

SPP – distribúcia end of year financial results for 2018

Weather of 2018 was impacted to a large extent by long winter in the beginning of the year, and quite cold December as well. Even though it did not reach the intensity of the previous year in terms of low temperatures, it lasted significantly longer.

Since July 2018, when Slovak Regulatory Office for Network Industries (hereinafter "RONI") amended the Decree of the Office No. 223/2016 establishing price regulation in the gas industry, there were no further changes to this Decree.

Thus, the current tariff decision that has been effective since 1st January 2017, should be in place until the end of 2021, which is in line with the end of the current regulatory period.

As of 1 August 2018, SPP – distribúcia (hereinafter "Company") changed its accounting policy of recognising gas pipelines using the historical cost model less accumulated depreciation and provisions, to the revaluation model according to IAS 16. The revaluation model is using depreciated replacement cost ("DRC") approach. The revaluation of assets used for gas distribution resulted in an increase in the value of assets and a related increase in equity. Depreciation of assets was recalculated using the revalued values of gas pipelines.

As previously mentioned, even with the long cold weather in the beginning of the year 2018, entire year's consumption of 2018 did not reach the exceptional consumption of 2017, which resulted in overall decrease in natural gas consumption by 123.3 million m³ (-2.5 %).

Total revenues decreased by -2.4%, EBITDA decreased by -2.3% and reached level of €324.1 million. Financial results for the calendar year 2018 confirm SPP-distribúcia as a profitable and financially stable company.

Operating profit in calendar year 2018 amounted to €162.9 million, which was €67.4 million lower than in 2017. Decrease of the operating profit was caused mainly due to the increase in depreciation charge resulting from Company's change of accounting policy in respect of fixed assets, as described above.

SPP - distribúcia continued 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 €145.2 million and €105.2 million, respectively.

Total assets increased by €1 796.2 million compared to 31st December 2017. The increase was driven mainly by:

- Increase in non-current assets by €1 826.2 million driven mainly by Company's change of accounting policy from historical cost model to fair value model annual amortisation charge;
- Decrease in receivables and prepayments €28.2 million mainly driven by decrease in receivable from cash-pooling;
- Increase in tax receivables €9.0 million caused by higher tax prepayments;
- Decrease of inventories in total amount of €5.3 million;
- Decrease of cash and cash equivalents by €5.4 million compared to end of year 2017.

SPP – distribúcia, a.s.
FINANCIAL OVERVIEW
Period ended 31 December 2018

Total equity increased by €1 315.7 million mainly as a result of change of accounting model from historical cost model to fair value model in regards of revaluation of gas pipelines, with the consecutive recognition of revaluation fund in Company's equity.

Total liabilities increased by €480.5 million compared to 31st December 2018. The increase was driven mainly by:

- Increase in deferred tax liability by €481.8 million, which was also an effect caused by the change from historical cost model to fair value model.

ASSETS (in € million)	31.12.2018	31.12.2017
Property, plant and equipment	4 103.8	2 275.4
Non-current intangible assets and other assets	13.9	16.7
Investments in subsidiaries	1.0	1.0
Other non-current assets	0.5	0.0
Total non-current assets	4 119.2	2 293.0
Inventories	135.3	140.6
Receivables and prepayments	222.9	251.1
Income tax asset	9.0	0.0
Cash and cash equivalents	49.2	54.6
Total current assets	416.4	446.4
TOTAL ASSETS	4 535.6	2 739.4

EQUITY AND LIABILITIES (in € million)	31.12.2018	31.12.2017
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 749.0	287.6
Retained earnings	7.6	153.3
Total equity	2 956.6	1 640.9
Loans and bonds	632.6	631.6
Deferred income	13.3	12.9
Retirement and other long-term employee benefits	5.0	4.9
Other non-current liabilities	0.0	0.3
Deferred tax liability	826.7	344.9
Total non-current liabilities	1 477.6	994.6
Trade and other payables	93.9	89.0
Current income tax	0.0	3.3
Loans	6.9	6.9
Provisions and other current liabilities	0.6	4.7
Total current liabilities	101.4	103.9
TOTAL EQUITY AND LIABILITIES	4 535.6	2 739.4

INCOME STATEMENT (in € million)	(12M) 31.12.2018	(12M) 31.12.2017
Natural gas distribution	392.4	397.9
Other revenues	28.3	33.1
Total revenues	420.7	431.0
Own work capitalised	10.2	9.6
Purchases of natural gas and consumables	-13.2	-17.3
Storage of natural gas and other services	-51.7	-51.0
Depreciation and amortisation	-160.6	-100.5
Staff costs	-44.7	-43.2
Provision for bad and doubtful debts, net	-0.1	-0.0
Provisions and impairment losses, net	-0.4	-0.8
Other, net	2.8	2.4
Total operating costs	-257.8	-200.7
OPERATING PROFIT	162.9	230.3
Financial revenues	0.3	0.7
Financial costs	-18.0	-18.1
PROFIT BEFORE INCOME TAXES	145.2	212.9
Income tax	-39.9	-59.6
NET PROFIT FOR THE PERIOD	105.2	153.3

INVESTOR RATIOS		(12M) 31.12.2018	(12M) 31.12.2017
EBITDA	€ million	324.1	331.6
CAPEX	€ million	28.2	26.4
FCF	€ million	218.1	236.6
FCF / EBITDA	multiple	0.7	0.7
EBITDA / Interest	multiple	18.0	18.4

Useful link:

SPP – distribúcia, a.s. - Annual reports & Audited financial statements:

<https://www.spp-distribucia.sk/annual-reports/>