

Serbia exclusive: Power utility company; Surprising EPS profit - comparison with CEZ, analysis

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Instead of the expected loss of about 200 MEUR Serbia Power Utility Company ended last year with earnings little less than that amount. Aleksandar Obradovic, acting Director General of Serbia Power Utility Company, announced last week final financial results of this public company business in 2013th, but according to his statements EPS probably made a profit of 200 MEUR last year. He assessed that result as "one of the best in the company's history". It is so without a doubt, because in 2012th was made a loss of 196 MEUR.

This are interesting news, considering that according to the business plan for 2013th previously was anticipated loss of 190MEUR, because Obradovic expected daily loss of about 100.000 EUR during last year.

And that is one part of the story.

The other news, according which the Czech energy group CEZ is very close to the EPS for its ownership and production structure, in whose Serbia office also worked the EPS acting director Obradovic, said that its profit has failed for five consecutive years, , but last year, however, made a profit of 1.29 billion EUR. That is six times more than the "best results in the history of Serbian Power Company".

The main reason for the fall in profit, they in CEZ point out a big drop in wholesale electricity prices as a result of extensive support for renewable energy sources, together with the stagnation of the European economy and uncertainty about regulatory conditions in the energy sector.

Where are, then, EPS omissions to reach at least half of the "fall" which records CEZ? Is it really the only reason why EPS is not even close to CEZ because it is not on the market?

EPS is on the free market for consumers at high voltage from January 2013th. From 1st January of this year the market is open for customers at medium voltage. Another four months and, according to announcements from the Ministry of Energy, will be open a market for households which will be able to choose from whom they will buy the electricity.

Thus, the EPS has been already on the market. The Energy market. On the other one, the exchange market, with shares, we still have to wait.

Asked what could be the reasons for EPS profit of 200 MEUR, and CEZ's for six and a half times more, Slobodan Ruzic, a former Deputy Minister of Energy, said for "Politika" that the reason certainly was not that EPS was not on the market. Because, it operates on the market for the past two years.

- The main reason for a small profit, "and still one of the best in the company's history", is that country leads social policy, that is keeps the social peace in the country in the last 20 years or more with the price of kilowatt-hours of electricity, and the price of electricity in Serbia is still the lowest in Europe, explains Ruzic.

If the electricity price was realistic or at least close to the economic one, this public company would have the opportunity to make more profit, and thus to invest more in new production capacity. Serbia has not built any new facility for the electricity production for 25 years, says our source.

- Another important reason is that this public company for decades has employed people along political and party lines, and who are not necessary to EPS in any way. In addition to increasing the employees' number and getting salaries, they do not have any other income for this public company, said Ruzic. On the contrary, they are only the cost.

He agrees that CEZ and EPS are almost identical for structure and property, why it might be expected that our Serbian company has even bigger profit, but he has doubt that anything will change when EPS be traversed from public company to the joint-stock company.

. - Nothing will change. With new scheme EPS will only come to the power redistribution. What is presented to the public, that by transition in Joint Stock Company would be saved 100.000 EUR per day, just sounds good. All that they announce to do with the reorganization the state can do now, but it will not, because this way suits it ,categorical is Ruzic.

Why is EPS where there is, and CEZ far ahead even when records profit minus, Miljan Vuksanovic, the head of the expert group E four, said, it should first see on what basis EPS claimed that it finished the year with a profit of 200 MEUR.

- Only if these are the financial results that have been reached by the international accounting methodology, the profit can be accepted as valid. If, however, the operations results do not "certify" an independent auditor, there is no basis to talk about profit, because in this case we compare apples and oranges, that is CEZ and EPS, he says.

If these financial results are the consequence of the fact that for example, coal and exploitation plan are on the revenue side, then the profit is out of the question. On the other hand, it should also consider what the real reasons why CEZ profit keeps falling are.

Source; Serbia Energy