**NAFTA a.s.**

**INDEPENDENT AUDITOR'S REPORT**
**AND SEPARATE FINANCIAL STATEMENTS**
**(PRESENTED IN ACCORDANCE WITH IFRS**
**AS ADOPTED BY THE EU)**

**Year ended 31 December 2022**

**Company ID No. (IČO): 36 286 192**
**Tax ID No. (DIČ): 2022146599**

This is an English language translation of the original Slovak language document.

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# NAFTA a.s.

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of NAFTA a.s.:

## REPORT ON THE AUDIT OF SEPARATE THE FINANCIAL STATEMENTS

### Opinion

We have audited the separate financial statements of NAFTA a.s. (the "Company"), which comprise the separate balance sheet as at 31 December 2022, and the separate statement of profit and loss, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to Notes 3.c and 3.b to the financial statements describing that in 2022 the Company changed its accounting policy related to the measurement of the items of property, plant and equipment to the revaluation model. As described in Note 3.b, the first revaluation was performed as at 31 December 2022. Financial information disclosed in these financial statements for the previous reporting periods has not been adjusted to reflect this change to the accounting policy and be comparable with the carrying amounts presented for 2022, and is in compliance with the requirements of International Financial Reporting Standards. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance for Separate the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the separate financial statements stated above does not apply to other information in the annual report.

In connection with the audit of separate financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated.

As at the issuance date of the auditor's report on the audit of separate financial statements, the annual report was not available to us.

When we obtain the annual report, we will assess whether the Company's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the separate financial statements, we will express an opinion on whether:

- Information disclosed in the annual report prepared for 2022 is consistent with the separate financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its position, obtained in the audit of the separate financial statements.

Bratislava, 6 April 2023

Ing. Wolda K. Grant, FCCA
Responsible Auditor
Licence SKAu No. 921

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

**(Thousands of EUR)**

| | *Note* | *31 December 2022* | *31 December 2021* |
|---|---|---|---|
| **ASSETS:** | | | |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 4 | 622 066 | 189 059 |
| Right-of-use assets | 12 | 3 021 | 940 |
| Intangible and other assets | | 9 120 | 8 891 |
| Investments in subsidiaries and joint venture and other financial investments | 5 | 42 070 | 39 928 |
| Deferred tax asset | 19.3 | - | 8 515 |
| Long-term loans provided | 8 | 32 579 | 42 201 |
| Total non-current assets | | 708 856 | 289 534 |
| CURRENT ASSETS: | | | |
| Inventories | 6 | 5 780 | 4 643 |
| Trade and other receivables | 7 | 12 226 | 10 749 |
| Tax receivables | | - | 1 779 |
| Financial receivables from group companies | 11 | 24 526 | 64 458 |
| Other financial receivables | | 285 | - |
| Cash and cash equivalents | | 212 023 | 9 879 |
| Total current assets | | 254 840 | 91 508 |
| **TOTAL ASSETS** | | **963 696** | **381 042** |
| **EQUITY AND LIABILITIES:** | | | |
| EQUITY: | | | |
| Registered capital | 9 | 107 235 | 107 235 |
| Treasury shares, at cost | 9 | (4 745) | (4 745) |
| Other capital funds | 9 | 21 447 | 21 447 |
| Hedging derivatives reserve and other reserves | 9 | (415) | (1 267) |
| Revaluation reserve | 9 | 335 064 | - |
| Profit from previous years | | 1 438 | 1 493 |
| Profit for the current year | | 200 178 | 81 296 |
| Total equity | | 660 202 | 205 459 |
| NON-CURRENT LIABILITIES: | | | |
| Long-term loans received | 10 | 43 500 | 43 500 |
| Provision for abandonment and restoration and other provisions | 13 | 86 863 | 94 959 |
| Retirement and other long-term employee benefits | 14 | 3 962 | 4 399 |
| Deferred tax liability | 19.3 | 96 753 | - |
| Financial liabilities | 12 | 2 085 | 393 |
| Deferred income | | 1 425 | 1 478 |
| Other non-current liabilities | 15 | 28 | 12 |
| Total non-current liabilities | | 234 616 | 144 741 |
| CURRENT LIABILITIES: | | | |
| Trade and other payables | 15 | 25 646 | 19 267 |
| Current provisions | 13 | 2 733 | 4 399 |
| Income tax liabilities | | 39 546 | - |
| Short-term loans received | 10 | - | 6 500 |
| Financial liabilities to group companies | 11 | - | - |
| Other financial liabilities | 12 | 953 | 676 |
| Total current liabilities | | 68 878 | 30 842 |
| TOTAL LIABILITIES | | 303 494 | 175 583 |
| **TOTAL EQUITY AND LIABILITIES** | | **963 696** | **381 042** |

**(Thousands of EUR)**

| | ***Note*** | ***Year ended 31 December 2022*** | ***Year ended 31 December 2021*** |
|---|---|---|---|
| REVENUES: | | | |
| Natural gas storage revenues and hydrocarbon sales | 22.1 | 319 526 | 161 285 |
| Other revenues | | 12 984 | 9 479 |
| Total revenues | | 332 510 | 170 764 |
| | | | |
| OPERATING EXPENSES: | | | |
| Own work capitalised | | 1 886 | 345 |
| Consumables and services | | (42 338) | (34 760) |
| Labour and related costs | 17 | (26 107) | (23 702) |
| Depreciation and amortisation | | (13 830) | (21 325) |
| Other operating income/(expenses), net | 18.1 | 301 | 1 564 |
| Total operating income/(expenses), net | | (80 088) | (77 878) |
| | | | |
| FINANCIAL INCOME/(EXPENSES): | | | |
| Interest income | | 1 914 | 2 544 |
| Interest expenses | | (1 517) | (1 907) |
| Other financial income/(expenses), net | 18.2 | 9 103 | 10 409 |
| Total financial income/(expenses), net | | 9 500 | 11 046 |
| | | | |
| PROFIT BEFORE INCOME TAXES | | 261 922 | 103 932 |
| | | | |
| INCOME TAXES | 19 | (61 744) | (22 636) |
| | | | |
| **NET PROFIT** | | **200 178** | **81 296** |
| | | | |
| EARNINGS PER SHARE (in EUR) | 20 | 61.96 | 25.16 |

**(Thousands of EUR)**

| | *Note* | *Year ended 31 December 2022* | *Year ended 31 December 2021* |
|---|---|---|---|
| PROFIT FOR THE YEAR AFTER INCOME TAXES | | 200 178 | 81 296 |
| OTHER COMPREHENSIVE INCOME<br>*Items that may be reclassified subsequently to the profit and loss statement:* | | | |
| Hedging derivatives | | 396 | (448) |
| Other comprehensive income/(loss) for the year before income taxes | | 396 | (448) |
| Tax at the tax rate of 21 % | | (83) | 94 |
| Tax related to items of other comprehensive income/(loss) | | (83) | 94 |
| *Items that will not be subsequently reclassified to the profit and loss statement:* | | | |
| Revaluation reserve | | 441 683 | |
| Actuarial losses | | 683 | (126) |
| Other comprehensive loss for the year before income taxes | | 442 366 | (126) |
| Tax at the tax rate of 21 % | | (106 763) | 26 |
| Tax related to items of other comprehensive loss | | (106 763) | 26 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **536 094** | **80 842** |

| | *Year ended 31 December 2022* | | | *Year ended 31 December 2021* | | |
|---|---|---|---|---|---|---|
| | *Before taxation* | *Tax* | *After taxation* | *Before taxation* | *Tax* | *After taxation* |
| Hedging derivatives | 396 | (83) | 313 | (448) | 94 | (354) |
| Revaluation reserve | 441 683 | (106 619) | 335 064 | - | - | - |
| Actuarial gains/(losses) | 683 | (144) | 539 | (126) | 26 | (100) |
| **Total other comprehensive income/(loss) for the year** | **442 762** | **(106 846)** | **335 916** | **(574)** | **120** | **(454)** |

**(Thousands of EUR)**

| | *Registered capital* | *Treasury shares, at cost* | *Other capital funds* | *Revaluation reserve* | *Hedging derivatives reserve and other reserves* | *Profit from previous years* | *Profit for the current year* | *Total equity* |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2021** | **107 235** | **(4 745)** | **21 447** | **-** | **(813)** | **1 390** | **78 462** | **202 976** |
| Transfer of profit for the current year | - | - | - | - | - | 78 462 | (78 462) | - |
| Dividends | - | - | - | - | - | (78 359) | - | (78 359) |
| Net profit for the year | - | - | - | - | - | - | 81 296 | 81 296 |
| Other comprehensive income/(loss) for the year | - | - | - | - | (454) | - | - | (454) |
| **At 31 December 2021** | **107 235** | **(4 745)** | **21 447** | **-** | **(1 267)** | **1 493** | **81 296** | **205 459** |
| Transfer of profit for the current year | - | - | - | - | - | 81 296 | (81 296) | - |
| Dividends | - | - | - | - | - | (81 351) | - | (81 351) |
| Net profit for the year | - | - | - | - | - | - | 200 178 | 200 178 |
| Other comprehensive income/(loss) for the year | - | - | - | 335 064 | 852 | - | - | 335 916 |
| **At 31 December 2022** | **107 235** | **(4 745)** | **21 447** | **335 064** | **(415)** | **1 438** | **200 178** | **660 202** |

**(Thousands of EUR)**

| | ***Year ended 31 December 2022*** | ***Year ended 31 December 2021*** |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Profit before income taxes | 261 922 | 103 932 |
| Adjustments to reconcile profit before income taxes to net cash provided by operating activities: | | |
| Depreciation and amortisation | 13 830 | 21 325 |
| Interest expense, net | (397) | (637) |
| Unrealised exchange rate differences | (18) | (97) |
| Impairment and provisions | (1 218) | 1 911 |
| Profit from the sale of non-current assets | (42) | - |
| Income from financial investments | (10 502) | (12 636) |
| Retirement and other long-term employee benefits | 512 | 428 |
| Other non-cash items | (1 291) | (161) |
| Changes in assets and liabilities: | | |
| Inventories | (1 403) | (887) |
| Trade and other receivables | (2 084) | (5 437) |
| Trade and other payables | 2 427 | (268) |
| Provision for abandonment and restoration and other provisions | (853) | (1 487) |
| Employee benefits | (266) | (493) |
| Operating cash flows, net | 260 617 | 105 493 |
| Interest received | 574 | 1 265 |
| Interest paid | (495) | (1 381) |
| Income tax | (21 968) | (30 088) |
| Net cash flows from operating activities | 238 728 | 75 289 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to tangible and intangible non-current assets | (6 485) | (5 797) |
| Proceeds from sale of non-current assets | 42 | - |
| Acquisition of financial investments | (862) | (685) |
| Dividends received | 10 502 | 12 636 |
| Net cash flows from investing activities | 3 197 | 6 154 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net change in loans and borrowings received | (6 500) | (125 000) |
| Net change in loans and borrowings provided | 2 376 | 23 979 |
| Net change in cash pooling | - | 13 500 |
| Dividends paid | (34 901) | (21 724) |
| Leasing payment | (771) | (733) |
| Net cash flows from financing activities | (39 796) | (109 978) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 202 129 | (28 535) |
| NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 9 879 | 38 329 |
| EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS | 15 | 85 |
| **NET CASH AND CASH EQUIVALENTS, END OF PERIOD** | **212 023** | **9 879** |

# 1. GENERAL

## 1.1. Description of Business

NAFTA a.s. (hereinafter "NAFTA" or the "Company") is a joint stock company based in the Slovak Republic. The registered office of the Company is in Bratislava at Votrubova 1. The Company was established on 1 March 2006 and registered in the Commercial Registry of the Slovak Republic on 16 March 2006.

NAFTA is involved in the underground storage of natural gas, hydrocarbon exploration and production, and geological works. The underground storage of natural gas is the primary source of revenue. The storage services are offered under transparent and non-discriminatory principles. NAFTA provides storage services mainly in the form of seasonal flexibility (injecting natural gas into underground storage structures during the summer, which is consumed during the winter) and supports the security of supply. NAFTA stores gas for significant Slovak and international companies.

As at 31 December 2022, the Company's shares were held by SPP Infrastructure, a.s. (56.2 %, EUR 60 217 thousand), Czech Gas Holding Investment B.V. (40.4 %, EUR 43 375 thousand), other minority shareholders (1.9 %, EUR 2 050 thousand) and NAFTA (treasury shares 1.5%, EUR 1 593 thousand). Because the Company holds its own shares the share of voting rights is as following: SPP Infrastructure, a.s. 57.0 %, Czech Gas Holding Investment B.V. 41.1 % and minority shareholders 1.9 %. The ultimate shareholders of SPP Infrastructure, a.s. are Energetický a průmyslový holding, a.s. ("EPH") holding a 34 % share and management control, Slovenský plynárenský priemysel, a.s. ("SPP") holding a 51 % share and a consortium of global institutional investors represented by Macquarie Infrastructure and Real Assets holding a 15 % share. Czech Gas Holding Investment B.V. is controlled by EPH (through its subsidiary EP Infrastructure, a.s.). An ultimate consolidating reporting entity of NAFTA a.s. is company EP Investment S.à r.l.

## 1.2. Legal Basis for Preparing the Financial Statements

These financial statements have been prepared as the ordinary separate financial statements of NAFTA for the accounting period from 1 January until 31 December 2022 pursuant to Article 17a Paragraph 2 of Act No. 431/2002 Coll. on Accounting, as amended.

The accounting policies described in Note 3 were applied in preparing these separate financial statements and the comparatives stated in these separate financial statements.

## 1.3. Approval of the 2021 Financial Statements

The financial statements of NAFTA a.s. for 2021 according to International Financial Reporting Standards were approved by the Annual General Meeting held on 23 June 2022.

## 1.4. Comparative Information for Previous Reporting Periods

Some comparatives for the previous reporting periods were reclassified in order to comply with the current year's presentation.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

***Initial application of new amendments to the existing standards effective for the current reporting period***

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for the current reporting period:

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to various standards due to "Improvements to IFRSs (2018 – 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relates to an illustrative example, so no effective date is stated.).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

***Standards and amendments to the existing standards issued by the IASB and adopted by the EU, but not yet effective***

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU, but are not yet effective:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by the IASB on 25 June 2020 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 17 "Insurance contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

The Company has elected not to adopt these new standards and amendments to the existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

***New standards and amendments to the existing standards issued by the IASB, but not yet adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in the EU as at reporting date (the effective dates stated below are for IFRS as issued by the IASB):

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IFRS 16 "Leases"** – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and other amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements if applied as at the reporting date.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*a. Basis of Accounting*

These separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union. For the purpose of preparation of the separate financial statements the Company has applied exception from consolidation under IAS 27 "Consolidated and Separate Financial Statements" and the Company has not consolidated significant subsidiaries, joint ventures and associates. Accordingly, the significant subsidiaries, joint ventures, and associates are recognised at their cost less any impairment losses in these separate financial statements. The list of significant unconsolidated subsidiaries, joint ventures, and associates is described in the Note 5.

NAFTA has prepared and issued consolidated financial statements for the year ended 31 December 2022 that comply with IFRS. Such consolidated financial statements were issued separately and do not accompany these separate financial statements. For a better understanding of the Company's consolidated financial position and results of operations, reference should be made to the consolidated financial statements for the year ended 31 December 2022, which were issued on 6 April 2023. These IFRS consolidated financial statements are obtainable at the registered corporate address of NAFTA.

The financial statements were prepared under the historical cost convention, except for the revaluation of property, plant and equipment to fair value. The principal accounting policies adopted are set out below. The reporting and functional currency of NAFTA is the euro (EUR). These separate financial statements were prepared under the going-concern assumption.

IFRS as adopted for use in the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Company has identified that portfolio hedge accounting under IAS 39 will have no material impact on separate financial statements if approved by the EU.

The principal accounting policies adopted are set out below.

*b. Critical Accounting Judgements and Key Sources of Estimation Uncertainty*

In the process of applying the Company's accounting policies, which are described in this note, the Company has made the following judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year or that have the significant effect on the amounts recognised in the financial statements.

*Energy Legislation Related to Natural Gas Storage and Price Regulation*

Energy legislation in gas industry is primarily represented by Act No. 251/2012 Coll. on Energy and Act No. 250/2012 Coll. on Regulation in Network Industries. The purpose of these laws is among other things to ensure common rules for the internal market on natural gas. In accordance with the current energy legislation, the Company is required, amongst other obligations, to provide non-discriminatory access to underground gas storage facilities and the use of natural gas storage services. Natural gas storage was not subject to price regulation in 2022.

*Revaluation of Property, Plant and Equipment*

Property, plant and equipment is stated at remeasured values in accordance with the revaluation model under IAS 16 that was first applied as at 31 December 2022. The revaluation is on a prospective basis and has no impact on the previous reporting period as a result of which financial information disclosed in these financial statements for the previous reporting period has not been adjusted to reflect this change to the accounting policy and be comparable with the carrying amounts presented for 2022.

The Company opted to use this model as it believes that as a result, the financial statements will provide more reliable and relevant information about the Company's non-current assets used for natural gas storage.

The revaluation of these assets was recognised without an impact on previous reporting periods. This revaluation resulted in an increase in the amount of property, plant and equipment by EUR 441 683 thousand and an increase in the deferred tax liability by EUR 106 619 thousand, and in the creation of revaluation reserves in equity, as well as in a decrease in the amount of property, plant and equipment by EUR 1 507 thousand recognised in the statement of profit or loss line 'Depreciation, amortisation and impairment losses on assets, net'.

The revaluation of the Company's assets was performed by an independent expert using the cost method. When determining the fair value of individual items of assets using the cost method, the physical wear and tear of the assets and their technological and economic obsolescence were taken into account. In accordance with international valuation standards, the Company subsequently performed an economic performance test of assets, which found that these values did not require any adjustments. The revaluation of assets resulted in a surplus in the value of assets and a related increase in equity, a revaluation loss recognised in profit or loss. The assumptions used in the revaluation model are based on the independent expert's report. The resulting reported amounts of such assets do not necessarily represent amounts for which these assets could or will be sold, and the resulting differences may be significant. The fair value of property, plant and equipment may be affected by a change to natural gas prices and market conditions. Remeasurements will be made with sufficient regularity (at least every five years) to ensure the net book value does not significantly differ from the value that would be recognised as at the balance sheet date using fair values.

There are uncertainties related to future economic conditions, changes to technology and the business environment in the industry, which may lead to future adjustments of the estimated remeasured values and useful lives of assets that will significantly change the reported financial position, equity and profit.

*Impairment of Property, Plant and Equipment*

As at the reporting date, the Company made an assessment as to whether there is any indication that the recoverable amount of the Company's property, plant, and equipment is below their carrying amount. When there is such an indication, the recoverable amount of the asset, being the higher of the asset's net selling price and the present value of its future cash flows, is estimated.

In assessing the recoverable amount of property, plant, and equipment, certain assumptions and estimates, specific to individual cash-generating units, were considered that may be subject to changes in the future. Core cash-generating units represent gas storage assets and assets designated for hydrocarbon production and exploration. The recoverable amount of the gas storage assets depends on the future demand for gas storage services. The recoverable amount of property, plant, and equipment for the cash-generating unit "exploration and production" depends on the estimates of producible hydrocarbon reserves, production costs and hydrocarbon prices on the global markets. Further information on the impairment of property, plant, and equipment is disclosed in Note 4.

*Litigations*

With respect to litigations, management estimates a probable loss, which may result in certain financial expenses. In making this assessment, the Company relies on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. Details of the individual legal cases are included in Note 23.2.

*Provision for Abandonment and Restoration*

These financial statements include significant amounts as a provision for the abandonment and restoration of production and storage wells and sites. The provision is based on estimates of the future costs and is also significantly impacted by the estimate of the timing of cash flows and the Company's estimate of the discount rate used. The provision takes into account the costs estimated for the abandonment of production and storage wells and sites and for the restoration of sites to their original condition based on previous experience and estimates of costs. In 2021, the Company prepared a new detailed estimate of abandonment and restoration. Refer to Note 13 for further details.

*c. Property, Plant and Equipment and Intangible Assets*

As at 31 December 2022, the Company applied the revaluation model under IAS 16 for property, plant and equipment. Property, plant and equipment is presented in the balance sheet as at 31 December 2022 at a remeasured value representing their fair value as at the revaluation date, less potential subsequent accumulated depreciation and subsequent accumulated losses from permanent impairment in accordance with the revaluation model under IAS 16. The revaluation was recognised for the first time as at 31 December 2022. Refer to Note 4 for more information.

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss in the previous period, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the net book value arising on the revaluation of such property, plant and equipment is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the assets revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued property, plant and equipment is recognised as an expense in profit or loss. On the subsequent sale or disposal of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserves is transferred directly to retained earnings.

**(Thousands of EUR)**

Intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses.

For wells and sites, the estimated cost of dismantling and removing the asset and restoring the site ("dismantling asset") are stated at the initial recognition at the present value based on discounted future cash flows. Dismantling assets related to production wells are depreciated over the life of the proved producible reserves on a unit-of-production basis. Changes in the provision for abandonment and restoration as a result of changes in the estimated timing of cash flows and discount rates are credited or debited, with a counter-entry, to the dismantling asset.

Production wells and related sites are depreciated over the life of the proved producible reserves on a unit-of-production basis. Other items of property, plant and equipment are depreciated on the straight-line basis over estimated useful lives.

The estimated useful lives for the major classifications of property, plant, and equipment and intangible non-current assets are as follows:

| | ***Year ended*** | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| Buildings, halls and structures used in natural gas storage | 40 – 80 years | 40 – 80 years |
| Cushion gas | 1 000 years | 1 000 years |
| Other buildings, halls and structures | 25 – 40 years | 25 – 40 years |
| Machines and equipment used in natural gas storage | 4 – 40 years | 4 – 40 years |
| Other machines, equipment and vehicles | 4 – 30 years | 4 – 30 years |
| Intangible assets | 4 – 30 years | 4 – 30 years |

Expenditures related to hydrocarbon reserves exploration are accounted for in accordance with the successful effort method. Under this method, exploration expenditures (exploration wells) are capitalised under assets in the course of construction when incurred and certain expenditures, such as geological and geophysical exploration costs, are expensed. A review is carried out at least annually, on a field-by-field basis, to ascertain whether proven reserves have been confirmed. When proven reserves are determined and production commenced, the relevant expenditures are transferred from assets in the course of construction to the relevant category of property, plant, and equipment. Provision in full amount is created to exploration wells.

Gains and losses on the disposal of property, plant, and equipment are fully recognised in the statement of profit and loss.

Expenditures relating to the items of property, plant, and equipment after they are put into use are added to the carrying amount of the asset when they meet criteria for the recognition of property, plant and equipment and the Company may expect future economic benefits, in excess of the original performance. All other subsequent expenditures are treated as repairs and maintenance and are expensed in the period in which they are incurred.

Intangible assets primarily include a connection fee to the transmission system related to the project Gajary – Baden.

*d. Cushion Gas*

Cushion gas represents gas needed to run the underground reservoirs of natural gas. Its permanent production would affect the operability of underground reservoirs. The cushion gas is recognised at remeasured values as per Note 3 (b) as part of land, buildings and structures.

*e. Investments in the Subsidiaries, Joint Venture and Associates*

Investments are recognised and derecognised on the transaction date when the purchase or sale of an investment is under a contract the terms of which require delivery of the investment within the timeframe established by the market concerned. Investments in the subsidiaries, joint venture and associates that are not held for sale are recognised at cost less impairment losses in these separate financial statements.

*f. Financial Assets*

Financial assets are classified in the following categories: financial assets subsequently measured at amortised cost, financial assets subsequently measured at fair value through other comprehensive income (FVOCI) and financial assets subsequently measured at fair value through profit or loss (FVTPL). The Company only recognises financial assets subsequently measured at amortised cost. Financial assets are subsequently measured at amortised cost using the effective interest rate method less any impairment, and include trade receivables and loan receivables with fixed or variable payments.

Interest income is recognised by applying the effective interest rate, except for current receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

For the impairment of loan receivables, the Company applies a three-stage model of excepted credit losses (ECL). Under this model, an immediate impairment loss in an amount equal to a 12-month expected credit loss is recognised upon the initial recognition of the financial assets. If there is a significant increase in the credit risk, a provision is estimated based on expected credit losses for the full lifetime of financial assets, not only based on the 12-month expected loss.

As at 31 December 2022 and 31 December 2021, the Company assessed the impairment of loan receivables from borrowings provided to the Group (refer to Note 8) and except for receivables in accordance with Note 3(c) concluded that the 12-month expected credit losses approximated zero given the low risk of default and expected loss, and given the method of settling the borrowing by offsetting against the payable from dividends paid.

For trade receivables and current receivables, the Company applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a provision is recognised in the amount of expected credit losses over the full lifetime of trade receivables at the moment of their initial recognition. Such estimates are revised as at the reporting date.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of written-off receivables are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

Derecognition of Financial Assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially the material risks and rewards of ownership of the asset to another entity.

*g. Derivative Financial Instruments*

The Company enters into a number of derivative contracts in order to manage the risk of changes in commodity prices and interest rates.

Derivative financial instruments are contracts: (i) whose value changes in response to a change in one or more identifiable variables; (ii) that require no significant net initial investment; and (iii) that are settled at a certain future date.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

The Company designates hedging instruments that include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are recognised as follows:

- If an expected hedged transaction subsequently leads to the recognition of a non-financial asset or a non-financial liability, or if a forecast hedged transaction with a non-financial asset or a non-financial liability becomes a firm commitment, the amounts accumulated in other comprehensive income are derecognised and directly included in the initial measurement of such an asset or a liability.
- For other instances, amounts accumulated in other comprehensive income are reclassified from the hedging reserve to profit or loss in the periods when the hedged item is recognised in profit or loss in the same income statement line as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

*h. Fair Value Estimates*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants of the main (most favourable) market at the measurement date under standard market conditions (ie output price), regardless of whether that price is directly observable or estimated using another valuation technique.

Financial and non-financial instruments measured at fair value are classified into three levels:

Level 1 fair value measurements are those derived from quoted prices in active markets for similar assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable on the market for assets or liabilities, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include subjective inputs for the asset or liability that are not based on observable market data.

The classification of financial and non-financial instruments into the levels above is based on the lowest-level input data that have a material impact on the fair value measurement of an item. Transfers of financial instruments between individual levels are recognised in the period when they occurred.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are expected to approximate their fair values. For the presentation purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flows using the current market interest rate applied by the Company for similar financial instruments.

As at 31 December 2022, the Company recognised the following items at fair value:

- Property, plant and equipment (Note 4) – Level 2
- Derivative financial instruments (Note 25) – Level 2

*i. Cash and Cash Equivalents*

Cash and cash equivalents consist of cash in hand and balances with banks, and highly liquid investments with insignificant risk of changes in value and original maturities of three months or less at the date of acquisition.

*j. Inventories*

Materials and supplies are stated at the lower of cost or net realisable value. Cost includes raw materials, other direct costs and related overheads. Net realisable value is an estimate of the selling price in the ordinary course of business, less selling expenses.

*k. Accruals*

Expenses and liabilities are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

*l. Financial Liabilities*

Financial liabilities are classified as either financial liabilities at amortised costs or financial liabilities 'at fair value through profit or loss' (FVTPL).

The Company only recognises financial liabilities in category "Financial liabilities at amortised costs". Financial liabilities at amortised costs (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*m. Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Company accrues costs relating to the abandonment of its production, exploration, and storage wells (including related sites and pipelines) and any related restoration costs. Additionally, the Company accrues costs relating to the abandonment and restoration of waste dump sites. Estimated abandonment and restoration costs are based on current legislation, technology, and price levels. In respect of production wells and related sites, the estimated cost is provided over the life of the proved producible reserves on a unit-of-production basis. The provision for abandonment and restoration is measured in an amount that includes all anticipated future costs related to abandonment and restoration discounted to their present value and reflecting the inflation. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

*n. Revenue Recognition*

NAFTA records revenues from the underground storage of natural gas, revenues from the sale of hydrocarbons and other activities on the accrual basis. Revenue is measured at the fair value of the consideration received or receivables and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax. The Company recognises revenues from the underground gas storage and revenues from the sale of natural hydrocarbons in one segment due to the relatively low share of revenues from sales of natural hydrocarbons in this segment and total operating revenues.

Revenues from the underground storage of natural gas are recognised over an agreed period for which the storage capacity was reserved for a customer. Variable fees for additional storage-related services are recognised over the provision of the service to a customer.

Revenues from the sale of hydrocarbons are recognised when the commodity is transferred to the customer at the fair value of the consideration received or receivable.

Revenues from other services include, in particular, revenues from operator services related to the storage of natural gas that are recognised in the course of providing the service to the customer and revenues related to drilling and workover that are recognised as revenue during the service delivery according to the level of completion.

*o. Current and Deferred Income Taxes*

Income taxes are provided on accounting profit as determined under the applicable legislation at a rate of 21 %, after adjustments for certain items for taxation purposes. Refer also to Note 19.

Under the currently applicable legislation, in addition to income tax, the Company is required to pay a monthly special levy on business in regulated industries; the levy is classified as income tax in accordance with International Financial Reporting Standards. The levy rate for 2022 is 0.00363 per month and is calculated from the profit/loss determined in accordance with Slovak Accounting Standards.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is recognised in the statement of profit and loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity. The deferred tax balance as at 31 December 2022 was recalculated using the tax rate of 21 % (31 December 2021: 21 %).

The most significant temporary differences arise as a result of differences between net tax value and the net book value of property, plant, and equipment and due to the provision for abandonment and restoration costs. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

A deferred special levy on business is recognised from temporary differences between the net book value of assets and liabilities and the amount of assets and liabilities recognised in accordance with Slovak Accounting Standards. The deferred special levy on business is calculated by applying the special levy rate that is expected to apply to the period when the relevant asset is expected to be realised or the liability settled. The deferred special levy is recognised in the income statement. The annual rate of the special levy on business used to recalculate the deferred special levy is 4.356 %.

The most significant temporary differences arise as a result of differences between the net book value of property, plant and equipment determined under International Accounting Standards and their amount determined under Slovak Accounting Standards.

*p. Transactions in Foreign Currencies*

Transactions in foreign currencies are translated at the exchange rate in effect on the day of the transaction. Resulting exchange differences are recognised as an expense or as income in the statement of profit and loss. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted to EUR using the exchange rates of the European Central Bank on the balance sheet date. Unrealised gains and losses due to fluctuations in exchange rates are fully recognised in the profit and loss statement.

*q. Borrowing Costs*

Borrowing costs are recognised as expenses in the period in which they are incurred, except for borrowing costs directly attributable to the acquisition, construction or production of qualifying non-current assets. Such costs are recognised in cost until the relevant assets are put into use.

*r. Social Security and Pension Schemes*

Contributions are made to the government’s health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of social security payments is charged to the statement of profit and loss in the same period as the related salary cost. The Company has no obligation to contribute to these schemes beyond the statutory rates in force. The Company also makes contributions to a supplementary pension fund for employees.

*s. Retirement and Other Long-term Employee Benefits*

The Company operates un-funded long-term defined benefit programs comprising lump-sum post-employment. According to IAS 19, employee benefits costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of profit and loss so as to spread the regular cost over the service lives of employees. The benefit obligation is measured as the present value of the estimated future cash outflows discounted by the market yields on government bonds, the maturity term of which approximates the term of the related liability. Changes in the reserve due to changes in actuarial estimates are recognised in the statement of other comprehensive income.

*t. Leases*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability in accordance with IFRS 16 with respect to lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease or another systematic basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

*u. Emission Rights*

Emission quotas issued free of charge are accounted at zero book value. Transactions that have been made on the market are recorded at cost. The liabilities resulting from potential differences between available emission quotas and emission quotas to be delivered are accounted for as a liability, at fair market value.

*v. Government and European Union Grants*

Grants are not recognised until there is reasonable assurance that (i) the Company will comply with the conditions associated with receiving the grants, and (ii) the grants will be received.

Grants are recognised in the statement of profit and loss on a systematic basis over the periods in which the Company has recognised costs that are intended to be compensated by the grants. Specifically, government grants the primary condition of which is that the Company should purchase, construct, or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and accounted in the profit or loss on a systematic and rational basis over the economic useful lives of the related assets.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS for the year ended 31 December 2022 (Thousands of EUR)**

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

| ***Year ended 31 December 2021*** | ***Land, buildings & structures*** | ***Plant, machinery & equipment*** | ***Dismantling assets*** | ***Assets in course of construction*** | ***Total*** |
|---|---|---|---|---|---|
| **Net Book Value as at 1 January 2021** | **114 455** | **57 969** | **17 726** | **4 026** | **194 176** |
| Additions | - | - | - | 4 274 | 4 274 |
| Transfers | 236 | 3 927 | - | (4 163) | - |
| Disposals | (828) | (2) | (400) | - | (1 230) |
| Depreciation | (4 614) | (5 624) | (6 216) | - | (16 454) |
| Change in provisions recorded to assets | - | - | 10 522 | - | 10 522 |
| (Additions)/Release of provisions | 1 670 | 387 | (5 147) | 861 | (2 229) |
| **Net Book Value as at 31 December 2021** | **110 919** | **56 657** | **16 485** | **4 998** | **189 059** |
| | | | | | |
| Cost as at 31 December 2021 | 290 467 | 203 232 | 77 019 | 20 746 | 591 464 |
| Accumulated depreciation and provisions as at 31 December 2021 | (179 548) | (146 575) | (60 534) | (15 748) | (402 405) |
| **Net Book Value as at 31 December 2021** | **110 919** | **56 657** | **16 485** | **4 998** | **189 059** |

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS for the year ended 31 December 2022 (Thousands of EUR)**

| ***Year ended 31 December 2021*** | ***Land, buildings & structures*** | ***Plant, machinery & equipment*** | ***Dismantling assets*** | ***Assets in course of construction*** | ***Total*** |
|---|---|---|---|---|---|
| **Net Book Value as at 1 January 2022** | **110 919** | **56 657** | **16 485** | **4 998** | **189 059** |
| Additions | - | - | - | 10 603 | 10 603 |
| Transfers | 839 | 2 995 | - | (3 834) | - |
| Disposals | (60) | (8) | (387) | (5) | (460) |
| Depreciation | (6 658) | (6 248) | (5 664) | - | (18 570) |
| Change in provisions recorded to assets | - | - | (6 822) | - | (6 822) |
| (Additions)/Release of provisions | 3 642 | 164 | 5 039 | (765) | 8 080 |
| Changes of revaluation through revaluation reserve | 354 905 | 86 778 | - | - | 441 683 |
| Changes of revaluation through the Profit and Loss | (128) | (1 379) | - | - | (1 507) |
| **Net Book Value as at 31 December 2022** | **463 459** | **138 959** | **8 651** | **10 997** | **622 066** |
| Cost as at 31 December 2022 | 463 459 | 138 959 | 8 651 | 10 997 | 622 066 |
| Accumulated depreciation and provisions as at 31 December 2022 | - | - | - | - | - |
| **Net Book Value as at 31 December 2022** | **463 459** | **138 959** | **8 651** | **10 997** | **622 066** |
| **Net book Value using historical cost as at 31 December 2022** | **108 682** | **53 560** | **8 651** | **10 997** | **181 890** |

The classification of fair value measurement levels of buildings, structures, plant, machinery and equipment in the amount of 622 066 tis. EUR: Level 2 (Note 3h)

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS for the year ended 31 December 2022 (Thousands of EUR)**

In accordance with IAS 16, an independent expert revalued the Company's buildings, structures, machinery and equipment based on its observed condition and replacement costs as at 31 December 2022, taking into consideration the year-on-year development of macro-economic indicators. The replacement costs of the acquisition of assets are based on the acquisition costs, useful life, age and wear and tear of the existing assets (New Replacement Costs less Depreciation methodology).

In accordance with International Valuation Standards, the Company also performed an economic performance test of assets, which is based on the assumption that the demand for storage capacity will remain at the same level in the medium- and long-term in Slovakia, taking into account the existing and expected position of natural gas in the overall energy mix. For tests of the economic performance of assets, the Company assumes that gas storage facilities will have a significant role in ensuring the flexibility and safety of natural gas supplies in the Slovak Republic and in the EU. In light of the above, during the undertaken tests the Company expects to regularly allocate almost all of its available storage capacity determined based on tender results and will thus ensure transparent and non-discriminatory access to storage capacity. For the undertaken tests of the economic performance of assets, the Company used the relevant market price levels expected to be achieved in transparent tenders. When calculating the economic performance, the Company used discount rates that are comparable to discount rates applied in the industry and reflect long-term inflation expectations. Based on this assessment, no impairment of non-current tangible assets under IAS was identified by the Company as at 31 December 2022.

Assets in the course of construction include:

| | ***31 December 2022*** | | | ***31 December 2021*** | | |
|---|---|---|---|---|---|---|
| | ***Cost*** | ***Provision*** | ***Net*** | ***Cost*** | ***Provision*** | ***Net*** |
| Exploration wells | - | - | - | 12 862 | (12 862) | - |
| Facilities with suspended completion | 1 922 | - | 1 922 | 2 233 | (2 233) | - |
| Other | 9 075 | - | 9 075 | 5 651 | (653) | 4 998 |
| **Total** | **10 997** | **-** | **10 997** | **20 746** | **(15 748)** | **4 998** |

As at 31 December 2021 NAFTA recorded a provision in respect of exploration wells, the success of which was uncertain or which were impaired, and also in respect of related facilities, the construction of which was suspended. As at 31 December 2022, exploration wells are recognised at fair value as stated in Note 3(c). In 2022, the Company capitalised EUR 1 478 thousand referring to cost of hydrocarbon reserves exploration (31 December 2021: EUR 0 thousand).

The cost of fully depreciated items of property, plant and equipment that were still in use as at 31 December 2022 amounts to EUR 0 thousand due to the application of the Revaluation Model in accordance with IAS 16 (31 December 2021: EUR 82 316 thousand).

NAFTA's non-current tangible assets are insured against all significant risks through the "ALLRISK" insurance policy. The insured amount is EUR 636 644 thousand.

As at 31 December 2022 and 31 December 2021, NAFTA had no limited right to handle non-current tangible assets.

**(Thousands of EUR)**

## 5. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE, AND OTHER FINANCIAL INVESTMENTS

Investments in the subsidiaries, joint venture and other financial investments are recognised at cost adjusted for impairment, if any.

Investments in the subsidiaries, joint venture, and other financial investments as at 31 December 2022 are comprised of the following:

| | ***Subsidiaries*** | ***Joint venture*** | ***Other financial investments*** | ***Total*** |
|---|---|---|---|---|
| Cost | 7 489 | 38 893 | 2 248 | 48 630 |
| Impairment | (6 454) | - | (106) | (6 560) |
| **Net book value** | **1 035** | **38 893** | **2 142** | **42 070** |

Information on the subsidiaries can be summarised as follows:

| ***Name of Company*** | ***Seat*** | ***Effective ownership*** | ***Principal activity*** |
|---|---|---|---|
| Karotáž a cementace, s.r.o. | Velkomoravská 2606/83, Hodonín, Czech Republic | 51 % | Logging and cementing |
| NAFTA Services, s.r.o. | č.p. 891, Dolní Bojanovice, Czech Republic | 100 % | Service work |
| NAFTA International B.V. | Schiphol Boulevard 477, Tower C-4, 1118 BK Schiphol, Netherlands | 100 % | Holding company |
| NAFTA RV | Starokyivska 10-G, 041 16 Kiev, Ukraine | 1 % | Exploration and production |
| Slovakian Horizon Energy, s.r.o. | Mlynské Nivy 44/c, 821 09 Bratislava, Slovak republic | 100 % | Exploration and production |

The Company owns a 1 % share in NAFTA RV. In addition to a 1 % direct share NAFTA controls NAFTA RV through a 99 % indirect share through NAFTA International B.V.

During the year 2021 the Company increased the contribution in its subsidiary NAFTA International B.V. by EUR 600 thousand. As stated in Note 3(c), the Company created 100 % provision for this financial investment.

During the year 2022 the Company increased the contribution in company Slovakian Horizon Energy, s.r.o. by EUR 446 thousand, acquired another 50 % share in company Slovakian Horizon Energy, s.r.o., by which the Company acquired 100 % share in the mentioned company.

**(Thousands of EUR)**

Information on the joint venture can be summarised as follows:

| ***Name of Company*** | ***Seat*** | ***Effective ownership*** | ***Principal activity*** |
|---|---|---|---|
| POZAGAS a.s. | Malé námestie 1, Malacky, Slovak Republic | 65 % | Natural gas storage |

POZAGAS a.s. is controlled by SPP Infrastructure, a.s., and thus NAFTA recognises the investment as an investment in a joint venture.

Information on investments held for sale can be summarised as follows:

| ***Name of Company*** | ***Seat*** | ***Effective ownership*** | ***Principal activity*** |
|---|---|---|---|
| EP Ukraine B.V. | Schiphol Boulevard 477, Tower C-4, 1118 BK Schiphol, Netherlands | 10 % | Exploration and production |
| EP Hungary s.r.o. | Biskupský dvůr 2095/8, Nové Město, 110 00 Praha 1, Czech republic | 10 % | Holding company |

In December 2021 the Company acquired 10 % share in EP Hungary s.r.o.

Additional information on the investments in the subsidiaries and the joint venture:

| ***Name of Company*** | ***Equity*** | | ***Profit/(loss)*** | |
|---|---|---|---|---|
| | ***2022*** | ***2021*** | ***2022*** | ***2021*** |
| Karotáž a cementace, s.r.o. | 3 608 | 3 532 | (34) | 105 |
| POZAGAS a.s. [(1)] | 224 909 | 97 370 | 34 809 | 16 168 |
| NAFTA Services, s.r.o. | 94 | 96 | (2) | (7) |
| NAFTA International B.V. | 4 052 | 3 993 | 109 | (2 723) |
| Slovakian Horizon Energy, s.r.o. | 136 | (991) | (335) | (309) |
| NAFTA RV | (1 414) | (1 013) | (602) | (245) |

[(1)] Pozagas a.s. applied the revaluation accounting model under IAS 16 as at 31 December 2022. As at 31 December 2022, equity of POZAGAS, a.s. also included the revaluation reserve.

(Thousands of EUR)

## 6. INVENTORIES

Inventories, net are comprised of the following:

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Materials and supplies | 5 317 | 4 364 |
| Finished goods | 2 832 | 2 385 |
| Less: provision for old and obsolete items | (2 369) | (2 106) |
| **Total inventories, net** | **5 780** | **4 643** |

NAFTA's inventories are insured against all significant risks under the "ALLRISK" insurance policy.

## 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables, net are comprised of the following:

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Trade receivables | | |
| Domestic customers | 2 427 | 3 268 |
| Foreign customers | 8 882 | 5 999 |
| Total trade receivables | 11 309 | 9 267 |
| Less: provisions for doubtful amounts | (281) | (128) |
| Total trade receivables, net | 11 028 | 9 139 |
| Other receivables | 1 198 | 1 610 |
| Less: provisions for doubtful amounts | - | - |
| **Trade and other receivables, net** | **12 226** | **10 749** |

The trade receivables also include advance payments for non-current assets purchasing.

The average credit period on sales of goods and services is 18 days (2021: 17 days).

For trade and other receivables, the Company applies so-called simplified model for accounting for impairment losses. Provisions for trade receivables with low credit risk are recognised on the basis of an estimate of total expected credit losses resulting from previous experience of defaults and future developments.

The Company has created 100 % provisions for all receivables overdue by more than 365 days because previous experience suggests that receivables that are past due beyond 365 days are generally unrecoverable.

Movement in the provision for doubtful debts:

| | ***Year ended*** | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| **Balance at beginning of the year** | **(128)** | **(100)** |
| Creation, reversal | (153) | (28) |
| Use | - | - |
| **Balance at end of the year** | **(281)** | **(128)** |

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS for the year ended 31 December 2022 (Thousands of EUR)**

## 8. LOANS PROVIDED

As at 31 December 2021 the Company recognised the following loans provided to:

| Company | Currency | Interest method | Effective interest rate % | Final maturity | Receivable (brutto) | Provision | Receivable (netto) | Note |
|---|---|---|---|---|---|---|---|---|
| SPP Infrastructure, a.s. | EUR | variable | 1.0 | 2023 | 6 466 | - | 6 466 | Note A |
| NAFTA International B.V. | EUR | fixed | 3.3 | 2027 | 35 735 | - | 35 735 | Note B |
| NAFTA International B.V. | EUR | fixed | 5.0 | 2023 | 6 562 | (6 562) | - | Note C |
| NAFTA International B.V. | EUR | fixed | 9.5 | 2024 | 1 388 | (1 388) | - | Note C |
| Slovakian Horizon Energy s.r.o. | EUR | fixed | 6.0 | 2026 | 275 | (275) | - | Note C |
| HHE DRÁVAP KONCESSZIÓS KFT. AND DARANY ENERGY KFT. | USD | - | 0.0 | 2022 | 169 | (169) | - | Note C |
| **Total** | | | | | **50 595** | **(8 394)** | **42 201** | |

As at 31 December 2022 the Company recognised the following loans provided to:

| Company | Currency | Interest method | Effective interest rate % | Final maturity | Receivable (brutto) | Provision | Receivable (netto) | Note |
|---|---|---|---|---|---|---|---|---|
| NAFTA International B.V. | EUR | fixed | 3.3 | 2027 | 32 579 | - | 32 579 | Note B |
| NAFTA International B.V. | EUR | fixed | 5.0 | 2023 | 8 210 | (8 210) | - | Note C |
| NAFTA International B.V. | EUR | fixed | 9.5 | 2024 | 1 575 | (1 575) | - | Note C |
| **Total** | | | | | **42 364** | **(9 785)** | **32 579** | |

*Note A:* Loan is secured by option of offsetting with future possible dividends.

*Note B:* The purpose of providing the loan is the acquisition of underground gas storage facilities in Bavaria from DEA Deutsche Erdoel AG and Storengy Deutschland GmbH with a total storage capacity of 1.8 bil cubic meters.

*Note C:* The purpose of providing the loan is to finance a hydrocarbon reserves exploration, to which a 100 % provision was made in accordance with Note 3 (c).

**(Thousands of EUR)**

## 9. EQUITY

Registered capital includes certificate-form registered shares. As at 31 December 2022, the total number of issued and fully paid shares was 3 230 960, with nominal value of EUR 33.19 per share (31 December 2021: 3 230 960 shares with nominal value of EUR 33.19 per share).

As at 31 December 2022 and 31 December 2021, NAFTA held 48 013 own shares at cost of EUR 4 745 thousand. This amount of shares held is in no way limited by law.

Other capital funds are comprised of the legal reserve fund, which amounts to EUR 21 447 thousand as at 31 December 2022 (31 December 2021: EUR 21 447 thousand). Under the Company's Articles of Association, the legal reserve fund is not available for distribution and can be used to cover losses and to increase the registered capital.

For profit distribution purposes the separate financial statements of the Company prepared under IFRS as at 31 December 2022 are relevant. The amount of retained earnings under the Company's separate financial statements prepared as at 31 December 2022, distributable to shareholders is EUR 201 616 thousand. In 2022, the dividend payment to shareholders from profit for 2021 was approved in the amount of EUR 25.62 per share.

The revaluation reserve is not immediately available for distribution to the Company's shareholders. Portions of the revaluation reserve are reclassified to retained earnings based on differences between the depreciation charges for remeasured values and the initial cost of assets. The revaluation reserve is also reclassified to retained earnings upon the sale, contribution of a part of a business, or upon the disposal of assets. Such transfers to retained earnings are distributable.

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy. Other reserves represent actuarial gains and losses related to a change in estimates used to calculate retirement and other long-term employee benefits.

Changes to the hedging derivatives reserve and other reserves can be summarised as follows:

| | ***Year ended*** | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| **Balance at beginning of the year** | **(1 267)** | **(813)** |
| Profit/(loss) recognised on cash flow hedges: | | |
| Commodity swap contracts | 63 | (2 509) |
| Forward currency contracts | - | - |
| Actuarial losses | 683 | (126) |
| Income tax related to profit/loss recognised in equity | (157) | 553 |
| Transfer to profit or loss: | | |
| Commodity swap contracts | 333 | 2 061 |
| Forward currency contracts | - | - |
| Income tax related to profit/loss recognised in profit or loss | (70) | (433) |
| **Balance at end of the year** | **(415)** | **(1 267)** |

## 10. LOANS RECEIVED

During 2021, the Company repaid a long-term bank loan in the amount of EUR 175 000 thousand before its maturity date.

As at 31 December 2022, a bank loan was drawn in the amount of EUR 43 500 thousand with an interest rate of 3M Euribor + 0.7 % with the maturity date in 2024. In addition to drawn loans, the Company has an open framework of EUR 75 000 thousand with an interest rate of 3M Euribor + 0.9 % the maturity of which is renewed according to the needs of the Company and its final maturity date is in 2024 ,and a short-term revolving loan with the framework of EUR 15 000 thousand, the maturity of which is renewed every three months and its final maturity date is not set.

The Company has open unused credit lines, including the revolving loan stated above amounting to EUR 90 000 thousand. Also refer to Note 24.2 (e).

The loans are denominated in EUR with a variable interest rate. The average effective interest rate for bank loans is 0.7 % p.a. The bank loans are not secured by any assets.

**(Thousands of EUR)**

Under the loan agreements, the Company is obliged, *inter alia*, to comply with certain financial covenants as at the end of a calendar half-year (30 June and 31 December). The Company complied with the financial covenants as at 31 December 2022.

## 11. FINANCIAL RECEIVABLES FROM AND FINANCIAL LIABILITIES TO GROUP COMPANIES

The Company has concluded a cash pooling contract with other Group companies. In accordance with the contract, the Company recorded receivable of EUR 24 526 thousand as at 31 December 2022 (31 December 2021: EUR 64 458 thousand).

## 12. LEASES

As at 31 December 2022, the Company recognises the right to use the leased assets with a residual value of EUR 3 038 thousand (31 December 2021: EUR 940 thousands). The Company leases office space and cars. The average rental period is 4 years (2021: 2 years).

As at 31 December 2022 and 31 December 2021, the Company recognises the following lease payables:

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Non-current (due by 2024) | 2 085 | 393 |
| Current | 953 | 567 |
| **Total** | **3 038** | **960** |

The Company does not face a significant liquidity risk with regard to its lease liabilities.

Short-term rental costs where the Company applied an exception to IFRS 16 - Leases were immaterial as at 31 December 2022 and 31 December 2021.

## 13. PROVISION FOR ABANDONMENT AND RESTORATION

The Company estimates the costs of abandonment of production, exploration, and storage wells (including the related sites and pipes) and other related costs of restoration.

Movements in the provision for abandonment and restoration are summarised as follows:

| | |
|---|---|
| **Balance as at 1 January 2021** | **91 869** |
| Creation/(Reversal) of the provision to assets | 10 522 |
| Reversal of the provision through profit or loss | (3 685) |
| Unwinding of discount | 688 |
| Utilisation of provision | (1 487) |
| **Balance as at 31 December 2021** | **97 907** |
| Creation/(Reversal) of the provision to assets | (6 822) |
| Reversal of the provision through profit or loss | (3 284) |
| Unwinding of discount | 1 022 |
| Utilisation of provision | (853) |
| **Balance as at 31 December 2022** | **87 970** |

NAFTA currently has 115 production wells in addition to 236 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area and restore the site to its original condition to the extent as stipulated by the law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money and risks specific to the liability (2,70% - 3,30%). The provision takes into account the costs estimated for the abandonment of production and storage wells and sites, and for the restoration of the site to its original condition. These costs are expected to be incurred between 2023 and 2093 as follows:

| Costs incurred | Within 1 Year | 1 – 5 Years | 5 – 20 Years | More than 20 Years | Total |
|---|---|---|---|---|---|
| Present value | 2 558 | 32 927 | 26 337 | 26 148 | 87 970 |

**(Thousands of EUR)**

## 14. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program at the Company is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement as a multiple of the employee's average salary and, subject to vesting conditions. As at 31 December 2022 there were 584 employees at the Company covered by this program. To date it has been an unfunded program, with no separately allocated assets to cover the program's liabilities.

A change in long-term employee benefits can be summarised as follows:

| | ***Year ended*** | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| **Liabilities as at 1 January, net** | **4 399** | **4 338** |
| Net change in provision (actuarial estimate), included in statement of profit and loss | 512 | 428 |
| Unwinding of discount | - | - |
| Actuarial losses included in other comprehensive income | (683) | 126 |
| Employee benefits paid | (266) | (493) |
| **Liabilities as at 31 December, net** | **3 962** | **4 399** |

Key assumptions used by the Company in estimating the actuarial assessment:

| | ***31 December 2022*** | ***31 December 2021*** |
|---|---|---|
| Discount rate | 2.6 % | 0.0 % |
| Future expected annual rate of salary increases | 2.7 % | 2.2 % |
| Expected fluctuation | 5.0 % | 5.0 % |
| Retirement age in years | 64 | 64 |

## 15. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

| | ***31 December 2022*** | ***31 December 2021*** |
|---|---|---|
| Trade payables | 14 677 | 8 154 |
| Payables to employees | 5 253 | 5 888 |
| Other tax liabilities | 2 158 | 912 |
| Social security liabilities | 2 281 | 959 |
| Other payables | 1 305 | 3 366 |
| **Total trade and other payables** | **25 674** | **19 279** |

The average credit period is 33 days (2021: 31 days). The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Company records no payables overdue as at 31 December 2022 (2021: 0 EUR).

The change on Social Fund liabilities recognised in the balance sheet as at 31 December 2022 and 31 December 2021 is analysed as follows:

| | ***Year ended*** | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| **Payables as at 1 January** | **472** | **398** |
| Total creation: | 280 | 389 |
| *from expenses* | *280* | *207* |
| *from profit* | - | *182* |
| Total drawing: | (195) | (315) |
| *catering services* | *(99)* | *(102)* |
| *other* | *(96)* | *(213)* |
| **Payables as at 31 December** | **557** | **472** |

**(Thousands of EUR)**

## 16. CURRENT PROVISIONS

Current provisions consist of provision for abandonment and restoration, refer to Note 13.

## 17. LABOUR AND RELATED EXPENSES

Labour and related expenses are comprised of the following:

| | *Year ended* | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| Wages and salaries | (18 273) | (16 013) |
| Social security costs and other social expenses | (7 834) | (7 689) |
| **Total labour and related expenses** | **(26 107)** | **(23 702)** |

Labour and related expenses also include changes in the provision for retirement and other long-term employee benefits recognised in the statement of profit and loss statement. Also refer to Note 14. The average number of employees for the year ended 31 December 2022 was 581, thereof 5 managers (year ended 31 December 2021: 596, thereof 5 managers).

## 18. OTHER OPERATING AND FINANCIAL INCOME/(EXPENSES)

### 18.1. Other Operating Income/(Expenses), Net

Other operating income/(expenses), net consist of the following items:

| | *Year ended* | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| Profit/(loss) from the sale of non-current assets and inventories | 202 | 52 |
| Provision for abandonment and restoration costs and other provisions | 3 284 | 3 685 |
| Provisions for receivables, net | (153) | (28) |
| Insurance charges | (513) | (432) |
| Taxes and charges | (2 118) | (1 535) |
| Other income/(expenses), net | (401) | (178) |
| **Total other operating income/(expenses), net** | **301** | **1 564** |

### 18.2. Other Financial Income/(Expenses), Net

Other financial income/(expenses), net consist of the following items:

| | *Year ended* | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| Income on investments in subsidiaries and joint venture | 10 502 | 12 636 |
| Provision for financial investments | 68 | (1 215) |
| Provision for borrowings | (1 391) | (875) |
| Exchange rate differences, net | 40 | 127 |
| Other financial income/(expenses), net | (116) | (264) |
| **Total other financial income/(expenses), net** | **9 103** | **10 409** |

(Thousands of EUR)

## 19. INCOME TAXES

### 19.1. Income Taxes Reconciliation

Reconciliation between the income tax calculated at the statutory tax rate of 21 % (2021: 21 %) and income tax expenses is as follows:

| | *Year ended* | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| Profit before income taxes | 261 922 | 103 932 |
| Tax at a domestic income tax rate of 21 % | (55 004) | (21 826) |
| Special levy on business in regulated services | (9 396) | (3 710) |
| Tax effect of tax non-deductible expenses, non-taxable income and tax related to previous periods: 1.01 % (2021: 2.79 %) | 2 656 | 2 900 |
| **Total income tax charges** | **(61 744)** | **(22 636)** |

The overall effective tax rate differs from the statutory tax rate primarily due to differences in the classification of certain expense and revenue items for accounting and tax purposes.

### 19.2. Income Taxes

Income tax expenses comprise the following:

| | *Year ended* | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| Current income tax | (49 894) | (19 567) |
| Deferred income tax | (2 454) | 641 |
| Current special levy on business | (13 428) | (3 859) |
| Deferred special levy on business | 4 032 | 149 |
| **Total income taxes** | **(61 744)** | **(22 636)** |

### 19.3. Deferred Income Taxes

The following are the major deferred tax liabilities and assets including a special levy on business recognised by the Company, and the movements thereon, during the current and prior reporting periods:

| | ***1 January 2021*** | ***Charge (credit) to equity*** | ***Charge (credit) to profit*** | ***31 December 2021*** |
|---|---|---|---|---|
| Property, plant and equipment | (14 650) | - | (436) | (15 086) |
| Provision for abandonment and restoration costs | 19 292 | - | 1 268 | 20 560 |
| Retirement and other long-term employee benefits | 911 | 26 | (13) | 924 |
| Inventories | 442 | - | - | 442 |
| Derivatives | (71) | 94 | - | 23 |
| Other | 1 681 | - | (29) | 1 652 |
| **Total** | **7 605** | **120** | **790** | **8 515** |

| | ***1 January 2022*** | ***Charge (credit) to equity*** | ***Charge (credit) to profit*** | ***31 December 2022*** |
|---|---|---|---|---|
| Property, plant and equipment | (15 086) | (106 619) | 4 220 | (117 485) |
| Provision for abandonment and restoration costs | 20 560 | - | (2 086) | 18 474 |
| Retirement and other long-term employee benefits | 924 | (144) | 52 | 832 |
| Inventories | 442 | - | 55 | 497 |
| Derivatives | 23 | (83) | - | (60) |
| Other | 1 652 | - | (663) | 989 |
| **Total** | **8 515** | **(106 846)** | **1 578** | **(96 753)** |

**(Thousands of EUR)**

## 20. EARNINGS PER SHARE

Earnings per share are calculated using the net profit after tax attributable to shareholders of NAFTA divided by the weighted average number of shares in existence during the reporting period.

## 21. COSTS OF SERVICES PROVIDED BY THE COMPANY'S AUDITORS

The costs of services of an audit firm comprised EUR 70 thousand for the audit of the financial statements (2021: EUR 66 thousand), and EUR 2 thousand for accounting or tax advisory services and other services (2021: EUR 2 thousand).

## 22. SIGNIFICANT TRANSACTIONS WITH THIRD PARTIES AND RELATED PARTIES

### 22.1. Significant Transactions

NAFTA provides the underground storage of natural gas for Slovenský plynárenský priemysel a.s. and other significant international companies. NAFTA performs operation services of underground storage facilities of natural gas at POZAGAS (joint venture).

NAFTA is in a joint project of exploration and production of hydrocarbon reserves with the corporation from the Vermillion Energy Inc.

### 22.2. Related Parties

Related parties of the Company have been identified as unconsolidated subsidiaries and associates (refer to Note 5), companies under common ownership (SPP Infrastructure Group, Energetický a průmyslový holding, a.s.), shareholders, directors, and management of the Company.

Transactions between NAFTA and related parties are performed under the arm's length principle.

As at 31 December 2022, receivables and loans from related parties amounted to EUR 69 610 thousand (31 December 2021: EUR 120 317 thousand).

As at 31 December 2022, payables to related parties amounted to EUR 2 333 thousand (31 December 2021: EUR 1 857 thousand).

Revenues and other considerations from transactions with related parties for the year ended 31 December 2022 amounted to EUR 142 158 thousand (year ended 31 December 2021: EUR 95 651 thousand).

Expenses and other deliveries from transactions with related parties for the year ended 31 December 2022 amounted to EUR 19 319 thousand (year ended 31 December 2021: EUR 15 373 thousand).

Transactions with related parties mainly represent activities related to the underground storage, sale and purchase of natural gas especially with companies in the group of direct and indirect shareholders and POZAGAS a.s. (joint venture).

Amounts related to each separate entity have not been disclosed, as the management of the Company believes that this would breach confidentiality and/or trade secrets and/or may cause damage to the Company.

NAFTA is not involved in any transactions with the Company's management and members of its statutory bodies, except for employment relationship transactions.

### 22.3. Board Members' and Directors' Remuneration

Remuneration to board members and directors recorded during the year ended 31 December 2022 and 31 December 2021 was as follows:

| | ***Year ended*** | |
|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** |
| Salaries | 2 606 | 1 304 |
| Discretionary bonuses | - | - |
| **Total** | **2 606** | **1 304** |

Salaries and bonuses are included in labour and related expenses.

**(Thousands of EUR)**

## 23. COMMITMENTS AND CONTINGENCIES

### 23.1. Capital Expenditures

As at 31 December 2022, capital expenditures in the amount of EUR 1 725 thousand (31 December 2021: EUR 1 285 thousand) have been committed under contractual arrangements that are not recognised in these financial statements and relate primarily to the construction and modernisation of non-current assets related to the underground storage facility of natural gas.

### 23.2. Litigation

The Company is involved in litigations arising in the normal course of business and it is not expected, either individually or in aggregate, that such litigations would have a significant adverse impact on the accompanying financial statements.

### 23.3. Taxes

The tax environment under which the NAFTA operates in the Slovak Republic is dependent on the prevailing tax legislation and practice with relatively little existing precedent. As the tax authorities are reluctant to provide official interpretations with respect to the tax legislation, there is an inherent risk that the tax authorities may require adjustments of the corporate income tax base. The Tax Authorities in the Slovak Republic have broad powers of interpretation of tax laws, which could result in unexpected results of tax examinations. The amount of any potential tax liabilities related to these risks cannot be estimated. The Company applies a multi-level control during the preparation of tax returns. Tax declarations remain open and subject to inspection for at least a five-year period. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review during the next five-year period. Consequently, the Company’s tax declarations for the years 2017 through 2021 are open and subject to review.

### 23.4. Bank Guarantees

As at 31 December 2022 the Company did not provide any of bank guarantees (as at 31. December 2021 the Company provided of CZK 11 763 ths. Of bank guarantees).

## 24. FINANCIAL INSTRUMENTS

### 24.1. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern with the aim to achieve an optimum debt and equity balance. The Company’s overall strategy remains unchanged from 2021.

The gearing ratio at year-end was as follows:

| | ***31 December 2022*** | ***31 December 2021*** |
|---|---|---|
| Debt (i) | 43 500 | 50 000 |
| Cash and cash equivalents | (212 023) | (9 879) |
| **Net debt** | **(168 523)** | **40 121** |
| Equity (ii) | 660 202 | 205 459 |
| **Net debt to equity ratio** | **(25.53 %)** | **19.53 %** |

*(i) Debt is defined as long-term and short-term borrowings.*
*(ii) Note 9.*

### 24.2. Categories of Financial Instruments

| | ***31 December 2022*** | ***31 December 2021*** |
|---|---|---|
| Cash and cash equivalents (at amortised costs) | 212 023 | 9 879 |
| Loan receivables (at amortised costs) | 57 105 | 106 659 |
| Trade receivables and other receivables (at amortised costs) | 12 226 | 10 749 |
| Financial derivatives recognised as hedging (at fair value) | 285 | - |
| **Financial assets** | **281 639** | **127 287** |
| | | |
| Loans (at amortised costs) | (43 500) | (50 000) |
| Lease liabilities (at amortised costs) | (3 038) | (960) |
| Interest free liabilities (at amortised costs) | (25 674) | (19 279) |
| Financial derivatives recognised as hedging (at fair value) | - | (109) |
| **Financial liabilities** | **(72 212)** | **(70 348)** |

### (1) Financial Risk Factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, fluctuations of commodity prices, and loan interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide principles of management of foreign exchange risk, commodity price fluctuation risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

*a. Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company uses derivative instruments to reduce this risk.

Carrying amounts of monetary assets and monetary liabilities (in thousands of EUR) denominated in a foreign currency at the balance sheet date are as follows:

| | ***Assets*** | | ***Liabilities*** | |
|---|---|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** | ***31 December 2022*** | ***31 December 2021*** |
| CZK | 927 | 1 492 | 43 | 221 |
| USD | 917 | 1 030 | 187 | 13 |

The following table shows the Company's sensitivity to a 3 % increase or decrease of EUR against CZK (2021: 5 %) and a 6 % increase or decrease of EUR against USD (2021: 8 %). The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the period end for the aforementioned change in foreign currency rates. A positive number below indicates an increase in profit in the case of a decrease in EUR against the relevant currency. Where EUR strengthens against the relevant currency, there would be an opposite impact on the profit, and the balances below would be negative.

| | ***CZK*** | | ***USD*** | |
|---|---|---|---|---|
| | ***31 December 2022*** | ***31 December 2021*** | ***31 December 2022*** | ***31 December 2021*** |
| Profit or loss (i) | 27 | 64 | 44 | 81 |

*(i) This is mainly attributable to the exposure outstanding on CZK and USD receivables, payables and cash at the year end.*

As at 31 December 2022 and 31 December 2021, the Company has no open forward currency contracts designated and evaluated as effective hedging instruments.

**(Thousands of EUR)**

*b.* *Commodity Price Risk*

The Company is a party to framework agreements for the purchase of services and material related to underground storage facilities of natural gas and natural gas and oil production. In addition, the Company enters into contracts for oil, natural gas and gas condensate sales and underground storage of natural gas. The Company uses commodity derivative instruments to reduce risks related to changes in oil, natural gas and gas condensate prices.

The following table details the swap commodity contracts designated and evaluated as effective hedge, outstanding at the balance sheet date:

| | ***Contract value*** | | ***Fair value*** | |
|---|---|---|---|---|
| | ***2022*** | ***2021*** | ***2022*** | ***2021*** |
| Less than 3 months | 211 | 530 | 84 | (50) |
| 3 to 12 months | 751 | 462 | 201 | (59) |
| Over 12 months | - | 73 | - | - |
| **Total** | **962** | **1 065** | **285** | **(109)** |

*c.* *Interest Rate Risk*

The Company's operating income and operating cash flows are independent of changes in market interest rates. In addition to cash and cash equivalents, the Company has other interest-bearing assets. The Company manages interest rate risk by maintaining an appropriate ratio and structure between the interest rates for provided and received loans.

As at 31 December 2022 and 31 December 2021, the Company had no open interest rate derivatives.

*d.* *Credit Risk*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Derivative counter-parties and cash transactions, if any, are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to financial institutions.

A significant part of trade receivables and loan receivables are concentrated against the shareholders of the Company operating in the energy industry in the Slovak Republic and Czech Republic and companies within the group.

*e.* *Liquidity Risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines, funds from cash pooling and the ability to close out market positions. The Company maintains sufficient cash and credit lines, and has no significant open market positions.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

**(Thousands of EUR)**

| | ***Weighted average effective interest rate*** | ***Less than 1 month*** | ***1 – 3 months*** | ***3 months to 1 year*** | ***1 – 5 years*** | ***More than 5 years*** | ***Total*** |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| Variable interest rate instruments | 3.40 % | 123 | 247 | 1 109 | 43 598 | - | 45 077 |
| Fixed interest rate instruments | 1.82 % | 80 | 159 | 715 | 2 094 | - | 3 048 |
| Non-interest bearing | | 22 064 | 3 500 | 82 | 28 | - | 25 674 |
| **2021** | | | | | | | |
| Variable interest rate instruments | 0.70 % | 29 | 6 558 | 228 | 43 826 | - | 50 641 |
| Fixed interest rate instruments | 1.82 % | 59 | 106 | 405 | 409 | - | 979 |
| Non-interest bearing | | 11 662 | 3 805 | 3 909 | 12 | - | 19 388 |

The Company has access to credit facilities. The total unused amount of such facilities is EUR 90 000 thousand at the balance sheet date (2021: EUR 83 000 thousand). The Company expects to meet its other obligations from operating cash flows, maturing financial assets, funds from cash pooling and funds from an unused credit facility.

**(Thousands of EUR)**

## 25. SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO THE STATUTORY REQUIREMENTS

### 25.1. Consolidated Financial Statements

NAFTA prepares consolidated financial statements for the consolidated group which includes NAFTA as a parent company and other business companies, in which NAFTA holds at least a 20 % share in their registered capital. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union.

After the consolidated financial statements are approved by Company's bodies and the General Meeting, the financial statements will be available at the Company's registered office (Votrubova 1, Bratislava) and at the Commercial Registry of the District Court Bratislava I, administered by the Registration Court (Záhradnícka 10, Bratislava).

NAFTA is a direct subsidiary of SPP Infrastructure, a.s. with the registered office in Bratislava, Mlynské nivy 44/a, which holds a 56.2 % share in the Company's registered capital. SPP Infrastructure, a.s. prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use in the EU. The consolidated financial statements of SPP Infrastructure, a.s., after being approved by the Company's bodies and the General Meeting, will be available at SPP Infrastructure a.s. registered office (Mlynské nivy 44/a, Bratislava) and at the Commercial Registry of the District Court Bratislava I, administered by the Registration Court (Záhradnícka 10, Bratislava).

The consolidated financial statements of EP Investment S.à r.l., after being approved by the Company's bodies and General Meeting, will be available at its registered office (Place de Paris 2, 2314 Luxemburg, Luxembourg) and at the Luxembourg Business Registers G.I.E. , Luxembourg.

### 25.2. Unlimited Guarantee

NAFTA is not a partner with unlimited guarantee in any business company.

### 25.3. Members of the Company's Bodies as at 31 December 2022

| | |
|---|---|
| ***Board of Directors:*** | |
| Chairman | Ing. Jan Špringl |
| Vice-Chairman | Ing. Jozef Pagáč |
| Member | Ing. Robert Bundil |
| Member | Ing. Dušan Halgaš |
| Member | Ing. Bohumil Kratochvíl |
| ***Supervisory Board:*** | |
| Chairman | Ing. Lucia Ondrušová, PhD. |
| Vice-Chairman | Gary Wheatley Mazzotti |
| Member | doc. JUDr. Boris Balog, PhD. |
| Member | Ing. Daniel Kujan |
| Member | Bc. Jozef Tittel |
| Member | Ing. Peter Šefara |
| ***Top Management:*** | |
| General Director | Ing. Martin Bartošovič |
| Director of Underground Gas Storage Division | Ing. Ladislav Goryl |
| Director of Exploration and Production Division | Ing. Jozef Levoča, MBA |
| Director of Economic Section | Ing. Szilárd Kása |
| Director of Sales and Marketing Section | Ing. Mgr. Ladislav Barkoci |

## 26. EVENTS AFTER THE BALANCE SHEET DATE

From 31 December 2022 up to the date of the approval of these financial statements there were no significant events that would significantly impact these financial statements of the Company.

## 27. PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements on pages 4 to 38 were signed on 6 April 2023 on behalf of the Board of Directors by:

**Ing. Jan Špringl**
***Chairman of Board of Directors***

**Ing. Robert Bundil**
***Member of Board of Directors***

Signature of the person responsible for preparing the financial statements:
Ing. Szilárd Kása - Director of Economic Section

Signature of the person responsible for bookkeeping:
Ing. Ivana Kocáková – Head of Financial Accounting Department