

SPP – distribúcia annual financial results for 2019

The 2018/2019 winter temperatures did not deviate significantly from normalized annual long-term temperatures, except of the month May, which has been the fourth coldest month recorded since 1953. According to Slovak Hydrometeorological Institute, the average temperature did not exceed 10.4 degrees Celsius. It was colder only in the first half of May in 1953, when the temperature dropped to 9.7 degrees Celsius. This contributed to exceptionally good results and increased natural gas consumption in the first half of the 2019 calendar year.

Another partial contribution to increased consumption of natural gas this year was the start of one major CCGT power plant operation. The power plant wasn't fully operational in 2018, and did only test runs at the end of year 2018.

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 previously mentioned, longer cold weather in the beginning of the year 2019 also contributed to higher revenues. If we compare 12 month consecutive period of 31st July 2019 vs. 31st July 2018, natural gas consumption stayed approximately the same, with a decrease of only 47 million m³ (-0.96 %).

Total revenues stayed at comparable levels to 2018, with 0.2% change, EBITDA increased by 2.4% and reached level of €326.5 million. Financial results for the fiscal year 2019 confirm SPP - distribúcia again as profitable and financially stable company.

Operating profit in 2019 amounted to €127 million, which was €91 million lower than was seen in 12 consecutive months' period to 31st July 2018. Decrease of the operating profit was caused mainly due to the increase in depreciation charge by €99 million. This charge was a result of Company's change of accounting policy from historical cost model to fair value model in relation to revaluation of gas pipelines.

SPP - distribúcia continued in its efforts to optimize its operating activities also during the fiscal year 2019 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 €109 million and €78 million, respectively.

Total assets increased by €1 911.5 million compared to 31st July 2018. The increase was driven mainly by:

- Increase in non-current assets by €1 789.1 million driven mainly by Company's change of accounting policy from historical cost model to fair value model less annual amortisation charge;
- Increase in receivables and prepayments €43.1 million mainly driven by increase in receivable from cash-pooling;
- Decrease in tax receivables by €8.4 million caused by increase in tax liability in 2019;
- Increase of inventories in total amount of €10.6 million;

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Period ended 31 July 2019

- Increase of cash and cash equivalents by €65.9 million compared to end of financial year 2018.

Total equity increased by €1 438.3 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 €473.2 million compared to 31st July 2019. The increase was driven mainly by:

- Increase in deferred tax liability by €461.6 million, which was also an effect caused by the change from historical cost model to fair value model.

There was also a change in classification of liabilities of €55.0 million loan from EIB from non-current to current loans due to maturity in April 2020.

ASSETS (in € million)	31.07.2019	31.7.2018
Property, plant and equipment	4 027.3	2 235.7
Non-current intangible assets and other assets	12.0	14.9
Investments in subsidiaries	1.4	1.0
Total non-current assets	4 040.7	2 251.6
Inventories	146.2	135.6
Receivables and prepayments	289.4	246.3
Contract assets	11.1	0.0
Income tax assets	0.0	8.4
Investments in securities current	0.1	0.0
Cash and cash equivalents	111.5	45.6
Total current assets	558.3	435.9
TOTAL ASSETS	4 599.0	2 687.5

EQUITY AND LIABILITIES (in € million)	31.07.2019	31.7.2018
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 697.0	288.9
Retained earnings	127.8	97.6
Total equity	3 024.8	1 586.5
Loans and bonds	574.8	632.3
Contract liability	13.6	0.0
Deferred income	0.1	13.3
Retirement and other long-term employee benefits	5.5	5.1
Deferred tax liability	810.6	349.0
Total non-current liabilities	1 404.6	999.7
Trade and other payables	70.5	95.4
Contract liability short-term	35.4	0.0
Current income tax	7.2	0.0
Loans	56.4	1.4
Provisions and other current liabilities	0.1	4.5
Total current liabilities	169.6	101.3
TOTAL EQUITY AND LIABILITIES	4 599.0	2 687.5

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INCOME STATEMENT (in € million)	(12M) 31.07.2019	(12M) 31.7.2018
Natural gas distribution	400.0	386.3
Other revenues	23.0	35.8
Total revenues	423.0	422.1
Own work capitalised	10.6	9.6
Purchases of natural gas and consumables	-12.7	-18.7
Storage of natural gas and other services	-52.3	-51.4
Depreciation and amortisation	-199.1	-100.3
Staff costs	-45.6	-45.2
Provision for bad and doubtful debts, net	0.0	0.0
Provisions and impairment losses, net	-0.2	-0.5
Other, net	3.5	2.6
Total operating costs	-295.8	-203.9
OPERATING PROFIT	127.2	218.2
Financial revenues	0.3	0.3
Financial costs	-18.1	-17.7
PROFIT BEFORE INCOME TAXES	109.4	200.8
Income tax	-31.5	-53.4
NET PROFIT FOR THE PERIOD	77.9	147.4

INVESTOR RATIOS		(12M) 31.07.2019	(12M) 31.7.2018
EBITDA	€ million	326.5	318.9
CAPEX	€ million	32.4	29.7
FCF	€ million	298.4	268.9
FCF / EBITDA	multiple	0.9	0.8
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/>