NAFTA a.s.

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

Year ended 31 December 2023

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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 ENTITY NAFTA a.s.:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of NAFTA a.s. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit and loss, the consolidated statement of other comprehensive income and income tax note related to other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Consolidated Annual Report

The statutory body is responsible for information disclosed in the consolidated 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 consolidated financial statements stated above does not apply to other information in the consolidated annual report.

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

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

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

- Information disclosed in the consolidated annual report prepared for 2023 is consistent with the consolidated financial statements for the relevant year; and
- The consolidated annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 26 March 2024

Mgr. Tomáš Regináč
Responsible Auditor
Licence UDVA No. 1264

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

NAFTA a.s.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2023 and 31 December 2022
(Thousands of EUR)

	Note	*31 December 2023*	*31 December 2022*
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	830 539	907 647
Right-of-use assets	13	7 203	7 621
Intangible and other assets		12 000	11 757
Investments in joint ventures	5	140 089	146 817
Other financial investments	6	6 116	2 887
Long-term loans provided	9	558	-
Total non-current assets		996 505	1 076 729
CURRENT ASSETS:			
Inventories	7	6 316	6 887
Trade and other receivables	8	17 220	16 250
Tax receivables		-	31
Financial receivables from group companies	9,12	129 313	24 536
Other financial receivables		-	285
Cash and cash equivalents		121 181	254 239
Total current assets		274 030	302 228
TOTAL ASSETS		**1 270 535**	**1 378 957**
EQUITY AND LIABILITIES:			
EQUITY:			
Registered capital	10	107 235	107 235
Treasury shares, at cost	10	(4 745)	(4 745)
Other capital funds	10	21 447	21 447
Translation reserve	10	(173)	(144)
Hedging derivatives reserve and other reserves	10	872	1 535
Revaluation reserve	10	446 561	510 215
Profit from previous years		136 680	73 832
Profit for the current year		175 324	217 621
TOTAL EQUITY		883 201	926 996
NON-CURRENT LIABILITIES:			
Long-term loans received	11	-	43 500
Provision for abandonment and restoration and other provisions	14	177 721	167 683
Retirement and other long-term employee benefits	15	14 488	13 085
Deferred tax liability	20.3	109 433	133 670
Financial liabilities	13	6 293	6 611
Deferred income		1 492	127
Other non-current liabilities	16	1 829	1 425
Total non-current liabilities		311 256	366 101
CURRENT LIABILITIES:			
Trade and other payables	16	35 256	35 741
Current provisions	14	7 458	3 856
Income tax liabilities		32 233	45 081
Other financial liabilities	13	1 131	1 182
Total current liabilities		76 078	85 860
TOTAL LIABILITIES		387 334	451 961
TOTAL EQUITY AND LIABILITIES		**1 270 535**	**1 378 957**

(Thousands of EUR)

	Note	***Year ended 31 December 2023***	***Year ended 31 December 2022***
REVENUES:			
Natural gas storage revenues and hydrocarbon sales	23.1	369 382	367 602
Other revenues		8 165	11 828
Total revenues		377 547	379 430
OPERATING EXPENSES:			
Own work capitalised		4 466	1 886
Consumables and services		(50 040)	(52 289)
Labour and related costs	18	(38 176)	(33 403)
Depreciation and amortisation		(83 302)	(27 823)
Other operating income/(expenses), net	19.1	(3 375)	(504)
Total operating income/(expenses), net		(170 427)	(112 133)
FINANCIAL INCOME/(EXPENSES):			
Interest income		9 139	801
Interest expenses		(6 937)	(2 731)
Income/(loss) from joint venture	5	23 567	25 741
Other financial income/(expenses), net	19.2	(274)	(1 420)
Total financial income/(expenses), net		25 495	22 391
PROFIT BEFORE INCOME TAXES		232 615	289 688
INCOME TAXES	20	(57 291)	(72 067)
NET PROFIT		**175 324**	**217 621**
EARNINGS PER SHARE (in EUR)	21	54.26	67.35

(Thousands of EUR)

	Note	***Year ended 31 December 2023***	***Year ended 31 December 2022***
PROFIT FOR THE YEAR AFTER INCOME TAXES		175 324	217 621
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the profit and loss statement:			
Translation reserve		(29)	(101)
Hedging derivatives		(286)	396
Other comprehensive income/(loss) for the year before income taxes		(315)	295
Tax		60	(83)
Tax related to items of other comprehensive income/(loss)		60	(83)
Items that will not be subsequently reclassified to the profit and loss statement:			
Revaluation reserve		(26 034)	653 337
Actuarial losses		(602)	5 493
Other comprehensive income/(loss) for the year before income taxes		(26 636)	658 830
Tax		6 216	(144 565)
Tax related to items of other comprehensive income/(loss)		6 216	(144 565)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**154 649**	**732 098**

	Year ended 31 December 2023			***Year ended 31 December 2022***		
	Before taxation	***Tax***	***After taxation***	***Before taxation***	***Tax***	***After taxation***
Hedging derivatives	(286)	60	(226)	396	(83)	313
Revaluation reserve	(26 034)	6 051	(19 983)	653 337	(143 122)	510 215
Actuarial gains/(losses)	(602)	165	(437)	5 493	(1 443)	4 050
Translation reserve	(29)	-	(29)	(101)	-	(101)
Total other comprehensive income/(loss) for the year	**(26 951)**	**6 276**	**(20 675)**	**659 125**	**(144 648)**	**514 477**

NAFTA a.s.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023 and 31 December 2022
(Thousands of EUR)

	Registered capital	***Treasury shares, at cost***	***Other capital funds***	***Revaluation reserve***	***Translation reserve***	***Hedging derivatives reserve and other reserves***	***Profit from previous years***	***Profit for the current year***	***Total equity***
At 1 January 2022	**107 235**	**(4 745)**	**21 447**	**-**	**(43)**	**(2 828)**	**67 863**	**87 320**	**276 249**
Transfer of profit for the current year	-	-	-	-	-	-	87 320	(87 320)	-
Dividends	-	-	-	-	-	-	(81 351)	-	(81 351)
Net profit for the year	-	-	-	-	-	-	-	217 621	217 621
Other comprehensive income/(loss) for the year	-	-	-	510 215	(101)	4 363	-	-	514 477
At 31 December 2022	**107 235**	**(4 745)**	**21 447**	**510 215**	**(144)**	**1 535**	**73 832**	**217 621**	**926 996**
Transfer of profit for the current year	-	-	-	-	-	-	217 621	(217 621)	-
Dividends	-	-	-	-	-	-	(198 444)	-	(198 444)
Net profit for the year	-	-	-	-	-	-	-	175 324	175 324
Transfer of revaluation reserve	-	-	-	(43 671)	-	-	43 671	-	-
Other comprehensive income/(loss) for the year	-	-	-	(19 983)	(29)	(663)	-	-	(20 675)
At 31 December 2023	**107 235**	**(4 745)**	**21 447**	**446 561**	**(173)**	**872**	**136 680**	**175 324**	**883 201**

(Thousands of EUR)

	Year ended 31 December 2023	***Year ended 31 December 2022***
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income taxes and minority interests	232 615	289 688
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:		
Depreciation and amortisation	83 302	27 823
Interest expense, net	(2 202)	1 930
Unrealised exchange rate differences	19	(26)
Impairment and provisions	10 228	283
Profit from the sale of non-current assets	(1)	(42)
Income from financial investments	(845)	-
Income/(loss) from joint venture	(23 567)	(25 741)
Retirement and other long-term employee benefits	1 281	1 037
Other non-cash items	(1 333)	(1 292)
Changes in assets and liabilities:		
Inventories	731	(1 347)
Trade and other receivables	68	(1 884)
Trade and other payables	(2 537)	7 601
Provision for abandonment and restoration and other provisions	(1 803)	(853)
Employee benefits	(921)	(449)
Operating cash flows, net	295 035	296 728
Interest received	6 074	-
Interest paid	(1 644)	(584)
Income tax	(82 509)	(32 325)
Net cash flows from operating activities	216 956	263 819
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to tangible and intangible non-current assets	(24 133)	(10 027)
Proceeds from sale of non-current assets	2	42
Acquisition of financial investments	(2 945)	(839)
Dividends received	23 464	10 502
Net cash flows from investing activities	(3 612)	(322)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in loans and borrowings received	(43 500)	(6 500)
Net change in loans and borrowings provided	(1 259)	(1 800)
Net change in cash pooling	(215 610)	-
Dividends paid	(84 938)	(34 901)
Leasing payment	(1 091)	(911)
Net cash flows from financing activities	(346 398)	(44 112)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(133 054)	219 385
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	254 239	34 850
EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(4)	4
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**121 181**	**254 239**

1. GENERAL

1.1. Description of Business

NAFTA a.s. 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, as described in Note 3 d. below (hereinafter "NAFTA" or the "Company"), 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 2023, 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 consolidated financial statements have been prepared as the ordinary consolidated financial statements for the accounting period from 1 January until 31 December 2023 pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended.

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

1.3. 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

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatory for the reporting period beginning on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements.

- **IFRS 17 "Insurance Contracts"** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. The amendments issued on 25 June 2020 also introduce simplifications and clarifications of requirements in the standard and provide additional reliefs when applying IFRS 17 for the first time.

- **Amendments to IFRS 17 "Insurance Contracts" – Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by the IASB on 9 December 2021. This is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies issued by the IASB on 12 February 2021. Amendments require entities to disclose their material accounting policy information rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates** issued by the IASB on 12 February 2021. These amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.

- **Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction** issued by the IASB on 6 May 2021. Under these amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on the initial recognition that result in the recognition of equal deferred tax assets and liabilities.

- **Amendments to IAS 12 "Income Taxes" – International Tax Reform – Pillar Two Model Rules** issued by the IASB on 23 May 2023. The amendments introduced a temporary exception to accounting for deferred taxes arising from jurisdictions implementing global tax rules and disclosure requirements regarding company exposure to income taxes arising from the reform, particularly before legislation implementing the rules comes into effect.

New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following revised IFRS Accounting Standards that have been issued by the IASB and adopted by the EU but are not yet effective:

- **Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback** issued by the IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

- **Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current** issued by the IASB on 23 January 2020 and **Amendments to IAS 1 "Presentation of Financial Statements" – Non-current Liabilities with Covenants** issued by the IASB on 31 October 2022. Amendments issued in January 2020 provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place as at the reporting date. Amendments issued in October 2022 clarify how conditions with which an entity must comply within twelve months of the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS Accounting Standards as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at 26 March 2024:

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements** issued by the IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.

- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability** issued by the IASB on 15 August 2023. Amendments contain guidance specifying when a currency is exchangeable and how to determine the exchange rate when it is not.

- **IFRS 14 "Regulatory Deferral Accounts"** issued by the IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS and currently recognise regulatory deferral accounts in accordance with their previous GAAP to continue to do so upon transition to IFRS.

- **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** issued by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Company does not expect that the adoption of the above standards will have a material impact on the financial statements of the Company in future periods.

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 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union. 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 consolidated financial statements if approved by the EU.

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.

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 reporting 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 within NAFTA group in 2023.

Pursuant to § 67a par. 1 of Act no. 251/2012 Coll. on Energy and on Amendments to Certain Acts as amended (hereinafter referred to as the "Energy Act"), the storage operator, which is part of a vertically integrated enterprise, must be independent from other activities that are not related to transportation in terms of legal personality, organization and decision-making , distribution or storage of gas. Currently for NAFTA a.s. according to § 67a par. 8 of the Act on Energy, there is an exception from this obligation, which will expire on 31 December 2024. The company assumes that the fulfillment of the aforementioned obligation will not have a significant impact on the financial statements.

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 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 577 126 thousand and an increase in the deferred tax liability by EUR 143 122 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 6 955 thousand recognised in the statement of profit or loss line 'Depreciation, amortisation and impairment losses on assets, net'.

In 2022, 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.

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 may 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 24.2.

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 14 for further details.

Unaudited Subsidiaries and Associate Undertakings

Certain subsidiaries and associate undertakings included in these consolidated financial statements were not audited. Unaudited subsidiaries represent less than 1 % of the total consolidated assets, liabilities, income and expenses.

c. Basis of Consolidation

NAFTA consolidates the financial statements of all significant subsidiaries.

Business undertakings in which NAFTA, directly or indirectly, has an interest of usually more than one-half of the voting rights or otherwise has the power to exercise control over the operations, are defined as subsidiary undertakings ("subsidiaries") and their financial statements have been consolidated using full consolidation method. Subsidiaries are consolidated from the date on which effective control is transferred to NAFTA and are no longer consolidated from the date when such control ceases.

All transactions, balances, and unrealised surpluses and deficits on transactions within the NAFTA Group have been eliminated upon consolidation.

Minority interests of other investors in the net assets of consolidated subsidiaries are identified as a separate item in the equity in accordance with IFRS 3. Minority interests represent the other investors' proportionate share of the fair value at the acquisition date of the assets and liabilities of the relevant subsidiary, amended for the minority's share of subsequent profits and losses. Losses arising on minority interest exceeding the amount of the minority interest in the equity of the subsidiary are incorporated in NAFTA's equity. Since the Company owns 100% of the consolidated subsidiaries, there are no non-controlling interests of minority shareholders in the net assets as at 31 December 2023.

(Thousands of EUR)

d. Subsidiaries and Business Combinations

Business undertakings in which NAFTA, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has the power to exercise control over their operations, are defined as subsidiary undertakings ("subsidiaries").

The acquisition of subsidiaries is accounted for using the purchase method.
Goodwill arising on consolidation is recognised as an asset and represents the positive difference between acquisition cost of a business combination and the share of the NAFTA Group's interest in the net realisable value of the identifiable assets, liabilities, and contingent liabilities recognised. The negative difference between the acquisition cost of a business combination and the share of the NAFTA Group's interest in the net realisable value of the identifiable assets, liabilities, and contingent liabilities is recognised immediately in the profit and loss.

Goodwill is initially recorded at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if there is an indication that it may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The following subsidiaries have been consolidated:

Name of Company	***Seat***	***Principal activity***	***Effective ownership***	***Ownership status***
NAFTA Services, s.r.o.	No. 891,696 17 Dolní Bojanovice Czech Republic	service work	100 %	subsidiary of NAFTA a.s.
NAFTA International B.V.	Schiphol Boulevard 477, Toren C-4, 1118 BK Schiphol, Netherlands	holding company	100 %	subsidiary of NAFTA a.s.
NAFTA RV	04116, Kyiv, Starokyivska, 10-G, Ukraine	exploration and production	100 %	subsidiary of NAFTA International B.V.
NAFTA Germany GmbH	Moos 7, 83135 Schechen, Germany	holding company	100 %	subsidiary of NAFTA International B.V.
NAFTA Bavaria GmbH	Moos 7, 83135 Schechen, Germany	holding company	100 %	subsidiary of NAFTA Germany GmbH
NAFTA Speicher Management GmbH	Moos 7, 83135 Schechen, Germany	general partner	100 %	subsidiary of NAFTA Bavaria GmbH
NAFTA Speicher GmbH & Co. KG	Moos 7, 83135 Schechen, Germany	natural gas storage	100 %	subsidiary of NAFTA Bavaria GmbH
NAFTA Speicher Inzenham GmbH	Moos 7, 83135 Schechen, Germany	natural gas storage	100 %	subsidiary of NAFTA Speicher GmbH & Co. KG
Slovakian Horizon Energy, s.r.o.	Mlynské Nivy 44/c, Bratislava, Slovak republic	exploration and production	100 %	subsidiary of NAFTA a.s.

(Thousands of EUR)

The following subsidiaries are recognised in consolidated financial statements at cost, as using the full method of consolidation would not have had a significant impact on the consolidated financial statements:

Name of Company	***Seat***	***Effective ownership***	***Principal activity***
Karotáž a cementace, s.r.o.	Velkomoravská 83, 695 01 Hodonín, Czech Republic	100 %	logging and cementation
CNG Holdings Netherlands B.V.	Schiphol Boulevard 477, 1118BK Schiphol, Netherlands	100 %	holding company
CNG LLC	5th km, Taynya street, Vovkove, Uzgorod, 89452 Ukraine	100 %	exploration and production

As at 31 December 2022, the subsidiary NAFTA Exploration d.o.o. was deconsolidated due to its liquidation.

In December 2022, the Company acquired an additional 50 % interest in Slovakian Horizon Energy, s.r.o., thereby acquiring 100 % ownership in that company.

During 2023, the Company acquired 49 % interest in Karotáž a cementace, s.r.o., thereby acquiring 100 % ownership in that company.

The Company in accordance with Note 3 f. created a 100 % provision for financial investments in CNG Holdings Netherlands B.V. and CNG LLC.

e. Investments in Associated Undertakings and Joint Ventures

Associated undertakings and joint ventures are companies where NAFTA has, directly or indirectly, a substantial, but not controlling influence.

Investments in associated undertakings and joint ventures are accounted for using the equity method.

Associated undertakings are such entities over which NAFTA has between 20 % and 50 % of the voting rights, and over which NAFTA has the power to exercise significant influence, but which it does not control. Joint ventures are entities in which NAFTA has jointly controlled interest. Provisions are recorded for long-term impairment in value.

The equity method of accounting involves recognising in the statement of profit and loss NAFTA Group's share of its associates' and joint venture's profit or loss and the tax charge for the year. The interest of NAFTA Group in associated undertakings and joint ventures is carried in the statement of financial position at an amount that reflects its share of the net assets of the associates and joint ventures and includes goodwill on acquisition.

The following joint ventures have been recognised using the equity method:

Name of Company	***Seat***	***Principal activity***	***Effective ownership***
POZAGAS a.s.	Malé námestie 1, 901 01 Malacky, Slovak Republic	natural gas storage	65 %

f. 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 statement of financial position as at 31 December 2023 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. Fair values were determined by an independent expert. Fair values are determined on a regular basis so the residual value of the asset does not differ significantly from the value that would be reported at the end of the reporting period by using fair value. As at 31 December 2023, the Company compared the fair value of the property with the net book value of the property, and the fair value is not materially different from the net book value of the property. of Refer to Note 4 for more information including a sensitivity analysis of change of the relevant "value drivers".

(Thousands of EUR)

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.
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 2023	***31 December 2022***
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.

g. 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.

h. 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 recognises these categories of financial assets: cash and cash equivalents, trade receivables, loan receivables with fixed or variable payments, investments in subsidiaries which are not consolidated due to insignificance, other financial investments and financial derivatives.

The Company presents in financial assets these financial instruments:

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 cash and cash equivalents, trade receivables, loan receivables with fixed or variable payments and investments in subsidiaries.

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

Financial assets subsequently measured at fair value through profit or loss (FVTPL)

Financial assets subsequently measured at fair value through profit or loss and gain and losses from revaluation to fair value are included within Other financial income/(expenses), net in statement of profit or loss. Financial assets subsequently measured at fair value through profit or loss include other financial investments and financial derivatives.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as Other financial income/(expenses), net when the Company's right to receive payments is established.

(1) 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.

(2) 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.

<u>Hedge Accounting</u>

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.

<u>Cash Flow Hedges</u>

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.

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 2023 and 31 December 2022, the Company assessed the impairment of loan receivables from borrowings provided to the Group (refer to Note 9) and except for receivables in accordance with Note 3 f. 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.

i. 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 (i.e. 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 (i.e. as prices) or indirectly (i.e. 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 2023, the Company recognised the following items at fair value:

- Property, plant and equipment (Note 4) - Level 2
- Derivative financial instruments (Note 25) - Level 2
- Financial assets at fair value through profit or loss (Note 6) - Level 3

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. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions Refer also to Note 20.

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 2023 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 2023 was recalculated using the tax rate of 21% applied in Slovak Republic respectively 27 % applied in Germany (31 December 2022: 21% respectively 27 %).

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. Deferred tax is also recognised in the case of temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference cannot be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The Company is part of a multinational group of companies subject to new 15% minimum taxation rules introduced based on the Pillar 2 rules of the BEPS 2.0 initiative since 2024. Related legislation is still being modified and added. As the result, the group and the Company are still in the process of assessing the potential exposure to Pillar 2 income taxes. The potential material exposure, if any, to Pillar 2 income taxes is currently not known or cannot be estimated or measured reliably. The Company, in cooperation with the Group, continues to actively monitor the development of the Pillar 2 legislation and assess the potential impact of Pillar 2.

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 reporting date, assets and liabilities denominated in foreign currencies are converted to EUR using the exchange rates of the European Central Bank on the reporting date. Unrealised gains and losses due to fluctuations in exchange rates are fully recognised in the profit and loss statement.

On consolidation, the assets and liabilities of the Company's foreign subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and transferred to the Company's exchange differences reserve. Such exchange differences are recognised as income or as expenses in the period in which the subsidiary is disposed of.

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 statement of financial position and accounted in the profit or loss on a systematic and rational basis over the economic useful lives of the related assets.

(Thousands of EUR)

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

Year ended 31 December 2022	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2022	**133 195**	**163 134**	**50 005**	**5 105**	**351 439**
Additions	-	-	-	12 092	12 092
Transfers	846	3 603	-	(4 449)	-
Disposals	(60)	(8)	(387)	(5)	(460)
Depreciation	(7 620)	(11 838)	(7 145)	-	(26 603)
Exchange rate differences	-	-	-	-	-
Change in provisions recorded to assets	-	-	(7 076)	-	(7 076)
(Additions)/Release of provisions	3 642	168	5 039	(765)	8 084
Changes of revaluation through revaluation reserve	364 456	212 670	-	-	577 126
Changes of revaluation through the Profit and Loss	(5 472)	(1 483)	-	-	(6 955)
Net Book Value as at 31 December 2022	**488 987**	**366 246**	**40 436**	**11 978**	**907 647**
Cost as at 31 December 2022	488 987	366 246	40 436	11 978	907 647
Accumulated depreciation and provisions as at 31 December 2022	-	-	-	-	-
Net Book Value as at 31 December 2022	**488 987**	**366 246**	**40 436**	**11 978**	**907 647**
Net book Value using historical cost as at 31 December 2022	**130 003**	**155 059**	**40 436**	**11 978**	**337 476**

(Thousands of EUR)

Year ended 31 December 2023	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2023	**488 987**	**366 246**	**40 436**	**11 978**	**907 647**
Additions	-	-	-	16 474	16 474
Transfers	2 426	8 531	-	(10 957)	-
Disposals	(198)	(237)	(45)	-	(480)
Depreciation	(35 346)	(32 392)	(2 959)	-	(70 697)
Exchange rate differences	-	(1)	-	-	(1)
Change in provisions recorded to assets	-	-	10 913	-	10 913
(Additions)/Release of provisions through the Profit and Loss	(42)	(64)	(4 700)	(4 598)	(9 404)
(Additions)/Release of provisions through the Other comprehensive income	(12 530)	(11 383)	-	-	(23 913)
Net Book Value as at 31 December 2023	**443 297**	**330 700**	**43 645**	**12 897**	**830 539**
Cost as at 31 December 2023	491 195	374 346	51 303	17 495	934 339
Accumulated depreciation and provisions as at 31 December 2023	(47 898)	(43 646)	(7 658)	(4 598)	(103 800)
Net Book Value as at 31 December 2023	**443 297**	**330 700**	**43 645**	**12 897**	**830 539**
Net book Value using historical cost as at 31 December 2023	**126 864**	**152 772**	**43 645**	**12 897**	**336 178**

The classification of fair value measurement levels of buildings, structures, plant, machinery and equipment in the amount of EUR 830 539 thousand: Level 2 (31 December 2022: EUR 907 647 thousand: Level 2) (Note 3 i.).

(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).

As at 31 December 2022, 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, 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.

As at 31 December 2023, the Company has reassessed the impairment of property, plant and equipment in accordance with IAS 36 "Impairment of Assets" on the basis of an evaluation of their future use, liquidation, or sale. The Company has determined the amount of the provision based on the present value of future cash flows, liquidation plan, estimated sale price or the sale price of other assets. A discount rate of 12% (31 December 2022: 12%) was used to calculate the present value of future cash flows of the "hydrocarbon production and exploration" cash-generating unit. The carrying amount of the cash-generating unit based on the recoverable amount as at 31 December 2023 represents EUR 1 381 thousand (31 December 2022: EUR 29 282 thousand).

The following table shows the Company's sensitivity of the fair value of assets in case of change of relevant "value drivers" as of 31 December 2023:

	Fair value	*Fair value + 1%*	*Fair value + 5%*	*Fair value + 10%*
Net Book Value	**830 539**	**838 844**	**872 066**	**913 593**
Difference (Revaluation reserve)		8 305	41 527	83 054
Difference (%)		1%	5%	10%
Depreciation for reporting period	**70 697**	**71 404**	**74 232**	**77 767**
Difference (Revaluation reserve)		707	3 535	7 070
Difference (%)		1%	5%	10%

Assets in the course of construction include:

	31 December 2023			*31 December 2022*		
	Cost	*Provision*	*Net*	*Cost*	*Provision*	*Net*
Exploration wells	3 603	(3 603)	-	-	-	-
Other	13 892	(995)	12 897	11 978	-	11 978
Total	**17 495**	**(4 598)**	**12 897**	**11 978**	**-**	**11 978**

As at 31 December 2022, the Revaluation Model in accordance with IAS 16 was applied for assets in the course of construction.

As at 31 December 2023 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. In 2023, the Company capitalised EUR 3 603 thousand referring to cost of hydrocarbon reserves exploration (31 December 2022: EUR 1 478 thousand).

The cost of fully depreciated items of property, plant and equipment that were still in use as at 31 December 2023 amounts to EUR 1 767 thousand (31 December 2022: EUR 0 thousand due to the application of the Revaluation Model in accordance with IAS 16).

The net book value of property, plant and equipment that are temporarily unused amounts to EUR 1 219 thousand (31 December 2022: EUR 0 thousand) and the related provision of EUR 1 219 thousand (31 December 2022: EUR 0 thousand) was recorded; thus, such items are stated at a zero net book value as at 31 December 2023 and 31 December 2022.

(Thousands of EUR)

NAFTA's non-current tangible assets are insured against all significant risks through the "ALLRISK" insurance policy. The insured amount is EUR 1 183 803 thousand.

As at 31 December 2023 and 31 December 2022, NAFTA had no limited right to handle non-current tangible assets.

5. INVESTMENTS IN JOINT VENTURES

NAFTA has a substantial influence in the following companies. Also refer to Note 3 e.:

Name of Company	*Seat*	*Effective interest*	*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 using the equity method.

The revaluation accounting model under IAS 16 (note 3 f.) was also applied in the measurement of investments in joint ventures.

	31 December 2023	*31 December 2022*
Cost of acquisition including goodwill:	22 033	22 033
Share of post-acquisition profit, net of dividends received:	48 203	48 573
Revaluation surplus	69 853	76 211
Net book value	**140 089**	**146 817**

The following amounts represent the NAFTA Group's share of the assets, liabilities, revenues, and expenses of POZAGAS:

	Year ended	
	31 December 2023	*31 December 2022*
Non-current assets	110 299	116 983
Current assets	67 086	77 425
	177 385	194 408
Non-current liabilities	(32 739)	(32 635)
Current liabilities	(4 557)	(14 956)
	(37 296)	(47 591)
Net assets	**140 089**	**146 817**
Revenues	50 449	53 121
Profit before tax	23 567	25 741
Income tax including deferred tax	(5 555)	(6 705)
Profit /(loss) after tax	**18 012**	**19 036**

6. OTHER FINANCIAL INVESTMENTS

Other financial investments are comprised of the following:

	31 December 2023	*31 December 2022*
Cost	4 317	4 650
Impairment	(1 657)	(1 763)
Financial assets subsequently measured at amortised cost	2 660	2 887
Financial assets subsequently measured at fair value through profit or loss	3 456	-
Other financial asset	**6 116**	**2 887**

(Thousands of EUR)

Other financial investments comprise the following shareholdings:

Name of Company	***Seat***	***Effective ownership***	***Principal activity***
EP Ukraine B.V.	Schiphol Boulevard 477, Toren C-4, 1118 BK Schiphol, Netherlands	10 %	exploration and production
EP Hungary s.r.o.	Pařížská 130/26, Josefov, 110 00 Praha 1, Czech republic	10 %	holding company
HHE GroupVentures Kft.	1026 Budapest, Pasaréti út 46., Hungary	5 %	holding company
HHE DrávaP Koncesszios Kft.	1026 Budapest, Pasaréti út 46., Hungary	5 %	exploration and production
Pusztaszer Koncesszios Kft.	1026 Budapest, Pasaréti út 46., Hungary	5 %	exploration and production
Darany Energy Kft.	1026 Budapest, Pasaréti út 46., Hungary	5 %	exploration and production

In 2022, EP Hungary s.r.o. acquired 50% interest in HHE GroupVentures Kft. In 2023, HHE GroupVentures Kft. acquired interest in companies HHE DrávaP Koncesszios Kft., Pusztaszer Koncesszios Kft. and Darany Energy Kft.

7. INVENTORIES

Inventories, net are comprised of the following:

	31 December 2023	***31 December 2022***
Materials and supplies	7 072	6 424
Finished goods	1 381	2 832
Less: provision for old and obsolete items	(2 137)	(2 369)
Total inventories, net	**6 316**	**6 887**

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

(Thousands of EUR)

8. TRADE AND OTHER RECEIVABLES

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

	31 December 2023	*31 December 2022*
Trade receivables		
Domestic customers	2 273	2 427
Foreign customers	12 425	12 759
Total trade receivables	14 698	15 186
Less: provisions for doubtful amounts	(304)	(422)
Total trade receivables, net	14 394	14 764
Other receivables	4 192	1 486
Less: provisions for doubtful amounts	(1 366)	-
Trade and other receivables, net	**17 220**	**16 250**

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

The average credit period on sales of goods and services is 16 days (2022: 18 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 2023	*31 December 2022*
Balance at beginning of the year	**(422)**	**(266)**
Creation, reversal	(1 248)	(156)
Use	-	-
Balance at end of the year	**(1 670)**	**(422)**

(Thousands of EUR)

9. LOANS PROVIDED

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
CNG Holdings Netherlands B.V.	EUR	fixed	6.5	2023	9 750	(9 750)	-	Note A
Total					**9 750**	**(9 750)**	**-**	

As at 31 December 2023 the Company recognised the following loans provided to:

Company	Currency	Interest method	Effective interest rate %	Final maturity	Receivable (brutto)	Provision	Receivable (netto)	Note
CNG Holdings Netherlands B.V.	EUR	fixed	6.5	2023	11 127	(11 127)	-	Note A
EP Hungary s. r. o.	USD	variable	SOFR + 3.1	2025	558	-	558	Note B
Total					**11 685**	**(11 127)**	**558**	

Note A: 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 f.

Note B: The purpose of providing the loan is to finance the company's further activities.

(Thousands of EUR)

10. EQUITY

Registered capital includes certificate-form registered shares. As at 31 December 2023, the total number of issued and fully paid shares was 3 230 960, with nominal value of EUR 33.19 per share (31 December 2022: 3 230 960 shares with nominal value of EUR 33.19 per share).

As at 31 December 2023 and 31 December 2022, 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 2023 (31 December 2022: 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 2023 are relevant. The amount of retained earnings under the Company's separate financial statements prepared as at 31 December 2023, distributable to shareholders is EUR 191 896 thousand. In 2023, the dividend payment to shareholders from profit for 2022 was approved in the amount of EUR 62.40 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 2023	***31 December 2022***
Balance at beginning of the year	**1 391**	**(2 871)**
Profit/(loss) recognised on cash flow hedges:		
Commodity swap contracts	226	63
Forward currency contracts	-	-
Actuarial losses	(602)	5 493
Translation reserve	(29)	(101)
Income tax related to profit/loss recognised in equity	117	(1 456)
Transfer to profit or loss:		
Commodity swap contracts	(512)	333
Forward currency contracts	-	-
Income tax related to profit/loss recognised in profit or loss	108	(70)
Balance at end of the year	**699**	**1 391**

11. LOANS RECEIVED

During 2023, the Company repaid a long-term bank loan in the amount of EUR 43 500 thousand before its maturity date. The loan was denominated in EUR with a variable interest rate. The average effective interest rate for bank loan was 3.8 % p.a. and the bank loan was not secured by any assets.

The Company has open credit line in the amount of EUR 60 000 thousand, which consists of short-term loan in the amount of EUR 60 000 thousand with an interest rate of 3M Euribor + 0.7 % (the final maturity is in March 2024), respectively overdraft loan in the amount of EUR 15 000 thousand with an interest rate of 1M Euribor + 0.45 % (the final maturity date is not set). Also refer to Note 25.2 (e).

After the end of the reporting period, in February 2024, the Company signed a revolving facility loan agreement in the amount of EUR 200 000 thousand. The final maturity date of the loan is 5 years after the signing of the agreement.

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 2023.

(Thousands of EUR)

12. 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 129 313 thousand as at 31 December 2023 (31 December 2022: EUR 24 536 thousand).

13. LEASES

As at 31 December 2023, the Company recognises the right to use the leased assets with a residual value of EUR 7 203 thousand (31 December 2022: EUR 7 621 thousand). The Company leases lands, office space and cars. The average rental period is 20 years (2022: 19 years).

As at 31 December 2023 and 31 December 2022, the Company recognises the following lease payables:

	31 December 2023	31 December 2022
Non-current	6 293	6 611
Current	1 131	1 182
Total	**7 424**	**7 793**

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 2023 and 31 December 2022.

14. 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 2022	**178 051**
Creation/(Reversal) of the provision to assets	(7 076)
Reversal of the provision through profit or loss	(3 284)
Unwinding of discount	1 952
Utilisation of provision	(853)
Balance as at 31 December 2022	**168 790**
Creation/(Reversal) of the provision to assets	10 913
Reversal of the provision through profit or loss	(827)
Unwinding of discount	4 850
Utilisation of provision	(1 803)
Balance as at 31 December 2023	**181 923**

NAFTA currently has 118 production wells in addition to 283 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 (2.32 % - 3.36 %). 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 2024 and 2093 as follows:

Costs incurred	Within 1 Year	1 – 5 Years	5 – 20 Years	More than 20 Years	Total
Present value	5 653	36 017	55 948	84 305	181 923

(Thousands of EUR)

15. 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 2023 there were 638 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 2023	***31 December 2022***
Liabilities as at 1 January, net	**13 085**	**17 884**
Net change in provision (actuarial estimate), included in statement of profit and loss	1 281	1 036
Unwinding of discount	441	107
Actuarial losses included in other comprehensive income	602	(5 493)
Employee benefits paid	(921)	(449)
Liabilities as at 31 December, net	**14 488**	**13 085**

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

	31 December 2023	***31 December 2022***
Discount rate	2.3 resp. 3.1 %	2.6 resp. 3.7 %
Future expected annual rate of salary increases	2.2 resp. 2.0 %	2.7 resp. 2.0 %
Expected fluctuation	5.0 resp. 2.8 %	5.0 resp. 2.8 %
Retirement age in years	64 resp. 63	64 resp. 63

16. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	31 December 2023	***31 December 2022***
Trade payables	9 375	17 061
Contract liability	7 875	-
Payables to employees	9 692	5 990
Other tax liabilities	1 997	3 388
Social security liabilities	1 162	2 291
Other payables	6 647	7 138
Total trade and other payables	**36 748**	**35 868**

The average credit period is 32 days (2022: 28 days). The Group 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 2023 and 31 December 2022.

The change on Social Fund liabilities recognised in the statement of financial position as at 31 December 2023 and 31 December 2022 is analysed as follows:

	Year ended	
	31 December 2023	***31 December 2022***
Payables as at 1 January	**557**	**472**
Total creation:	197	280
from expenses	*197*	*280*
from profit	-	-
Total drawing:	(207)	(195)
catering services	*(98)*	*(99)*
other	*(109)*	*(96)*
Payables as at 31 December	**547**	**557**

17. CURRENT PROVISIONS

Current provisions consist of provision for abandonment and restoration, refer to Note 14.

(Thousands of EUR)

18. LABOUR AND RELATED EXPENSES

Labour and related expenses are comprised of the following:

	Year ended *31 December 2023*	*Year ended* *31 December 2022*
Wages and salaries	(27 518)	(23 912)
Social security costs and other social expenses	(10 658)	(9 491)
Total labour and related expenses	**(38 176)**	**(33 403)**

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 15. The average number of employees for the year ended 31 December 2023 was 653, thereof 9 managers (year ended 31 December 2022: 654, thereof 8 managers).

19. OTHER OPERATING AND FINANCIAL INCOME/(EXPENSES)

19.1. Other Operating Income/(Expenses), Net

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

	Year ended *31 December 2023*	*Year ended* *31 December 2022*
Profit/(loss) from the sale of non-current assets and inventories	74	202
Provision for abandonment and restoration costs and other provisions	827	3 284
Provisions for receivables, net	(1 248)	(157)
Insurance charges	(836)	(668)
Taxes and charges	(2 867)	(2 054)
Other income/(expenses), net	675	(1 111)
Total other operating income/(expenses), net	**(3 375)**	**(504)**

19.2. Other Financial Income/(Expenses), Net

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

	Year ended *31 December 2023*	*Year ended* *31 December 2022*
Provision for Available-for-sale investments	106	515
Provision for borrowings	(1 376)	(1 875)
Exchange rate differences, net	38	46
Income/(expenses) from revaluation of financial investments, net	178	-
Other financial income/(expenses), net	780	(106)
Total other financial income/(expenses), net	**(274)**	**(1 420)**

20. INCOME TAXES

20.1. Income Taxes Reconciliation

Reconciliation between the income tax calculated at the statutory tax rate of 21 % (2022: 21 %) and income tax expenses is as follows:

	Year ended *31 December 2023*	*Year ended* *31 December 2022*
Profit before income taxes	232 615	289 688
Tax at a domestic income tax rate of 21 %	(48 849)	(60 834)
Special levy on business in regulated services	(6 837)	(9 396)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1 957)	(765)
Tax effect of tax non-deductible expenses, non-taxable income and tax related to previous periods: 0.15 % (2022: (0.37 %))	352	(1 072)
Total income tax charges	**(57 291)**	**(72 067)**

(Thousands of EUR)

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 and tax rules for group of companies compiling the consolidated financial statements.

Currently, companies must submit tax returns separately and it is not possible to prepare a consolidated tax return for a group of companies.

20.2. Income Taxes

Income tax expenses comprise the following:

	Year ended	
	31 December 2023	***31 December 2022***
Current income tax	(61 487)	(55 224)
Share of taxation attributable to the joint venture	(5 555)	(6 705)
Deferred income tax	16 588	(742)
Current special levy on business	(8 210)	(13 428)
Deferred special levy on business	1 373	4 032
Total income taxes	**(57 291)**	**(72 067)**

20.3. Deferred Income Taxes

The following is an analysis of the deferred tax receivable and deferred tax liability for statement of financial position purposes:

	31 December 2023	***31 December 2022***
Deferred tax asset	-	-
Deferred tax liability	(109 433)	(133 670)
Total	**(109 433)**	**(133 670)**

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 2022	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2022***
Property, plant and equipment	(26 571)	(143 122)	5 734	(163 959)
Provision for abandonment and restoration costs	37 853	-	(2 648)	35 205
Retirement and other long-term employee benefits	3 411	(1 443)	55	2 023
Inventories	442	-	55	497
Derivatives	23	(83)	-	(60)
Other	(7 470)	-	94	(7 376)
Total	**7 688**	**(144 648)**	**3 290**	**(133 670)**

	1 January 2023	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2023***
Property, plant and equipment	(163 959)	6 051	11 520	(146 388)
Provision for abandonment and restoration costs	35 205	-	2 422	37 627
Retirement and other long-term employee benefits	2 023	165	138	2 326
Inventories	497	-	(48)	449
Derivatives	(60)	60	-	-
Other	(7 376)	-	3 929	(3 447)
Total	**(133 670)**	**6 276**	**17 961**	**(109 433)**

As at 31 December 2023 the Company did not recognised the deferred tax assets due to caution, as their realization in the future is not certain. Not recognised deferred tax asset in the amount of EUR 348 thousand is related to impairment of the financial investments and in the amount of EUR 2 337 thousand is related to provisions for loans provided.

(Thousands of EUR)

21. 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.

22. COSTS OF SERVICES PROVIDED BY THE COMPANY'S AUDITORS

The costs of services of an audit firm comprised EUR 118 thousand for the audit of the financial statements (2022: EUR 100 thousand), and EUR 0 thousand for accounting or tax advisory services and other services (2022: EUR 2 thousand).

23. SIGNIFICANT TRANSACTIONS WITH THIRD PARTIES AND RELATED PARTIES

23.1. 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. and since 2023 with POZAGAS a.s.

23.2. Related Parties

Related parties of the Company have been identified as unconsolidated subsidiaries and associates (refer to Notes 5 and 6), 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 2023, receivables and loans from related parties amounted to EUR 143 512 thousand (31 December 2022: EUR 36 788 thousand).

As at 31 December 2023, payables to related parties amounted to EUR 6 548 thousand (31 December 2022: EUR 2 389 thousand).

Revenues and other considerations from transactions with related parties for the year ended 31 December 2023 amounted to EUR 143 954 thousand (year ended 31 December 2022: EUR 129 146 thousand).

Expenses and other deliveries from transactions with related parties for the year ended 31 December 2023 amounted to EUR 24 974 thousand (year ended 31 December 2022: EUR 20 253 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, its subsidiaries, joint ventures and associates are not involved in any transactions with the Company´s management and members of their statutory bodies, except for employment relationship transactions.

23.3. Board Members' and Directors' Remuneration

Remuneration to board members and directors recorded during the year ended 31 December 2023 and 31 December 2022 was as follows:

	Year ended	
	31 December 2023	***31 December 2022***
Salaries	2 491	2 716
Discretionary bonuses	-	-
Total	**2 491**	**2 716**

Salaries and bonuses are included in labour and related expenses.

(Thousands of EUR)

24. COMMITMENTS AND CONTINGENCIES

24.1. Capital Expenditures

As at 31 December 2023, capital expenditures in the amount of EUR 7 155 thousand (31 December 2022: EUR 2 173 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.

24.2. 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.

24.3. Taxes

The tax environment under which the NAFTA Group 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. Corporate income tax in the Slovak Republic is levied on each individual legal entity and, as a consequence, there is no concept of group taxation or relief. 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 2018 through 2022 are open and subject to review.

24.4. Bank Guarantees

As at 31 December 2023 the Company provided of EUR 476 thousand of bank guarantees (as at 31. December 2022 the Company did not provided any of bank guarantees).

25. FINANCIAL INSTRUMENTS

25.1. Capital Risk Management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern with the aim to achieve an optimum debt and equity balance. The Group's overall strategy remains unchanged from 2022.

The gearing ratio at year-end was as follows:

	31 December 2023	***31 December 2022***
Debt (i)	-	43 500
Cash and cash equivalents	(121 181)	(254 239)
Net debt	**(121 181)**	**(210 739)**
Equity (ii)	883 201	926 996
Net debt to equity ratio	**(13.72 %)**	**(22.73 %)**

(i) Debt is defined as long-term and short-term borrowings.
(ii) Note 10.

25.2. Categories of Financial Instruments

	31 December 2023	*31 December 2022*
Cash and cash equivalents (at amortised costs)	121 181	254 239
Loan receivables (at amortised costs)	129 871	24 536
Trade receivables and other receivables (at amortised costs)	13 374	13 751
Financial derivatives recognised as hedging (at fair value)	-	285
Investments in non-consolidated subsidiaries (at amortised costs)	2 660	745
Other financial investments (at fair value)	3 456	2 142
Financial assets	**270 542**	**295 698**
Loans (at amortised costs)	-	43 500
Lease liabilities (at amortised costs)	7 424	7 793
Interest free liabilities (at amortised costs)	6 746	11 061
Financial liabilities	**14 170**	**62 354**

(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 reporting date are as follows:

	Assets		*Liabilities*	
	31 December 2023	*31 December 2022*	*31 December 2023*	*31 December 2022*
CZK	613	1 021	9	43
USD	1 110	917	2	187
UAH	59	17	-	-

The following table shows the Company's sensitivity to a 3 % increase or decrease of EUR against CZK (2022: 3 %), a 4 % increase or decrease of EUR against USD (2022: 6 %) and a 8 % increase or decrease of EUR against UAH (2022: 26 %). 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*		*UAH*	
	31 December 2023	*31 December 2022*	*31 December 2023*	*31 December 2022*	*31 December 2023*	*31 December 2022*
Profit or loss (i)	18	29	44	44	5	4

(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 2023 and 31 December 2022, 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 reporting date:

	Contract value		***Fair value***	
	2023	***2022***	***2023***	***2022***
Less than 3 months	-	211	-	84
3 to 12 months	-	751	-	201
Over 12 months	-	-	-	-
Total	**-**	**962**	**-**	**285**

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 2023 and 31 December 2022, 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 Group. The Group 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 Group sufficient cash and credit lines and has no significant open market positions.

(Thousands of EUR)

The following tables detail the Group'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 Group can be required to pay.

	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*
2023							
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	1.82 %	104	207	823	2 347	5 475	8 956
Non-interest bearing		5 609	885	10	242	-	6 746
2022							
Variable interest rate instruments	3.40 %	123	247	1 109	43 598	-	45 077
Fixed interest rate instruments	1.82 %	99	197	887	2 803	3 852	7 838
Non-interest bearing		8 346	2 559	29	111	16	11 061

The Company has access to credit facilities. The total unused amount of such facilities is EUR 60 000 thousand at the reporting date (2022: EUR 90 000 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)

26. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO THE STATUTORY REQUIREMENTS

26.1. 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 (Avenue John F. Kennedy 39, 1855 Luxembourg, Luxembourg) and at the Luxembourg Business Registers G.I.E. , Luxembourg.

26.2. Unlimited Guarantee

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

26.3. Members of the Company's Bodies as at 31 December 2023

Board of Directors:	
Chairman	Ing. Jan Špringl
Vice-Chairman	Ing. Jozef Pagáč
Member	Ing. Robert Bundil
Member	Ing. Dušan Halgaš
Member	Ing. Eduard Veselovský
Supervisory Board:	
Chairman	doc. Ing. Pavel Peterka, PhD.
Vice-Chairman	Gary Wheatley Mazzotti
Member	doc. JUDr. Boris Balog, PhD.
Member	Ing. Peter Bocán
Member	Ing. Daniel Kujan
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

27. EVENTS AFTER THE END OF THE REPORTING PERIOD

From 31 December 2023 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.

28. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements on pages 4 to 40 were signed on 26 March 2024 on behalf of the Board of Directors by:

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