivity in maintenance activities and in procurement. Additionally the company finished unbundling of all supporting activities which were successfully transferred to internal environment. The achieved optimisation contributed to maintain stable level of operating costs.

During March 2016, the Regulatory Board published Regulatory framework valid for the new regulatory period from 2017 to 2021. Regulatory framework contains also goals and priorities for regulation in gas industry valid for the following regulatory period. In July 2016 Decree No. 223/2016 Coll. of the Regulatory Office for Network Industries (RONI) was published, which establishes price regulation in gas market. Finally RONI released a price decision related to the fees for access to the distribution network and gas distribution valid for the whole regulatory period. The tariffs valid for the regulatory period 2017 – 2021 should lead to approximately same revenues as approved in the previous period.

Total operating costs decreased by 5.9% in comparison to the year 2015. The decrease was driven mainly by IT services as a result of successful unbundling process finalised during 2016.

The company's profit before income taxes and the net profit were at the level of €166.4 million and €143.0 million, respectively.

Total assets increased by €13.4 million comparing to 31st December 2015. The increase was driven mainly by:

- Increase in receivables and prepayments €85.2 million as a result of turnover growth and increase of receivable from cash-pooling;
- Decrease of non-current assets €63.7 million driven mainly by depreciation and amortisation;
- Decrease of inventories, cash and cash equivalents and other current assets in total amount of €8.1 million.

Total liabilities increased by €29.2 million from 31st December 2015. The increase was driven mainly by:

- Decrease of deferred tax liability €22.8 million due to change of corporate income tax rate from 22% to 21% valid since the next year.

Total equity increased by €42.6 million mainly as a result of dividend distribution €99.5 million and current year profit €143.0 million.

ASSETS (in € million)	31.12.2016	31.12.2015
Property, plant and equipment	2 346,1	2 413,1
Non-current intangible assets and other assets	19,7	16,4
Investments in subsidiaries	1,0	1,0
Total non-current assets	2 366,8	2 430,5
Inventories	148,5	153,4
Receivables and prepayments	148,2	63,1
Income tax asset	0,0	0,0
Cash and cash equivalents	77,5	80,7
Total current assets	374,2	297,1
TOTAL ASSETS	2 741,0	2 727,6

EQUITY AND LIABILITIES (in € million)	31.12.2016	31.12.2015
Registered capital	1 200,0	1 200,0
Legal reserve fund and other funds	284,5	285,3
Retained earnings	143,0	99,5
Total equity	1 627,5	1 584,9
Loans and bonds	630,7	629,9
Deferred income	12,0	11,3
Retirement and other long-term employee benefits	5,1	5,3
Other non-current liabilities	4,6	8,1
Deferred tax liability	350,3	373,1
Total non-current liabilities	1 002,8	1 027,7
Trade and other payables	92,2	100,4
Current income tax	7,1	1,1
Loans	6,9	6,9
Provisions and other current liabilities	4,8	6,7
Total current liabilities	110,8	115,1
TOTAL EQUITY AND LIABILITIES	2 741,0	2 727,6

INCOME STATEMENT (in € million)	31.12.2016	31.12.2015
Natural gas distribution	378,7	357,6
Other revenues	4,6	4,6
Total revenues	383,3	362,2
Own work capitalised	8,0	6,1
Purchases of natural gas and consumables and services	-15,0	-15,6
Storage of natural gas and other services	-53,5	-60,6
Depreciation and amortisation	-99,2	-99,2
Staff costs	-41,6	-43,8
Provision for bad and doubtful debts	0,1	-0,2
Provisions and impairment losses, net	-0,8	-0,7
Other, net	2,9	2,6
Total operating expenses	-199,0	-211,4
OPERATING PROFIT	184,3	150,8
Financial revenues	0,2	1,8
Financial costs	-18,1	-18,0
PROFIT BEFORE INCOME TAXES	166,4	134,6
INCOME TAX	-23,5	-35,1
NET PROFIT FOR THE PERIOD	143,0	99,5

INVESTOR RATIOS		31.12.2016	31.12.2015
EBITDA	€ million	284.3	250.7
CAPEX	€ million	35.37	40.09
FCF	€ million	182.71	167.34
FCF / EBITDA	multiple	0.64	0.67
EBITDA / Interest	multiple	15.68	13.97

Useful links:

SPP – distribúcia, a. s. - Annual report 2016:

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

SPP – distribúcia, a.s. - Audited financial statements 2016:

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