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

The year 2023 ended up being the 2nd warmest and 92nd coldest, in temperature terms, since at least 1931. A 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 the 30-years average. Air temperatures were above-average high during autumn in Slovakia and ended up being the 1st warmest and 93rd coldest, in temperature terms, since at least 1931. (Source: SHMÚ)

In calendar year 2023, SPP – distribúcia, a.s. continued to streamline its internal processes. Although the level of operating costs is stable, the company continues to analyse and evaluate operating activities in an effort to optimize them.

Between 1st January 2023 and 31st December 2023, the company had to pay close attention and respond to regularly changing regulatory legislation.

On 1st 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") entered into force, which transposes the European Winter Package. The amendment had significantly affected, inter alia, participants in the gas market. The provisions effected from 7th October 2022, under which the Ministry of Economy may adopt selected crisis measures, were 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 last resort. With effect from 1st December 2022, legislation introducing a renewable gas registry operated by SPP-D is in force. As of 8th 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 Coll., 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 1st 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.

At the 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.

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

Last but not the least, SPP – distribúcia, a.s. 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 31st December 2023 vs. 31st December 2022, natural gas consumption decreased by 284.6 million m3 (-6.40%).

Total revenues compared to 31st December 2022 increased to €471.0 million, with a 0.7% change, while EBITDA increased by 2.7% and reached the level of €352.2 million. Financial results for the calendar year 2023 confirm SPP – distribúcia, a.s. again as a profitable and financially stable company.

Operating profit in 2023 amounted to €174.8 million, which was €3.2 million lower than in the 12 consecutive months' period to 31st December 2022. The decrease in the operating profit was caused by mainly by higher depreciation and amortisation and higher staff costs, partly offset by higher revenue from the natural gas distribution.

SPP – distribúcia, a.s. continued in its efforts to optimize its operating activities also during the calendar 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 €181.1 million and €137.1 million, respectively.

Total assets increased by €554.8 million compared to 31st December 2022. The increase was driven mainly by:

- Increase in property, plant and equipment in amount of €464.3 million caused mainly by revaluation of pipelines to their fair value at 31 July 2023;
- Increase of cash and cash equivalents by €193.7 million;
- Decrease in loans provided in total amount of €124.5 million;
- Increase in inventories by €11.1 million;
- Increase in contract assets by €9.9 million.

Total equity increased by €441.0 million compared to 31st December 2022. The increase was driven mainly by:

- Increase in legal reserve funds and other funds by €380.7 million due to revaluation of pipelines to their fair value at 31 July 2023;
- Increase of retained earnings by €60.3 million.

Total liabilities increased by €113.8 million compared to 31st December 2022. The increase was driven mainly by:

- Increase in deferred tax liability by €120.8 million;
- Decrease in trade and other payables by €8.5 million;
- Increase in contract liability by €7.2 million;
- Decrease in current income tax by €6.2 million.

ASSETS (in € million)	***31.12.2023***	***31.12.2022***
Property, plant and equipment	4 088.5	3 624.2
Non-current intangible assets and other assets	10.8	10.6
Investments in subsidiaries	1.0	1.0
Right of use assets	25.7	25.7
Loans provided	0.1	124.6
Total non-current assets	**4 126.1**	**3 786.1**
Inventories	202.8	191.7
Receivables and prepayments	6.7	6.6
Contract assets	65.2	55.3
Income tax assets	0.0	0.0
Investments in securities current	0.1	0.1
Cash and cash equivalents	412.2	218.5
Total current assets	**687.0**	**472.2**
TOTAL ASSETS	**4 813.1**	**4 258.3**

EQUITY AND LIABILITIES (in € million)	***31.12.2023***	***31.12.2022***
Registered capital	1 200.0	1 200.0
Legal reserve fund and other funds	1 915.8	1 535.1
Retained earnings	129.9	69.6
Total equity	**3 245.7**	**2 804.7**
Loans and bonds	557.2	556.8
Contract liability	36.5	29.3
Deferred income	0.1	0.1
Retirement and other long-term employee benefits	4.0	4.3
Obligation under finance lease	22.0	21.4
Deferred tax liability	854.8	734.0
Total non-current liabilities	**1 474.6**	**1 345.9**
Trade and other payables	55.9	64.4
Contract liability short-term	0.0	0.0
Current income tax	1.4	7.6
Loans and bonds	29.5	29.5
Obligation under finance lease	5.6	5.8
Provisions and other current liabilities	0.4	0.4
Total current liabilities	**92.8**	**107.7**
TOTAL EQUITY AND LIABILITIES	**4 813.1**	**4 258.3**

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

INCOME STATEMENT (in € million)	***(12M) 31.12.2023***	***(12M) 31.12.2022***
Natural gas distribution	425.5	377.2
Other revenues	45.5	90.5
Total revenues	**471.0**	**467.7**
Own work capitalised	11.2	10.2
Change in gas inventories	-0.6	-3.9
Purchases of natural gas and consumables	-18.5	-32.3
Storage of natural gas and other services	-54.9	-50.9
Depreciation and amortisation	-177.3	-164.4
Staff costs	-58.2	-50.5
Provision for bad and doubtful debts, net	0.2	-0.4
Provisions and impairment losses, net	-0.3	-0.2
Other, net	2.2	2.7
Total operating costs	**-296.2**	**-289.7**
OPERATING PROFIT	**174.8**	**178.0**
Financial revenues	15.8	3.9
Financial costs	-9.5	-7.0
PROFIT BEFORE INCOME TAXES	**181.1**	**174.9**
Income tax	-44.0	-44.2
NET PROFIT FOR THE PERIOD	**137.1**	**130.7**

INVESTOR RATIOS		***(12M) 31.12.2023***	***(12M) 31.12.2022***
EBITDA	€ million	352.2	343.0
CAPEX	€ million	-41.4	-34.1
FCF	€ million	193.0	140.0
FCF / EBITDA	multiple	0.5	0.4
EBITDA / Interest	multiple	37.1	49.0

Useful link:

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