

## SPP – distribúcia, a.s. annual financial results for 2020

During a 2019/2020 winter season a western flow of sea air prevailed in our territory and brought in warmer winter weather. Cold winter weather started with delay in March 2020 thanks to the cold Arctic air which penetrated our territory from beyond the Polar Circle. According to the Slovak Hydrometeorological Institute, it was the coldest month in the whole cold half-year of 2019/2020 (October – March). This drop of temperatures contributed to our good financial results and increased consumption.

According to an official press release of the World Meteorological Organization (WMO), calendar year 2019 was the second warmest year since record-keeping began in 1880 (the year 2016 was the hottest one). The WMO report also states, that the period from 2015 to 2019 and the last decade from 2010 to 2019 were the warmest periods on record, at least for the last 140 years.

Global environmental interests also brought new activities of the Government of the Slovak Republic which SPP – distribúcia, a.s. actively participated in.

In the first half of 2020, during the situation associated with the spread of the coronavirus COVID-19 in the Slovak Republic, SPP - distribúcia, a.s., similarly to the entire economy of the Slovak Republic, was affected. As individual corporate customers responded with reduced production, it also became reflected in reduced consumption and consequently in slight decrease of natural gas consumption by these customers. On another hand the household customers increased the consumption affected by several lockdowns stated by the government.

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.

However, based on amendment to the current regulatory policy, the current regulatory period valid from 1 January 2017 to 31 December 2021 has been extended to 31 December 2022. The current regulatory policy has remained materially consistent with the previous policy and no significant changes have been approved (except for the indicated (but so far not implemented) reintroduction of price regulation of gas storage). RONI is currently preparing a draft of new regulatory policy for the period 2023 to 2027, but no specific principles of the new regulatory policy have been published yet.

Thus, the current tariff decision that has been effective since 1<sup>st</sup> January 2017, should be in place until the end of 2021, which is in line with the end of the current regulatory period. The period from 1 August 2019 to 31 July 2020 brought no essential amendments to gas-related legal regulations which would significantly affect the company's activity.

If we compare 12 month consecutive period of 31<sup>st</sup> July 2020 vs. 31<sup>st</sup> July 2019, natural gas consumption stayed approximately the same, with a slight decrease of 185 million m<sup>3</sup> (-3.85 %).

Total revenues stayed at comparable levels to 2019, with 0.5% change, EBITDA increased by 0.5% and reached level of €328.1 million. Financial results for the fiscal year 2020 confirm SPP – distribúcia, a.s. again as profitable and financially stable company.

Operating profit in 2020 amounted to €168 million, which was €41 million higher than was seen in 12 consecutive months' period to 31<sup>st</sup> July 2019. Increase of the operating profit was caused mainly due to drop in depreciation and amortization (remeasurement of assets charged in FY 2019 in the amount of €39 million).

SPP – distribúcia, a.s. continued in its efforts to optimize its operating activities also during the fiscal year 2020 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 €156 million and €115 million, respectively.

Total assets decreased by €31.4 million compared to 31<sup>st</sup> July 2019. The decrease was driven mainly by:

- Decrease in non-current assets by €120.1 million driven by depreciation and amortization;
- Increase in right of use assets €20.8 million driven by company's adoption of IFRS 16;
- Increase of loans provided in total amount of €91.0 million;
- Decrease of inventories in total amount of €11.6 million;
- Increase in receivables and prepayments €45.0 million mainly driven by increase in receivable from cash-pooling;
- Decrease of cash and cash equivalents by €56.7 million compared to end of financial year 2019.

Total equity decreased by €13.0, which was influenced by the change in revaluation reserve of €49.0 million and increase in retained earnings by €36.6 due to increase of the profit before income tax.

Total liabilities decreased by €18.3 million compared to 31<sup>st</sup> July 2019. The decrease was driven mainly by:

- Decrease in deferred tax liability by €22.9 million;
- Decrease in trade liabilities by €19.5 million;
- Increase in obligation under finance lease by €16.6 million.

There was also a change in classification of Loans and bonds of €500.0 million bond from non-current to current bonds due to maturity in June 2021.

<b>ASSETS (in € million)</b>	<b>31.07.2020</b>	<b>31.07.2019</b>
Property, plant and equipment	3 907.2	4 027.3
Non-current intangible assets and other assets	11.2	12.0
Investments in subsidiaries	1.0	1.0
Right of use assets	20.8	0.0
Loans provided	91.4	0.4
<b>Total non-current assets</b>	<b>4 031.7</b>	<b>4 040.7</b>
Inventories	134.6	146.2
Receivables and prepayments	334.5	289.4
Contract assets	12.0	11.1
Income tax assets	0.0	0.0
Investments in securities current	0.1	0.1
Cash and cash equivalents	54.7	111.5
<b>Total current assets</b>	<b>535.9</b>	<b>558.3</b>
<b>TOTAL ASSETS</b>	<b>4 567.6</b>	<b>4 599.0</b>

SPP – distribúcia, a.s.  
**FINANCIAL OVERVIEW**  
 Period ended 31 July 2020

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<b>EQUITY AND LIABILITIES (in € million)</b>	<b>31.07.2020</b>	<b>31.7.2019</b>
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 647.4	1 697.0
Retained earnings	164.4	127.8
<b>Total equity</b>	<b>3 011.8</b>	<b>3 024.8</b>
Loans and bonds	136.7	574.8
Contract liability	13.4	13.6
Deferred income	0.1	0.1
Retirement and other long-term employee benefits	5.5	5.5
Obligation under finance lease	16.6	0.0
Deferred tax liability	787.7	810.6
<b>Total non-current liabilities</b>	<b>959.9</b>	<b>1 404.6</b>
Trade and other payables	51.0	70.5
Contract liability short-term	35.5	35.4
Current income tax	3.5	7.2
Loans and bonds	500.5	56.4
Obligation under finance lease	5.0	0.0
Provisions and other current liabilities	0.4	0.1
<b>Total current liabilities</b>	<b>595.9</b>	<b>169.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 567.6</b>	<b>4 599.0</b>

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<b>INCOME STATEMENT (in € million)</b>	<b>(12M)</b> <b>31.07.2020</b>	<b>(12M)</b> <b>31.07.2019</b>
Natural gas distribution	402.0	400.0
Other revenues	19.4	23.0
<b>Total revenues</b>	<b>421.4</b>	<b>423.0</b>
Own work capitalised	10.2	10.6
Purchases of natural gas and consumables	-10.0	-12.7
Storage of natural gas and other services	-48.4	-52.3
Depreciation and amortisation	-160.1	-199.1
Staff costs	-48.0	-45.6
Provision for bad and doubtful debts. net	-0.2	0.0
Provisions and impairment losses. net	0.0	-0.2
Other. net	2.9	3.5
<b>Total operating costs</b>	<b>-253.6</b>	<b>-295.8</b>
<b>OPERATING PROFIT</b>	<b>167.8</b>	<b>127.2</b>
Financial revenues	2.3	0.3
Financial costs	-14.4	-18.1
<b>PROFIT BEFORE INCOME TAXES</b>	<b>155.6</b>	<b>109.4</b>
Income tax	-40.3	-31.5
<b>NET PROFIT FOR THE PERIOD</b>	<b>115.3</b>	<b>77.9</b>

<b>INVESTOR RATIOS</b>		<b>(12M)</b> <b>31.07.2020</b>	<b>(12M)</b> <b>31.07.2019</b>
EBITDA	€ million	328.1	326.5
CAPEX	€ million	34.1	32.4
FCF	€ million	275.7	298.4
FCF / EBITDA	multiple	0.8	0.9
EBITDA / Interest	multiple	22.7	18.0

**Useful link:**

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

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