

## **SPP – distribúcia annual financial results for 2019**

Even though 2019 early winter months' temperatures did not deviate significantly from normalized long-term temperatures, Slovakia recorded the fourth coldest month May since 1953. However the rest of the calendar year brought along mostly extremes in terms of warm measured temperatures in months June, November and December. As per Slovak Hydrometeorological Institute, year 2019 as a whole can be described as very warm in general.

Backed by official press release of the World Meteorological Organization (WMO), globally, 2019 was the second warmest year at least since 1880 (after 2016), while it was also the warmest year without any significant influence of ENSO (El Niño).

These new global environmental concerns brought along activities of the Government of the Slovak Republic, which in February 2019, approved the new Environmental Policy Strategy of the Slovak Republic until 2030 "Greener Slovakia".

SPP - distribúcia, through working groups, also participated in the preparation of the Low-Carbon Development Strategy of the Slovak Republic until 2030 with a view to 2050 for selected sectors of economic activities.

Thus, even though the cold weather contributed to good results and increased natural gas consumption only in the first half of the 2019 calendar year, another partial contribution to increased consumption of natural gas can be attributed to 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. The current tariff decision that has been effective since 1<sup>st</sup> January 2017, has been in place as well as it is expected to be until the end of 2021, which is in line with the end of the current regulatory period.

Preparation of the new Regulatory Policy for years 2022 - 2026 is well along the way, by involving SPP - distribúcia, and other members of Slovak Gas and Oil Association, to be able to elaborate the document properly.

2019 vs. 2018 natural gas consumption stayed approximately the same, with an increase of 63.4 million m<sup>3</sup> (1.33 %).

Total revenues stayed at comparable levels to 2018, with 1% change. EBITDA increased by 1.9% and reached level of €330.3 million. Financial results for the calendar year 2019 confirm SPP - distribúcia again as profitable and financially stable company.

Operating profit in 2019 amounted to €171.4 million, which was €8.5 million higher than was seen in calendar year 2018. Increase of the operating profit was caused mainly by the increase in natural gas distribution (€9.6 million).

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.

**SPP – distribúcia, a.s.**  
**FINANCIAL OVERVIEW**  
**Period ended 31 December 2019**

Company's profit before income tax and net profit were at the level of €153.4 million and €145.2 million, respectively.

Total assets increased by €24.4 million compared to 31<sup>st</sup> December 2018. The increase was driven mainly by:

- Decrease in non-current assets by €106.7 million driven mainly annual amortization charge partially compensated by recognition of IFRS16 right-of-use asset in amount of €19.6 million;
- Increase in receivables and prepayments by €113.8 million mainly driven by increase in receivable from cash-pooling;
- Decrease in tax receivables by €8.0 million caused by increase in tax liability in 2019;
- Increase in inventories in total amount of €3.4 million;
- Increase of cash and cash equivalents by €21.8 million compared to end of calendar year 2018.

Total equity decreased by €14.3 million mainly as a result of unwinding revaluation fund that resulted from change of accounting model from historical cost model to fair value model in regards of revaluation of gas pipelines that took place 1<sup>st</sup> August 2018.

Total liabilities increased by €38.7 million compared to 31<sup>st</sup> December 2018. The increase was driven mainly by:

- Decrease in contract short-term liabilities (previously classified within trade and other payables) by €15.3 million;
- Increase in provisions and other current liabilities by €54.4 million mainly by change in classification of loan from EIB from non-current to current due to maturity of loan in April 2020, compensated by
- Increase in Loans and bonds due to drawing a long term loan in an amount of €60.0 million in September 2019;
- Increase in other non-current liabilities by €20.8 million thanks to adopting IFRS16 and recognition of lease liability.

Decrease in the income tax was driven by the release of deferred tax liability. The effective tax ratio for current income and levy tax remain on the approximate same level.

<b>ASSETS (in € million)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Property, plant and equipment	3 999.8	4 103.8
Non-current intangible assets and other assets	11.4	13.9
Investments in subsidiaries	1.0	1.0
Other non-current assets	0.3	0.5
<b>Total non-current assets</b>	<b>4 012.5</b>	<b>4 119.2</b>
Inventories	138.7	135.3
Receivables and prepayments	336.7	222.9
Income tax assets	1.0	9.0
Investments in securities current	0.1	0.0
Cash and cash equivalents	71.0	49.2
<b>Total current assets</b>	<b>547.5</b>	<b>416.4</b>
<b>TOTAL ASSETS</b>	<b>4 560.0</b>	<b>4 535.6</b>

**SPP – distribúcia, a.s.**  
**FINANCIAL OVERVIEW**  
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<b>EQUITY AND LIABILITIES (in € million)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 698.4	1 749.0
Retained earnings	43.9	7.6
<b>Total equity</b>	<b>2 942.3</b>	<b>2 956.6</b>
Loans and bonds	635.2	632.6
Contract liability	13.6	13.2
Deferred income	0.1	0.1
Retirement and other long-term employee benefits	5.4	5.0
Other non-current liability	20.8	0.0
Deferred tax liability	802.0	826.7
<b>Total non-current liabilities</b>	<b>1 477.1</b>	<b>1 477.6</b>
Trade and other payables	63.7	63.6
Contract liability short-term	15.0	30.3
Loans	6.9	6.9
Provisions and other current liabilities	55.0	0.6
<b>Total current liabilities</b>	<b>140.6</b>	<b>101.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 560.0</b>	<b>4 535.6</b>

	<i>(12M)</i>	<i>(12M)</i>
<b>INCOME STATEMENT (in € million)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Natural gas distribution	402.0	392.4
Other revenues	22.9	28.3
<b>Total revenues</b>	<b>424.9</b>	<b>420.7</b>
Own work capitalised	10.2	10.2
Purchases of natural gas and consumables	-9.6	-13.2
Storage of natural gas and other services	-51.4	-51.7
Depreciation and amortisation	-158.8	-160.6
Staff costs	-47.0	-44.7
Provision for bad and doubtful debts, net	-0.1	-0.1
Provisions and impairment losses, net	-0.1	-0.4
Other, net	3.2	2.8
<b>Total operating costs</b>	<b>-253.5</b>	<b>-257.8</b>
<b>OPERATING PROFIT</b>	<b>171.4</b>	<b>162.9</b>
Financial revenues	0.3	0.3
Financial costs	-18.3	-18.0
<b>PROFIT BEFORE INCOME TAXES</b>	<b>153.4</b>	<b>145.2</b>
Income tax	-21.1	-39.9
<b>NET PROFIT FOR THE PERIOD</b>	<b>132.3</b>	<b>105.2</b>

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INVESTOR RATIOS		(12M)	(12M)
		31.12.2019	31.12.2018
EBITDA	€ million	330.3	324.1
CAPEX	€ million	33.6	28.2
FCF	€ million	212.6	218.1
FCF / EBITDA	multiple	0.6	0.7
EBITDA / Interest	multiple	18.1	18.0

**Useful link:**

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

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