

SPP – distribúcia, a.s. annual financial results for financial year 2022

The distribution revenues in financial year 2022 were influenced by the weather temperatures from October 2021 to April 2022 whose were warmer in comparison to the long term average temperatures in Slovakia and also warmer in comparison to the prior year's temperatures.

The company had to pay close attention and respond to regularly changing legislation especially relating to protection against the spread of the COVID-19 pandemic and war operations in Ukraine.

The current regulatory period from 1 January 2017 to 31 December 2022 as extended is still valid. The new regulatory period start from 1 January 2023 to 31 December 2027 stated in regulatory policy, which has been enacted by RONI on March 29, 2022.

On 1.10.2022 a substantial part of the extensive amendment to Act No. 251/2012 Coll. on energy (hereinafter referred to as the "Energy Act") as well as Act No. 250/2012 Coll. on regulation in network industries (hereinafter referred to as the "Utility Regulation Act") will enter into force, which transposes the European Winter Package. The amendment will fundamentally affect, inter alia, participants in the gas market. An amendment to Act No. 157/2018 Coll. on metrology was also adopted. An amendment to its implementing regulation, Decree of the Office of Standards, Metrology and Testing of the Slovak Republic No. 161/2019 Coll. on measuring instruments and metrological control, is in the process of preparation. These regulations partially revise the rules applicable to meters used by the company in its operations.

In the context of ongoing legislative proceedings, the company's activities are directly affected in particular by a draft new Decree of the Regulatory Office for Network Industries, which provides for price regulation in the gas sector for a new regulatory period. This decree was extensively commented on by the company. An amendment to Decree of the Regulatory Office for Network Industries No. 24/2013 Coll. laying down the rules of operation of the internal electricity market and rules of operation of the internal gas market is also under preparation in the legislative process.

At European level, the Gas Package was presented in December 2021. This consists, inter alia, of a draft Directive of the European Parliament and of the Council on common rules for the internal market in renewable gases and natural gas and hydrogen and a draft Regulation of the European Parliament and of the Council on the internal market in renewable gases and natural gas and hydrogen. These are intended to create the conditions for the decarbonization of the gas industry, inter alia through greater use of hydrogen in the gas industry.

In the wake of the conflict in Ukraine, steps were taken at both national and European level to ensure energy security. At European level, the revision of Regulation (EU) 2017/1938 of the European Parliament and of the Council concerning measures to safeguard the security of gas supply introduced the so-called storage obligation. Under this obligation, Member States are obliged to fill underground gas storage facilities with gas within the time limits and in the manner laid down in the Regulation. Later, other legislative and non-legislative measures were also adopted or prepared.

SPP – distribúcia, a.s.
FINANCIAL OVERVIEW
Period ended 31 July 2022

During the 12 month consecutive period of 31st July 2022 vs. 31st July 2021, natural gas consumption decreased by 401.81 million m³ (-7.4%).

Total revenues compared to 31st July 2021 increased to €469.0 million, with 5.9% change, EBITDA increased by 2.7% and reached level of €354.7 million. Financial results for the fiscal year 2022 confirm SPP – distribúcia, a.s. again as profitable and financially stable company.

Operating profit in 2022 amounted to €187.8 million, which was €9.9 million higher than was seen in 12 consecutive months' period to 31st July 2021. Increase of the operating profit was caused mainly due to higher sales.

SPP – distribúcia, a.s. continued in its efforts to optimize its operating activities also during the fiscal year 2022 by monitoring work productivity in maintenance activities, with the actual goal to keep the operating costs increase below inflation.

Company's profit before income tax and net profit were at the level of €182.2 million and €135.3 million, respectively.

Total assets decreased by €47.7 million compared to 31st July 2021. The decrease was driven mainly by:

- Increase in loans provided by €173.2 driven by reclassification of cashpooling to long term loan;
- Decrease of property, plant and equipment in amount of €110,5 million because of amortization partially offset by capital investments;
- Decrease in receivables and prepayments in amount of €151.0 million are caused by decrease of €121.6 million netted with cashpooling account due to payment of dividends and €30 million payback from cash-pooling account;
- Increase of cash and cash equivalents by €35.8 million compared to end of financial year 2021.

Total equity increased by €17.4 million, which was caused by the decrease in revaluation reserve of €49.2 million and increase in retained earnings by €62.9 million and increase in Legal reserve fund and other funds by €3.7 million.

Total liabilities decreased by €65.2 million compared to 31st July 2021. The decrease was driven mainly by:

- Decrease in current loans due repayment in nominal amount of €50 million to EIB;
- Decrease in deferred tax liability by €20.3 million;
- Increase in contract liabilities by €12.1 million;
- Decrease in trade and other payables by €10.0 million;
- Increase in current income tax of €3.4 million.

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FINANCIAL OVERVIEW
Period ended 31 July 2022

ASSETS (in € million)	31.07.2022	31.07.2021
Property, plant and equipment	3 671.4	3 781.9
Non-current intangible assets and other assets	10.4	10.9
Investments in subsidiaries	1.0	1.0
Right of use assets	28.0	27.0
Loans provided	270.2	97.0
Total non-current assets	3 981.0	3 917.8
Inventories	130.0	129.2
Receivables and prepayments	145.8	296.8
Contract assets	15.9	12.4
Income tax assets	0.0	0.0
Investments in securities current	0.1	0.1
Cash and cash equivalents	247.7	211.9
Total current assets	539.5	650.4
TOTAL ASSETS	4 520.5	4 568.2

EQUITY AND LIABILITIES (in € million)	31.07.2022	31.7.2021
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 553.3	1 598.8
Retained earnings	283.6	220.7
Total equity	3 036.9	3 019.5
Loans and bonds	583.3	583.0
Contract liability	28.9	16.9
Deferred income	0.1	0.1
Retirement and other long-term employee benefits	4.5	5.3
Obligation under finance lease	23.6	22.6
Deferred tax liability	742.5	762.8
Total non-current liabilities	1 382.9	1 390.7
Trade and other payables	52.7	62.7
Contract liability short-term	31.9	33.0
Current income tax	9.2	5.8
Loans and bonds	0.8	50.7
Obligation under finance lease	5.8	5.3
Provisions and other current liabilities	0.3	0.5
Total current liabilities	100.7	158.0
TOTAL EQUITY AND LIABILITIES	4 520.5	4 568.2

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FINANCIAL OVERVIEW
Period ended 31 July 2022

INCOME STATEMENT (in € million)	(12M) 31.07.2022	(12M) 31.07.2021
Natural gas distribution	398.0	417.3
Other revenues	71.0	25.7
Total revenues	469.0	443.0
Own work capitalised	10.3	10.7
Purchases of natural gas and consumables	-26.9	-12.8
Storage of natural gas and other services	-50.6	-48.1
Depreciation and amortisation	-165.3	-167.1
Staff costs	-49.6	-49.8
Provision for bad and doubtful debts. net	-1.3	0.0
Provisions and impairment losses. net	-0.3	-0.3
Other. net	2.5	2.3
Total operating costs	-281.2	-265.1
OPERATING PROFIT	187.8	177.9
Financial revenues	2.3	2.0
Financial costs	-7.9	-16.0
PROFIT BEFORE INCOME TAXES	182.2	163.9
Income tax	-46.9	-42.3
NET PROFIT FOR THE PERIOD	135.3	121.6

INVESTOR RATIOS		(12M) 31.07.2022	(12M) 31.07.2021
EBITDA	€ million	354.7	345.3
CAPEX	€ million	36.8	33.2
FCF	€ million	232.5	247.1
FCF / EBITDA	multiple	0.7	0.7
EBITDA / Interest	multiple	44.9	21.6

Useful link:

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

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