

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

Winter season in 2020 from the beginning of the year was influenced by a western flow of sea air that brought in warmer winter weather. Cold winter weather started with delay in March 2020 thanks to the cold Arctic air which came into 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). During the second cold half-year in 2020, the weather patterns stayed mostly normal, without unusual weather conditions.

Both, cold half-years of 2020 contributed to our good financial results and increased consumption.

In the year 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 the other hand the households increased their natural consumption as the lock down restrictions trigger the home office work.

Overall, COVID-19 crisis have had an impact on the day-to-day operation during the year of 2020, which became largely influenced by the measures taken by the Slovak Republic as well as by the company itself during the year. These mainly related to the introduction of:

- increased hygienic measures according to the decision of the chief hygienist along with the coordinator of the economic mobilization of the Ministry of Economy of the Slovak Republic and the Government of the Slovak Republic;
- restrictions of all business trips (other than those necessary for the smooth running of the company), and restrictions in personal contact between employees;
- to the maximum extent possible the use of work from home;
- online communication for our customers, who could use the opportunity to submit their requests for connection and technical changes electronically from the comfort of home, as well as the possibility of increased communication with our customer center through the customer line.

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 as RONI wanted to take more time to be able to incorporate the European Commission's Winter Package into the regulatory framework. . The new regulatory policy, which should be valid for the period 2023 to 2027 is still in progress by RONI.

RONI recently decreased the WACC rate for the period 2020-2021 to 5.65 per cent which was among other factors reflected also in the most recent price decision for SPP – distribúcia, a.s., which is valid until the end current regulatory period.

If we compare 12 month consecutive period of 31st December 2020 vs. 31st December 2019, natural gas consumption stayed approximately the same, with a slight increase of 162,5 million m<sup>3</sup> (+3.4%).

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

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Total revenues stayed at comparable levels to 2019, with 0.4% change, EBITDA increased by 0.3% and reached level of €331.2 million. Financial results for the calendar year 2020 confirm SPP - distribúcia, a.s. again as profitable and financially stable company.

Operating profit in 2020 amounted to €168.6 million, which was €2.8 million lower than was seen in 12 consecutive months' period to 31<sup>st</sup> December 2019. Decrease of the operating profit was mainly caused by higher depreciation and amortization.

SPP – distribúcia, a.s. continued in its efforts to optimize its operating activities also during the calendar 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 €157.7 million and € 153.4 million, respectively.

Total assets decreased by €80.9 million compared to 31<sup>st</sup> December 2019. The decrease was driven mainly by:

- Decrease in property, plant and equipment by €122.1 million driven by depreciation and amortization;
- Decrease of inventories in total amount of €6.5 million;
- Decrease in receivables and prepayments €102.4 million;
- Increase of loans provided in total amount of €96.3 million;
- Increase of cash and cash equivalents by €54.2 million compared to end of year 2019.

Total equity decreased by €0.4 million, which was caused by the change in legal reserve fund and other funds of €51.4 million and increase in retained earnings by €51.0 million.

Total liabilities decreased by €80.5 million compared to 31<sup>st</sup> December 2019. The decrease was driven mainly by:

- Decrease in loans and bonds by €54.1 million;
- Decrease in deferred tax liability by €23.5 million;
- Decrease in trade liabilities by €7.9 million;
- Decrease in lease liabilities by €6.5 million in non-current liabilities and increase by €5.0 million in current liabilities;
- Increase in contract liability short-term by €6.5 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.

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**FINANCIAL OVERVIEW**  
**Period ended 31 December 2020**

| <b>ASSETS (in € million)</b>                   | <b>31.12.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Property, plant and equipment                  | 3 858.1           | 3 980.2           |
| Non-current intangible assets and other assets | 10.9              | 11.4              |
| Investments in subsidiaries                    | 1.0               | 1.0               |
| Right of use assets                            | 18.9              | 19.6              |
| Loans provided                                 | 96.6              | 0.3               |
| <b>Total non-current assets</b>                | <b>3 985.5</b>    | <b>4 012.5</b>    |
| Inventories                                    | 132.2             | 138.7             |
| Receivables and prepayments                    | 213.6             | 316.0             |
| Contract assets                                | 21.5              | 20.7              |
| Income tax assets                              | 0.9               | 1.0               |
| Investments in securities current              | 0.1               | 0.1               |
| Other current assets                           | 0.1               | 0.0               |
| Cash and cash equivalents                      | 125.2             | 71.0              |
| <b>Total current assets</b>                    | <b>493.6</b>      | <b>547.5</b>      |
| <b>TOTAL ASSETS</b>                            | <b>4 479.1</b>    | <b>4 560.0</b>    |

| <b>EQUITY AND LIABILITIES (in € million)</b>     | <b>31.12.2020</b> | <b>31.12.2019</b> |
|--|-------------------|-------------------|
| Registered capital                               | 1 200.0           | 1 200.0           |
| Legal reserve fund and other funds               | 1 626.7           | 1 678.1           |
| Retained earnings                                | 115.2             | 64.2              |
| <b>Total equity</b>                              | <b>2 941.9</b>    | <b>2 942.3</b>    |
| Loans and bonds                                  | 136.7             | 635.2             |
| Contract liability                               | 13.3              | 13.6              |
| Deferred income                                  | 0.1               | 0.1               |
| Retirement and other long-term employee benefits | 5.5               | 5.4               |
| Lease liabilities                                | 14.3              | 20.8              |
| Deferred tax liability                           | 778.5             | 802.0             |
| <b>Total non-current liabilities</b>             | <b>948.4</b>      | <b>1 477.1</b>    |
| Trade and other payables                         | 55.6              | 63.5              |
| Contract liability short-term                    | 21.5              | 15.0              |
| Loans and bonds                                  | 506.3             | 61.9              |
| Lease liabilities                                | 5.0               | 0.0               |
| Provisions and other current liabilities         | 0.4               | 0.2               |
| <b>Total current liabilities</b>                 | <b>588.8</b>      | <b>140.6</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>              | <b>4 479.1</b>    | <b>4 560.0</b>    |

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

| <b>INCOME STATEMENT (in € million)</b>    | <b>(12M)</b><br><b>31.12.2020</b> | <b>(12M)</b><br><b>31.12.2019</b> |
|---|-----------------------------------|-----------------------------------|
| Natural gas distribution                  | 408.8                             | 402.0                             |
| Other revenues                            | 17.9                              | 22.9                              |
| <b>Total revenues</b>                     | <b>426.7</b>                      | <b>424.9</b>                      |
| Own work capitalised                      | 10.8                              | 10.2                              |
| Purchases of natural gas and consumables  | -12.5                             | -9.6                              |
| Storage of natural gas and other services | -47.4                             | -51.4                             |
| Depreciation and amortisation             | -162.3                            | -158.8                            |
| Staff costs                               | -48.9                             | -47.0                             |
| Provision for bad and doubtful debts. net | -0.2                              | -0.1                              |
| Provisions and impairment losses. net     | -0.1                              | -0.1                              |
| Other, net                                | 2.5                               | 3.2                               |
| <b>Total operating costs</b>              | <b>-258.1</b>                     | <b>-253.5</b>                     |
| <b>OPERATING PROFIT</b>                   | <b>168.6</b>                      | <b>171.4</b>                      |
| Financial revenues                        | 2.6                               | 0.3                               |
| Financial costs                           | -13.5                             | -18.3                             |
| <b>PROFIT BEFORE INCOME TAXES</b>         | <b>157.7</b>                      | <b>153.4</b>                      |
| Income tax                                | -41.4                             | -21.1                             |
| <b>NET PROFIT FOR THE PERIOD</b>          | <b>116.3</b>                      | <b>132.2</b>                      |

| <b>INVESTOR RATIOS</b> |           | <b>(12M)</b><br><b>31.12.2020</b> | <b>(12M)</b><br><b>31.12.2019</b> |
|------------------------|-----------|-----------------------------------|-----------------------------------|
| EBITDA                 | € million | 331.2                             | 330.3                             |
| CAPEX                  | € million | -34.9                             | -33.6                             |
| FCF                    | € million | 223.5                             | 212.6                             |
| FCF / EBITDA           | multiple  | 0.7                               | 0.6                               |
| EBITDA / Interest      | multiple  | 24.5                              | 18.0                              |

**Useful link:**

**SPP – distribúcia. a.s. - Annual reports & Audited financial statements:**  
<https://www.spp-distribucia.sk/annual-reports/>