

## **SPP – distribúcia, a.s. annual financial results for financial year 2023**

The winter (2022/2023) ended up being the 4<sup>th</sup> warmest and 89<sup>th</sup> coldest, in the temperature terms, since at least 1931. Statistically significant (seasonal) variations occurred over the most of the territory and so we characterize it as an above-normally warm to severely above-normally warm winter. Deviations from the 1991-2022 long-term average ranged from +1.2 °C to +3.0 °C. Compared to the 30-year averages, the winter of 2022/2023 was +2.3 °C warmer than the 1981-2010 value, and +3.4 °C warmer than the 1961-1990 value (Source: SHMI).

On 1<sup>st</sup> October 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 significantly affect, inter alia, participants in the gas market. The effect from 7<sup>th</sup> October 2022, during which the Ministry of Economy may adopt selected crisis measures, was also crucial. This amendment also made it possible to transfer the obligation to ensure the standard of security of supply for households from SPP-D to the supplier of the last resort. With effect from 1<sup>st</sup> December 2022, legislation introducing a renewable gas registry operated by SPP-D is in force. As of 8<sup>th</sup> December 2022, crisis regulation has become an important tool to combat the energy crisis, allowing the Government of the Slovak Republic to set the regulated price and the conditions for its application through its regulations.

Within the framework of sub-legislative regulations, the company’s activities are directly affected by the new Decree of the Regulatory Office for Network Industries (hereinafter referred to as the “RONI”) No. 451/2022 Call., which established price regulation of selected regulated activities in the gas industry and certain conditions for the performance of selected regulated activities in the gas industry. This decree was extensively commented on by the company. With effect from 1<sup>st</sup> July 2023, the new Decree No. 208/2023 Coll. of the RONI, which lays down the rules for the functioning of the internal gas market, the content of the operating rules of the network operator and the storage facility operator, and the scope of the business terms and conditions that are part of the operating rules of the network operator, is also in force.

With effect from 1<sup>st</sup> April 2024, new building regulations will be in force in the form of ACT No. 201/2022 Coll in construction and Act No. 200/2022 Coll. On spatial planning. These will replace Act No. 50/1976 Coll. On spatial planning and building regulations.

At European level, discussions on the shape of the Gas Package took place in 2022 and 2023. 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. These are intended to create the conditions for the decarbonisation 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, Council Regulation (EU) 2022/1369 was adopted, among others, which introduced voluntary gas saving for EU Member States, with the possibility of introducing mandatory saving in the event of a declared Union emergency. At national level, Decree No. 416/2022 Call. was amended, which establishes, inter alia, details on the procedure for declaring a crisis situation

and its level, on declaring restrictive measures in the gas industry for individual categories of gas customers, on measures aimed at eliminating the crisis situation and on the method of determining restrictive measures in the gas industry and measures aimed at eliminating the crisis situation. At the same time, Regulations of the Government of the Slovak Republic were adopted, which established regulated prices and conditions for their application in the framework of crisis regulation.

Among non-legislative acts, a new Regulatory Policy for the 6<sup>th</sup> regulatory period came into force on 1<sup>st</sup> January 2023.

Last but not the least, SPP-D is closely monitoring the presented intentions of the government and actively participates in various initiatives of the Ministry of Economy of the Slovak Republic or the RONI in order to defend the important and strategic position of natural gas in the energy mix of the Slovak Republic.

During the 12 month consecutive period of 31<sup>st</sup> July 2023 vs. 31<sup>st</sup> July 2022, natural gas consumption decreased by 809.3 million m<sup>3</sup> (-16.2%).

Total revenues compared to 31<sup>st</sup> July 2022 increased to €469.1 million, with 0.02% change, EBITDA decreased by 4.2% and reached level of €339.8 million. Financial results for the fiscal year 2023 confirm SPP – distribúcia, a.s. again as profitable and financially stable company.

Operating profit in 2023 amounted to €172.1 million, which was €15.7 million lower than was seen in 12 consecutive months' period to 31<sup>st</sup> July 2022. Decrease of the operating profit was caused mainly due staff cost and change in gas inventories.

SPP – distribúcia, a.s. continued in its efforts to optimize its operating activities also during the fiscal year 2023 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 €173.9 million and €133.4 million, respectively.

Total assets increased by €377.2 million compared to 31<sup>st</sup> July 2022. The increase was driven mainly by:

- Decrease in loans provided by €142.7 million
- Increase of property, plant and equipment in amount of €472,5 million because of revaluation of pipelines to their fair value at 31 July 2023
- Decrease in receivables and prepayments in amount of €134.6 million due to decrease in cash pooling
- Increase in inventories in amount of €75.6 million due to higher purchase of gas in fiscal year 2023;
- Increase in contract asset in amount of €17.1 million;
- Increase of cash and cash equivalents by €89.2 million compared to end of financial year 2022.

Total equity increased by €291.2 million. The most significant movement was within the revaluation fund and deferred tax as a result of the revaluation of the pipelines to their fair value at 31 July 2023 in amount of €389.2 million. Retained earnings decrease by €99.4 million.

**SPP – distribúcia, a.s.**  
**FINANCIAL OVERVIEW**  
**Period ended 31 July 2023**

Total liabilities increased by €86.0 million compared to 31<sup>st</sup> July 2022. The increase was driven mainly by:

- Increase in deferred tax liability by €124.5 million;
- Decrease in contract liabilities by €24.0 million;
- Decrease in trade and other payables by €5.8 million;
- Decrease in current income tax of €9.2 million.

<b>ASSETS (in € million)</b>	<b>31.07.2023</b>	<b>31.07.2022</b>
Property, plant and equipment	4 143.9	3 671.4
Non-current intangible assets and other assets	10.4	10.4
Investments in subsidiaries	1.0	1.0
Right of use assets	27.8	28.0
Loans provided	127.5	270.2
<b>Total non-current assets</b>	<b>4 310.6</b>	<b>3 981.0</b>
Inventories	205.6	130.0
Receivables and prepayments	11.2	145.8
Contract assets	33.0	15.9
Income tax assets	0.5	0.0
Investments in securities current	0.1	0.1
Cash and cash equivalents	336.9	247.7
<b>Total current assets</b>	<b>587.3</b>	<b>539.5</b>
<b>TOTAL ASSETS</b>	<b>4 897.7</b>	<b>4 520.5</b>

<b>EQUITY AND LIABILITIES (in € million)</b>	<b>31.07.2023</b>	<b>31.7.2022</b>
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 945.7	1 553.3
Retained earnings	182.3	283.6
<b>Total equity</b>	<b>3 328.1</b>	<b>3 036.9</b>
Loans and bonds	583.7	583.3
Contract liability	36.8	28.9
Deferred income	0.1	0.1
Retirement and other long-term employee benefits	4.0	4.5
Obligation under finance lease	24.1	23.6
Deferred tax liability	867.0	742.5
<b>Total non-current liabilities</b>	<b>1 515.7</b>	<b>1 382.9</b>
Trade and other payables	46.8	52.7
Contract liability short-term	0.0	31.9
Current income tax	0.0	9.2
Loans and bonds	1.1	0.8
Obligation under finance lease	5.6	5.8
Provisions and other current liabilities	0.4	0.3
<b>Total current liabilities</b>	<b>53.9</b>	<b>100.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 897.7</b>	<b>4 520.5</b>

**SPP – distribúcia, a.s.**  
**FINANCIAL OVERVIEW**  
**Period ended 31 July 2023**

<b>INCOME STATEMENT (in € million)</b>	<b>(12M)</b> <b>31.07.2023</b>	<b>(12M)</b> <b>31.07.2022</b>
Natural gas distribution	397.1	398.0
Other revenues	72.0	71.0
<b>Total revenues</b>	<b>469.1</b>	<b>469.0</b>
Own work capitalised	10.9	10.3
Change in gas inventories	-4.2	0.8
Purchases of natural gas and consumables	-30.5	-27.7
Storage of natural gas and other services	-53.2	-50.6
Depreciation and amortisation	-167.6	-165.3
Staff costs	-54.6	-49.6
Provision for bad and doubtful debts. net	0.0	-1.3
Provisions and impairment losses. net	-0.2	-0.3
Other. net	2.4	2.5
<b>Total operating costs</b>	<b>-297.0</b>	<b>-281.2</b>
<b>OPERATING PROFIT</b>	<b>172.1</b>	<b>187.8</b>
Financial revenues	10.1	2.3
Financial costs	-8.3	-7.9
<b>PROFIT BEFORE INCOME TAXES</b>	<b>173.9</b>	<b>182.2</b>
Income tax	-40.5	-46.9
<b>NET PROFIT FOR THE PERIOD</b>	<b>133.4</b>	<b>135.3</b>

<b>INVESTOR RATIOS</b>	<b>(12M)</b> <b>31.07.2023</b>	<b>(12M)</b> <b>31.07.2022</b>
EBITDA                      € million	339.8	354.7
CAPEX                        € million	-38.3	-36.8
FCF                            € million	90.6	232.5
FCF / EBITDA                multiple	0.3	0.7
EBITDA / Interest            multiple	41.0	44.9

**Useful link:**

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