

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

The year 2022 began and ended with record high temperatures. Relatively warm winter was followed by colder months in spring. According to the Slovak Hydrometeorological Institute (SHMÚ), spring was below average in temperature compared to previous years and colder weather dominated. Air temperatures were above-average high during autumn in Slovakia. The warmest month was October, when in some places the average monthly temperature reached 12.9 Celsius.

The company had to pay close attention and respond to regularly changing legislation especially relating to war in Ukraine and to energy prices crisis.

Extended Regulatory period ended on 31 December 2022. The new regulatory period started from 1 January 2023 and will last to 31 December 2027. For this new regulatory period has been enacted regulatory policy 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”) entered into force, which transposes the European Winter Package. The amendment fundamentally affected, inter alia, participants in the gas market. Another amendment to Energy Act enacted in 2022 and effective on 1 January 2023 corrected the legislation regarding the connection to the transport network. Significant regulatory tool called emergency regulation have been introduced by the last Energy Act amendment in the end of 2022. The emergency regulation enables temporarily to set up regulatory prices by the regulation of The Slovak Government. The new Decree of the Regulatory Office for Network Industries, which provides for price regulation in the gas sector for a new regulatory period was adopted in the end of 2022. This decree was extensively commented on by the company during the legislative process.

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, was enacted on 17 October 2022 and will be effective from 1 April 2023. 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 laying down the rules of operation of the internal gas market.

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

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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.

During the 12 month consecutive period of 31<sup>st</sup> December 2022 vs. 31<sup>st</sup> December 2021, natural gas consumption decreased by 1,041 million m<sup>3</sup> (-18,9%).

Total revenues compared to 31<sup>st</sup> December 2021 increased to €467.7 million, with 2.2% change, EBITDA decreased by 2.7% and reached level of €343.1 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 €178.0 million, which was €8.1 million lower than was seen in 12 consecutive months' period to 31<sup>st</sup> December 2021. Decrease of the operating profit was caused by higher costs mainly associated with the purchase of natural gas.

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 €174.9 million and €130.7 million, respectively.

Total assets decreased by €289.1 million compared to 31<sup>st</sup> December 2021. The decrease was driven mainly by:

- Decrease in loans provided in total amount of €144.4 million;
- Decrease of property, plant and equipment in amount of €111.9 million because of depreciation and amortization;
- Increase of inventories in amount of €55.2 due to higher prices of purchased gas;
- Decrease in receivables and prepayments by €284.5 million due to decrease in cashpooling;
- Increase of cash and cash equivalents by €163.7 million compared to end of financial year 2021.

Total equity decreased by €268.9 million, which was caused by decrease of retained earnings by €225.3 million.

Total liabilities decreased by €20.3 million compared to 31<sup>st</sup> December 2021. The decrease was driven mainly by:

- Decrease in deferred tax liability by €19.9 million;
- Increase in trade and other payables by €7.3 million;
- Decrease in current income tax by €1.7 million;
- Decrease in contract liability by €6.4 million.

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<b>ASSETS (in € million)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Property, plant and equipment	3 624.2	3 736.2
Non-current intangible assets and other assets	10.6	10.7
Investments in subsidiaries	1.0	1.0
Right of use assets	25.7	24.9
Loans provided	124.6	269.0
<b>Total non-current assets</b>	<b>3 786.1</b>	<b>4 041.8</b>
Inventories	191.7	136.5
Receivables and prepayments	6.6	291.1
Contract assets	55.3	23.1
Income tax assets	0.0	0.0
Investments in securities current	0.1	0.1
Cash and cash equivalents	218.5	54.8
<b>Total current assets</b>	<b>472.2</b>	<b>505.6</b>
<b>TOTAL ASSETS</b>	<b>4 258.3</b>	<b>4 547.4</b>

<b>EQUITY AND LIABILITIES (in € million)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 535.1	1 578.7
Retained earnings	69.6	294.9
<b>Total equity</b>	<b>2 804.7</b>	<b>3 073.6</b>
Loans and bonds	556.8	583.1
Contract liability	29.3	17.0
Deferred income	0.1	0.1
Retirement and other long-term employee benefits	4.3	5.4
Obligation under finance lease	21.4	20.6
Deferred tax liability	734.0	753.9
<b>Total non-current liabilities</b>	<b>1 345.9</b>	<b>1 380.1</b>
Trade and other payables	64.4	57.1
Contract liability short-term	0.0	18.7
Current income tax	7.6	9.3
Loans and bonds	29.5	2.8
Obligation under finance lease	5.8	5.3
Provisions and other current liabilities	0.4	0.5
<b>Total current liabilities</b>	<b>107.7</b>	<b>93.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 258.3</b>	<b>4 547.4</b>

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<b>INCOME STATEMENT (in € million)</b>	<b>(12M)</b> <b>31.12.2022</b>	<b>(12M)</b> <b>31.12.2021</b>
Natural gas distribution	377.2	415.4
Other revenues	90.5	42.2
<b>Total revenues</b>	<b>467.7</b>	<b>457.6</b>
Own work capitalised	10.2	10.2
Change in inventories	-3.9	0.4
Purchases of natural gas and consumables	-32.3	-20.2
Storage of natural gas and other services	-50.9	-48.7
Depreciation and amortisation	-164.4	-165.4
Staff costs	-50.5	-48.9
Provision for bad and doubtful debts. net	-0.4	-0.9
Provisions and impairment losses. net	-0.2	-0.3
Other, net	2.7	2.3
<b>Total operating costs</b>	<b>-289.7</b>	<b>-271.5</b>
<b>OPERATING PROFIT</b>	<b>178.0</b>	<b>186.1</b>
Financial revenues	3.9	2.2
Financial costs	-7.0	-12.9
<b>PROFIT BEFORE INCOME TAXES</b>	<b>174.9</b>	<b>175.4</b>
Income tax	-44.2	-45.5
<b>NET PROFIT FOR THE PERIOD</b>	<b>130.7</b>	<b>129.9</b>

<b>INVESTOR RATIOS</b>		<b>(12M)</b> <b>31.12.2022</b>	<b>(12M)</b> <b>31.12.2021</b>
EBITDA	€ million	343.1	352.7
CAPEX	€ million	-34.1	-34.4
FCF	€ million	140.0	238.7
CF / EBITDA	multiple	0.4	0.7
EBITDA / Interest	multiple	49.0	27.3

**Useful link:**

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