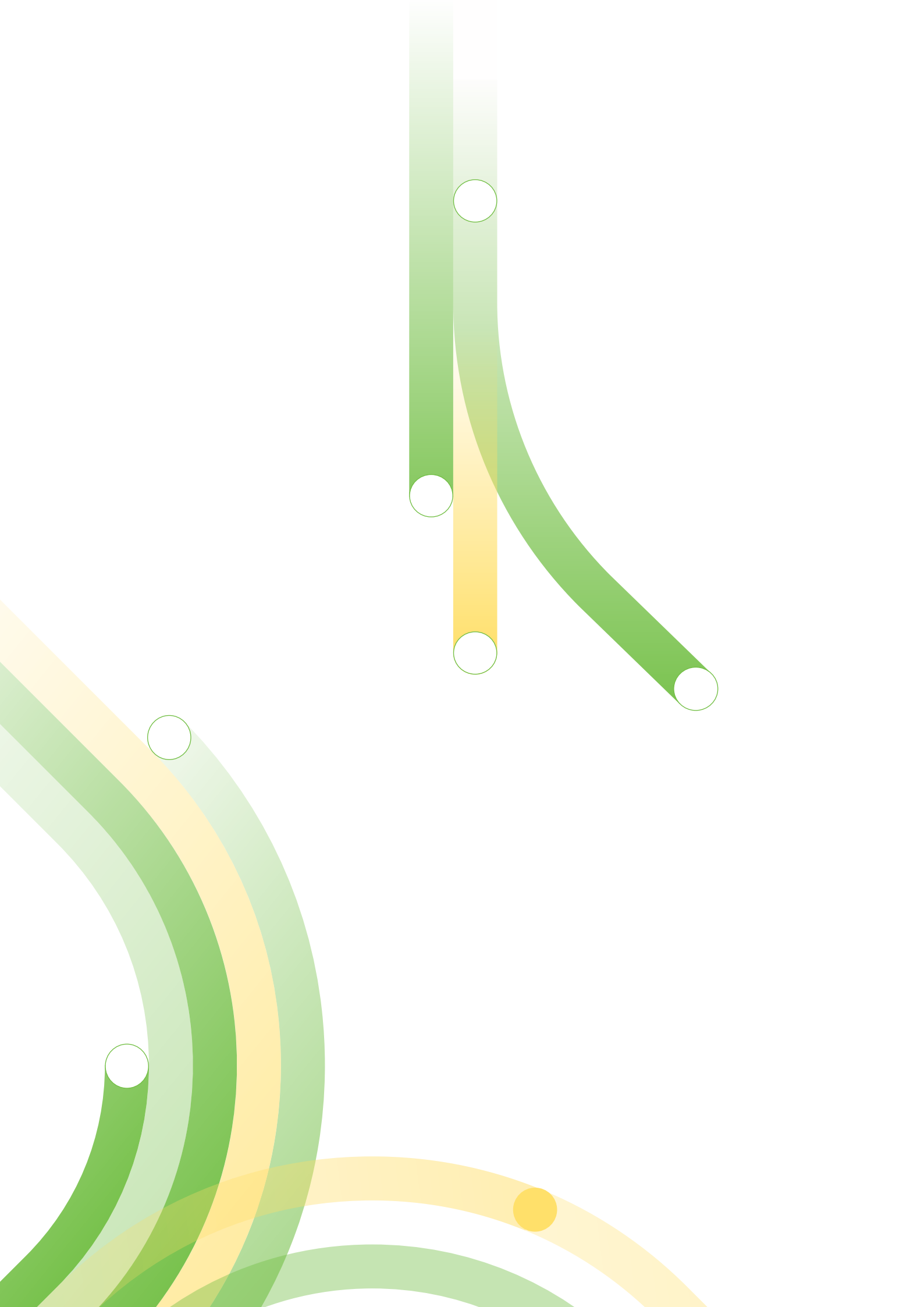


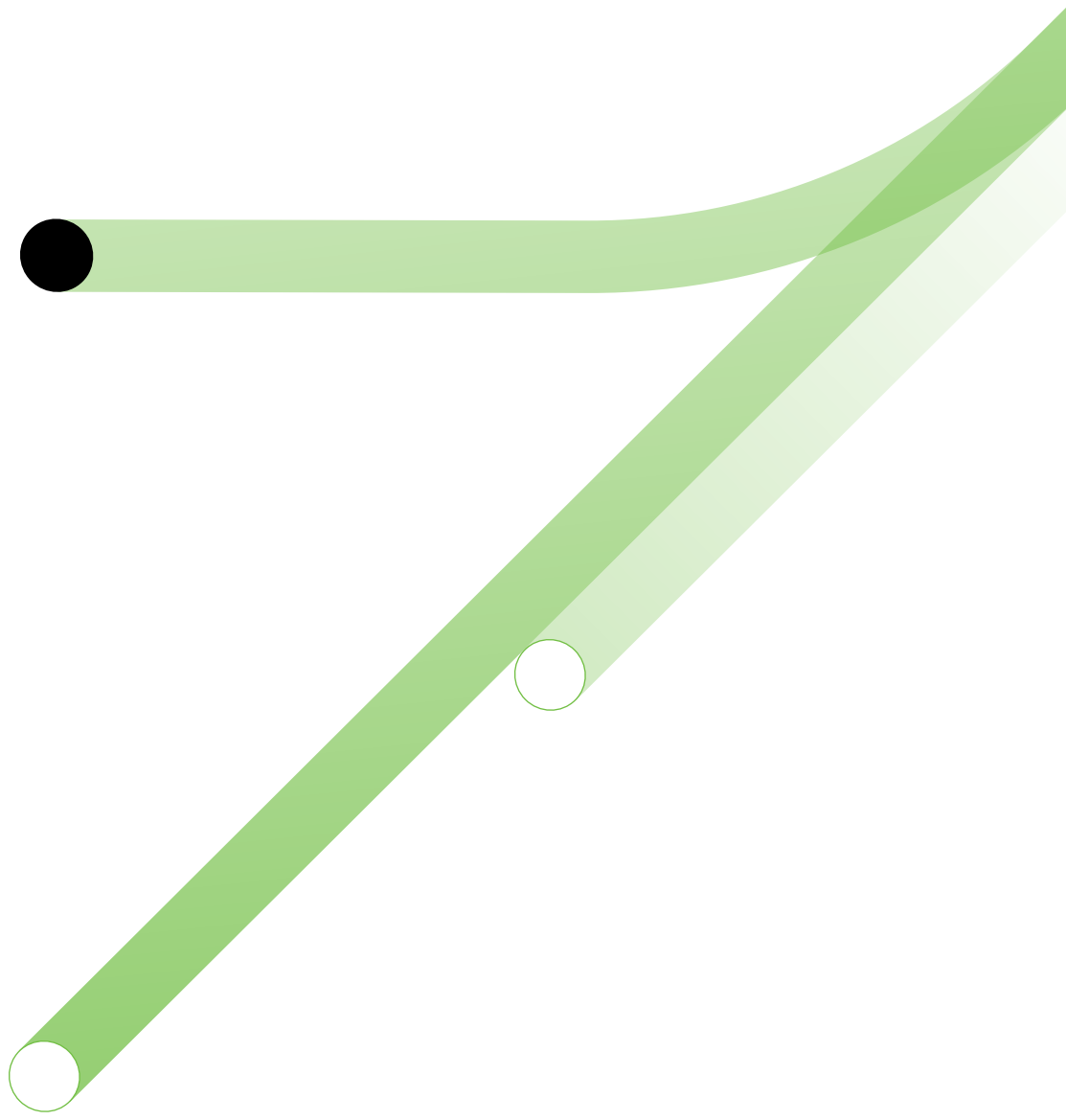


Annual  
Report  
**2023**





Annual  
Report  
**2023**



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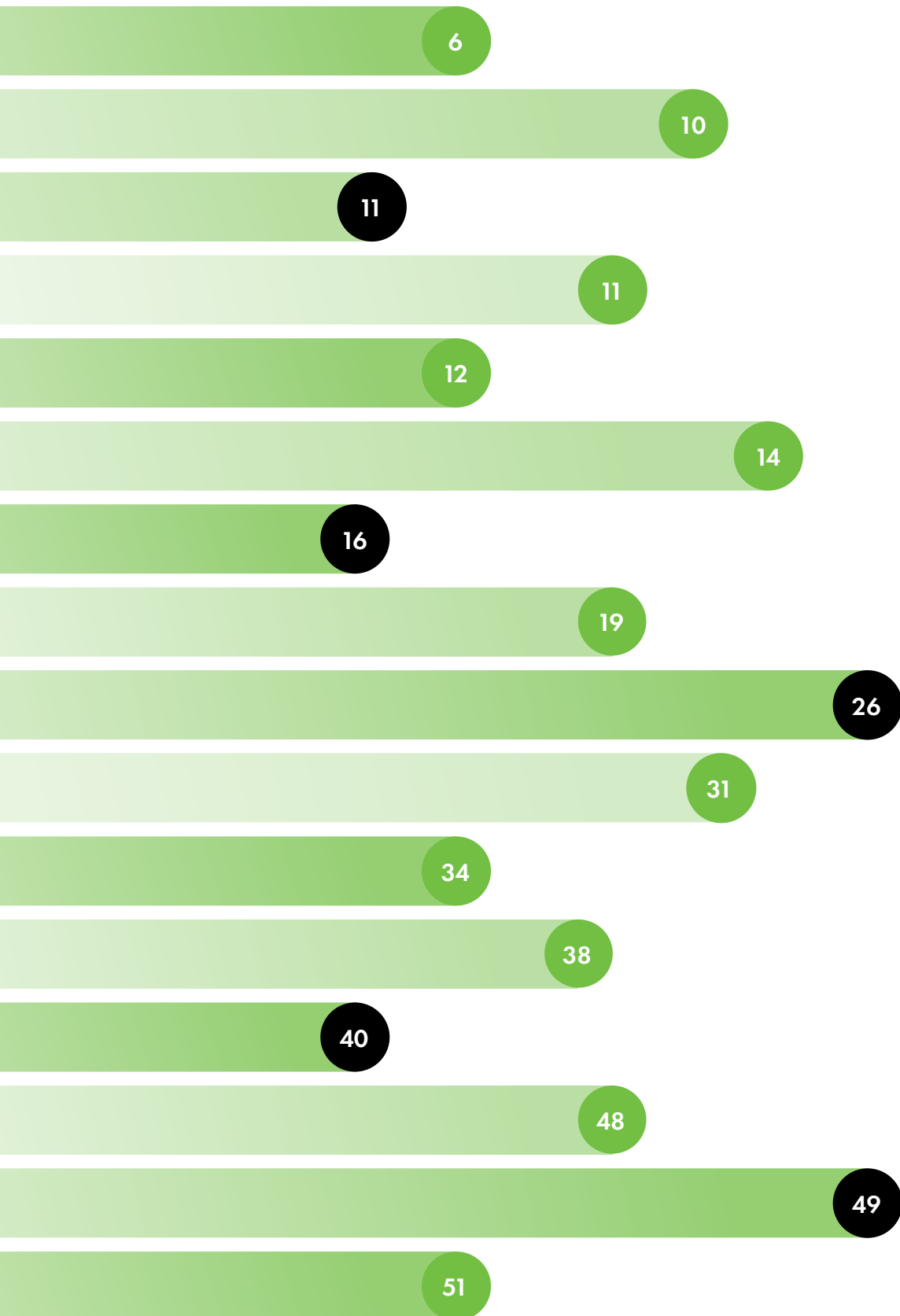
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# Letter to shareholders

Dear shareholders,

NAFTA celebrated a significant anniversary last year, 110 years since the discovery of oil and natural gas in our country. It is one of the oldest and most important companies for the country's energy security. NAFTA confirmed its strategic role in 2023, which once again tested the readiness of energy companies to respond to current market conditions and the gradual pull back on the use of fossil fuels from Russia.



**75**

new colleagues

Europe entered the winter of last year with great apprehension, despite reservoirs filled to more than 90% capacity. With natural gas imports compromised due to the ongoing military conflict in Ukraine, even these stocks might not be sufficient in the event of continued severe frosts. Although these fears have not materialised, Slovakia served as a positive example as the situation would have benefited the most by past investments in storage capacity.

Slovakia can now store more than 70% of its annual consumption in NAFTA's underground storage facilities. After the last winter, which was not so cold after all, more than half of the storage facilities remained full, which subsequently allowed for a much smoother gas supply in the following months. NAFTA thus confirmed once again last year that, thanks to the technological maturity and training of their employees, the company is ready to ensure reliable, stable and safe operation even in emergency situations and in the face of unpredictable developments on the energy market.

In 2023, we saw an increased interest in our storage capacity, with sales of short-term storage capacity being particularly successful. We were also successful in selling gas from our own production and our portfolio of clients expanded to include eight important players in the European market.

NAFTA achieved a number of successful results in its exploration and production fields in 2023. We completed a total of 2 new wells and revitalised and tested the legacy Gbely G142 well. We have also conducted several geological workovers on wells, which opened up new opportunities in hydrocarbon exploration and production. During 2023, we have also developed 11 new drilling projects, which we plan to drill over the next two years.

Our years of experience and know-how in exploration and experience in hydrocarbon exploration and production are also used abroad. In Ukraine, where we operate through our subsidiaries since 2016, major investment activities are unfortunately suspended due to the ongoing war conflict. Our activities in Hungary are developing positively, where we develop projects in partnership under three licenses. Another important activity of the NAFTA Group is the expansion of our activities involving the workover and closure of wells for clients at home and abroad. In these activities, for the year of 2023, we were particularly successful in the Czech market.

However, NAFTA's business activities are not limited to hydrocarbon exploration and production. We continue to look

to the future, which is why we have been researching the applicability and storage of hydrogen as a carbon-free gas for almost a decade. One of the main projects in this area is the HENRI project, which successfully obtained IPCEI status in 2022. Its goal is to identify suitable geological structures in Slovakia for high capacity underground storage of hydrogen and to determine the conditions under which hydrogen could be stored efficiently. We are currently implementing the first phase of the project, which includes research into the impact of hydrogen on the bearing rock. In addition to hydrogen, we are also considering options for other types of "green" energy, such as geothermal energy, for which our old wells could find a new use.

A responsible approach to both people and the environment in which we operate or which we influence through our activities has long been part of our corporate culture. As in previous years, the priority for us is the protection of the environment and the climate in all the activities of the NAFTA Group. This was primarily translated in 2023 into activities focused on reducing methane emissions, and also in the form of investments to eliminate the effects of underground natural gas storage facilities on their surroundings. In the area of community support, we continued to actively develop community relations in 2023, particularly surrounding our operational facilities, and we supported a number of interesting projects focused on developing the locations and areas in which we operate.

The success of every company is grounded in the professionalism and experience of its employees to a large extent. NAFTA recognises this and hence, in 2023 we focused on creating a safe and motivating environment for our colleagues, and on acquiring new talents. We are pleased to have recruited 75 new colleagues, in large part due to the references provided by our existing employees. This is further evidence of the fact that NAFTA offers attractive career options with great future prospects for growth.

The NAFTA Group confirmed its role as a major European player and strategic partner in the energy sector in 2023 despite the complex geopolitical situation. The past year also showed that the gas business does not stand still, it is constantly developing and offers new opportunities that are only available to those who are truly prepared. It fills us with pride that NAFTA is just such a company.

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

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

**Ing. Martin Bartošovič**  
Chief Executive Officer







## Executive management



**Ing. Martin Bartošovič**  
Chief Executive Officer



**Ing. Szilárd Kása**  
Chief Financial Officer



**Ing. Mgr. Ladislav Barkoci**  
Chief Commercial Officer



**Ing. Ladislav Goryl**  
Director, Underground Gas Storage Division



**Ing. Jozef Levoča, MBA**  
Director, Exploration and Production Division

## Members of the Board of Directors



**Ing. Jan Špringl**  
Chairman



**Ing. Jozef Pagáč**  
Vice-chairman



**Ing. Robert Bundil**  
Member



**Ing. Dušan Halgaš**  
Member



**Ing. Eduard Veselovský**  
Member

## Supervisory Board



**Doc. Ing. Pavel Peterka, PhD.**  
Chairman



**Gary Mazzotti**  
Deputy Chairman



**Ing. Peter Bocán**  
Member



**Doc. JUDr. Boris Balog, PhD.**  
Member

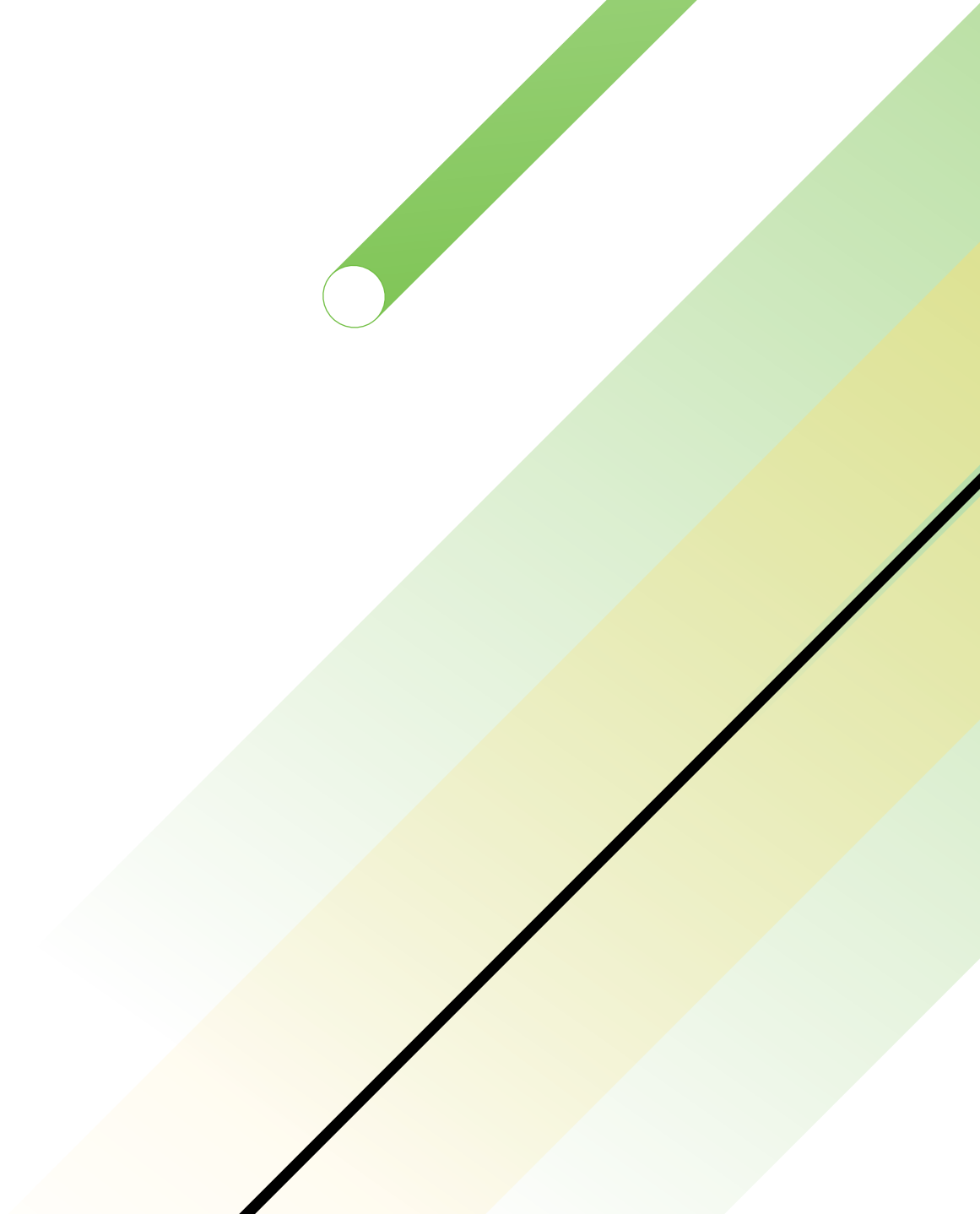
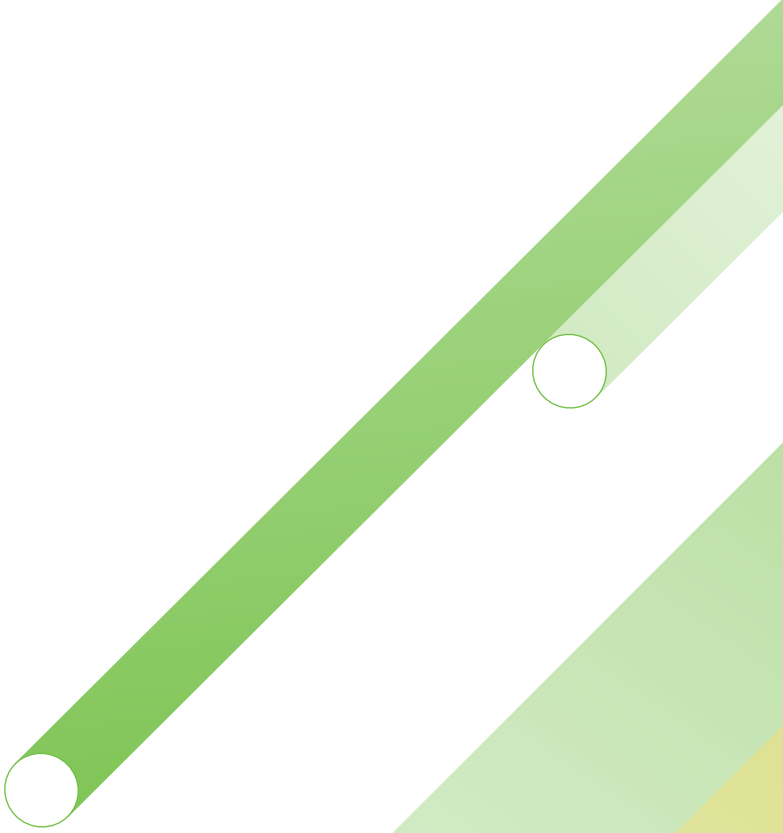


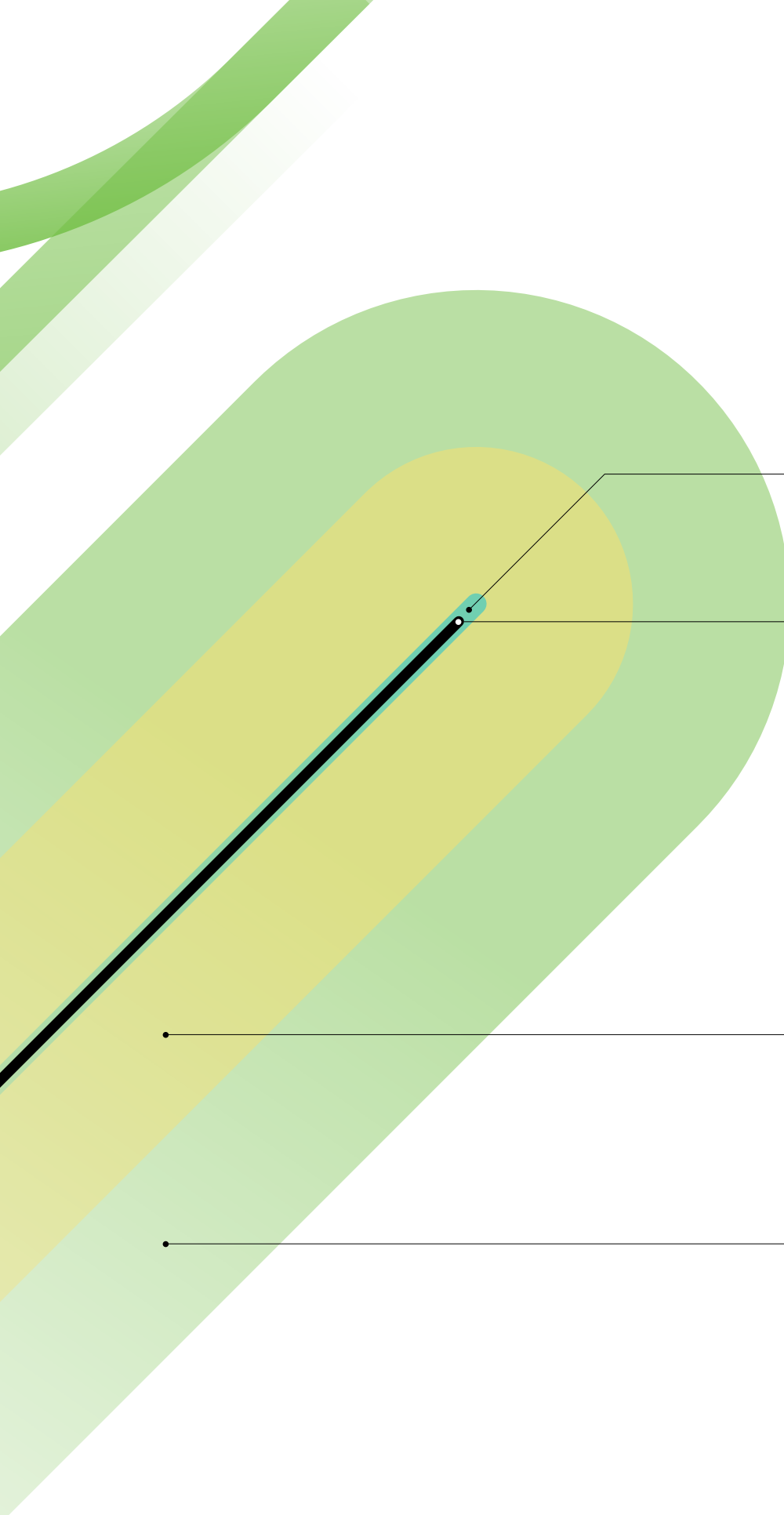
**Ing. Daniel Kujan**  
Member



**Ing. Peter Šefara**  
Member

# Structure of shareholders





**1.91 %**

Other shareholders  
EUR 2,050,478

**1.49 %**

Own shares  
EUR 1,593,551

**40.45 %**

Czech Gas Holding  
Investment B.V.  
EUR 43,374,750

**56.15 %**

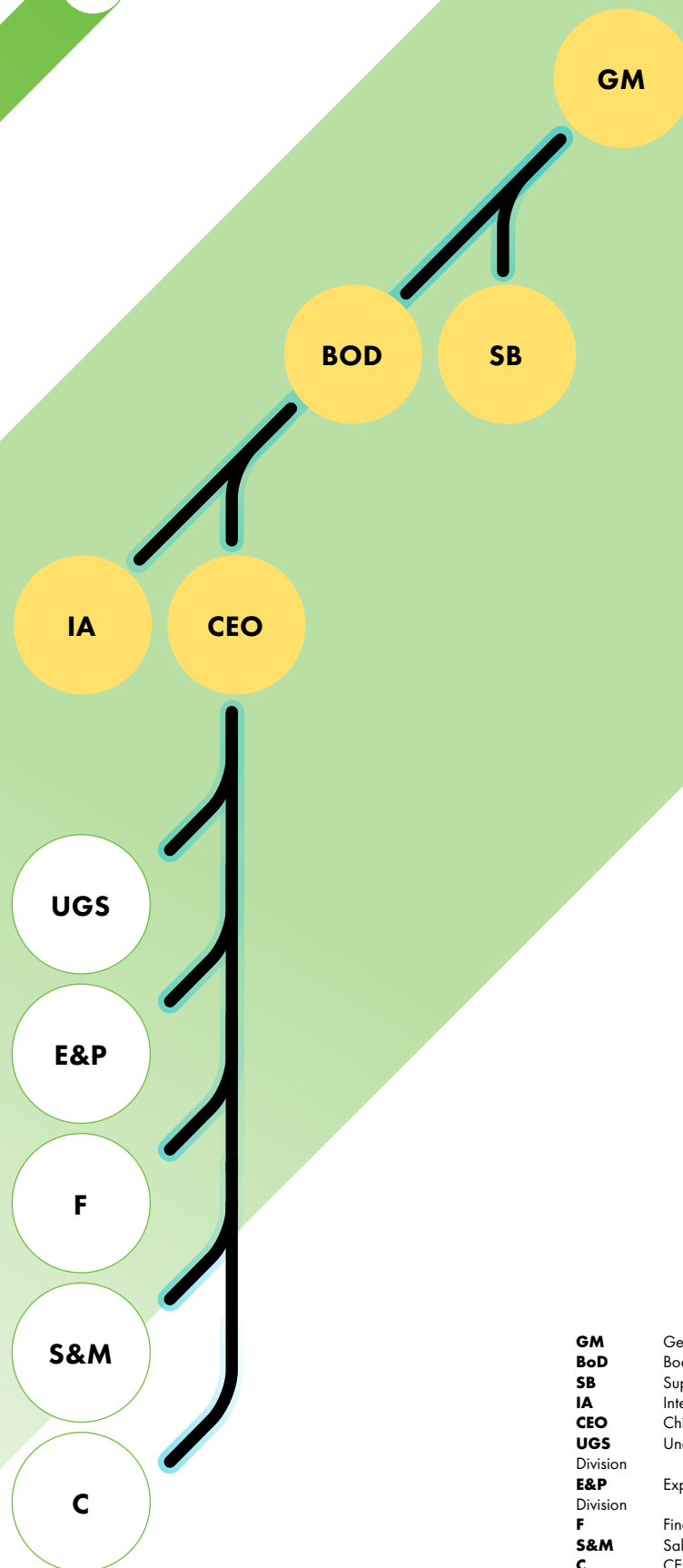
SPP Infrastructure, a.s.  
EUR 60,216,783

# Organisational structure

**The NAFTA international group of energy companies has been active in the field of underground storage of natural gas for a long time and is also a leader in the field of exploration and production of hydrocarbons in Slovakia.**

It operates within Europe with its main activities including the operation of underground storage facilities, the implementation of exploration and production activities and active cooperation in international renewable energy storage projects.

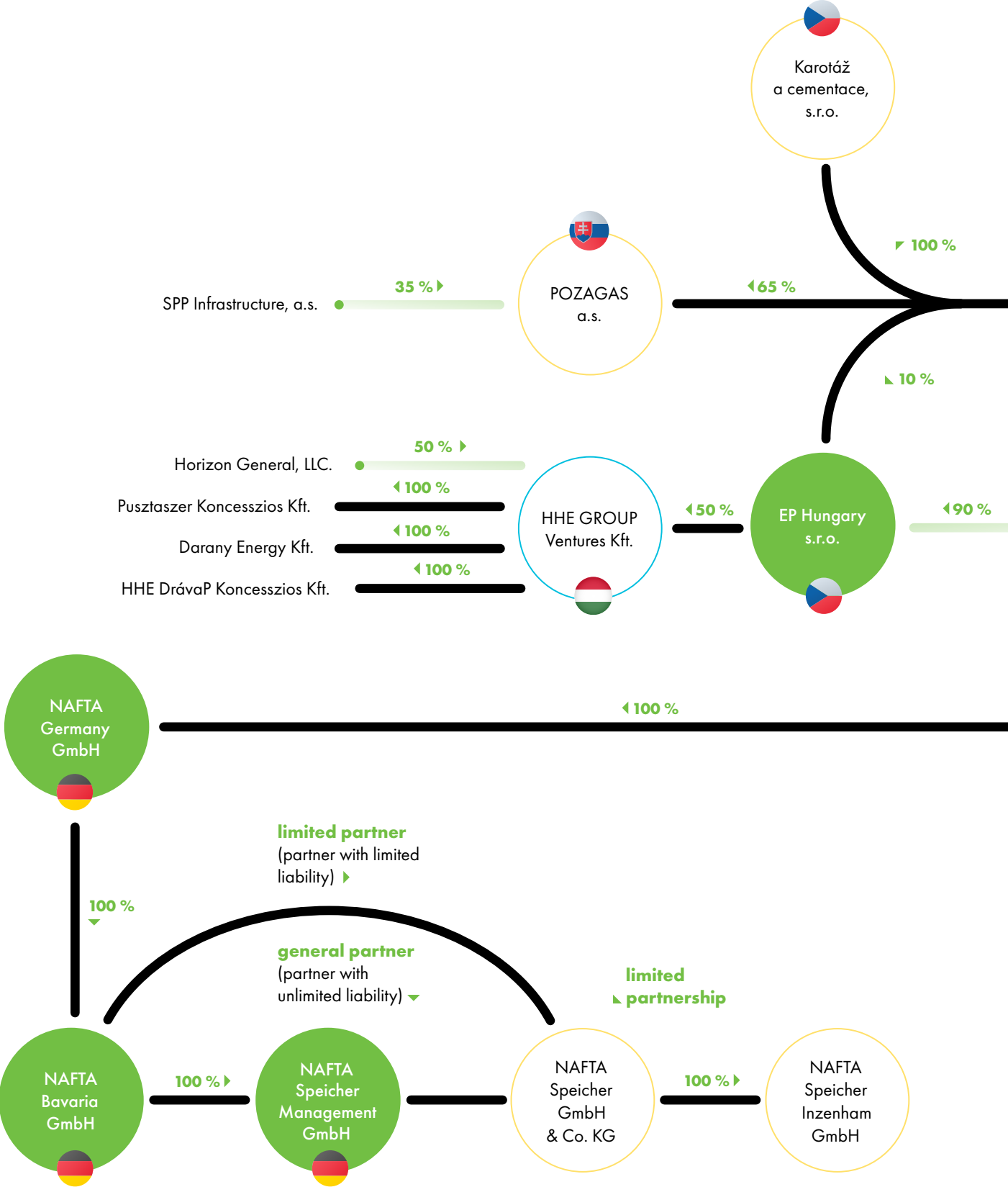
NAFTA currently operates and is continuing to develop and provide technical and consulting services for storage facilities with a total storage capacity of approximately 64 TWh. In addition to Slovakia, the group is active in the Czech Republic, Hungary, Germany, Great Britain, Austria and Ukraine.



**GM** General Meeting  
**BoD** Board of Directors  
**SB** Supervisory Board  
**IA** Internal Audit  
**CEO** Chief Executive Officer  
**UGS** Underground Gas Storage  
 Division  
**E&P** Exploration and Production  
 Division  
**F** Finance Section  
**S&M** Sales and Marketing Section  
**C** CEO Section

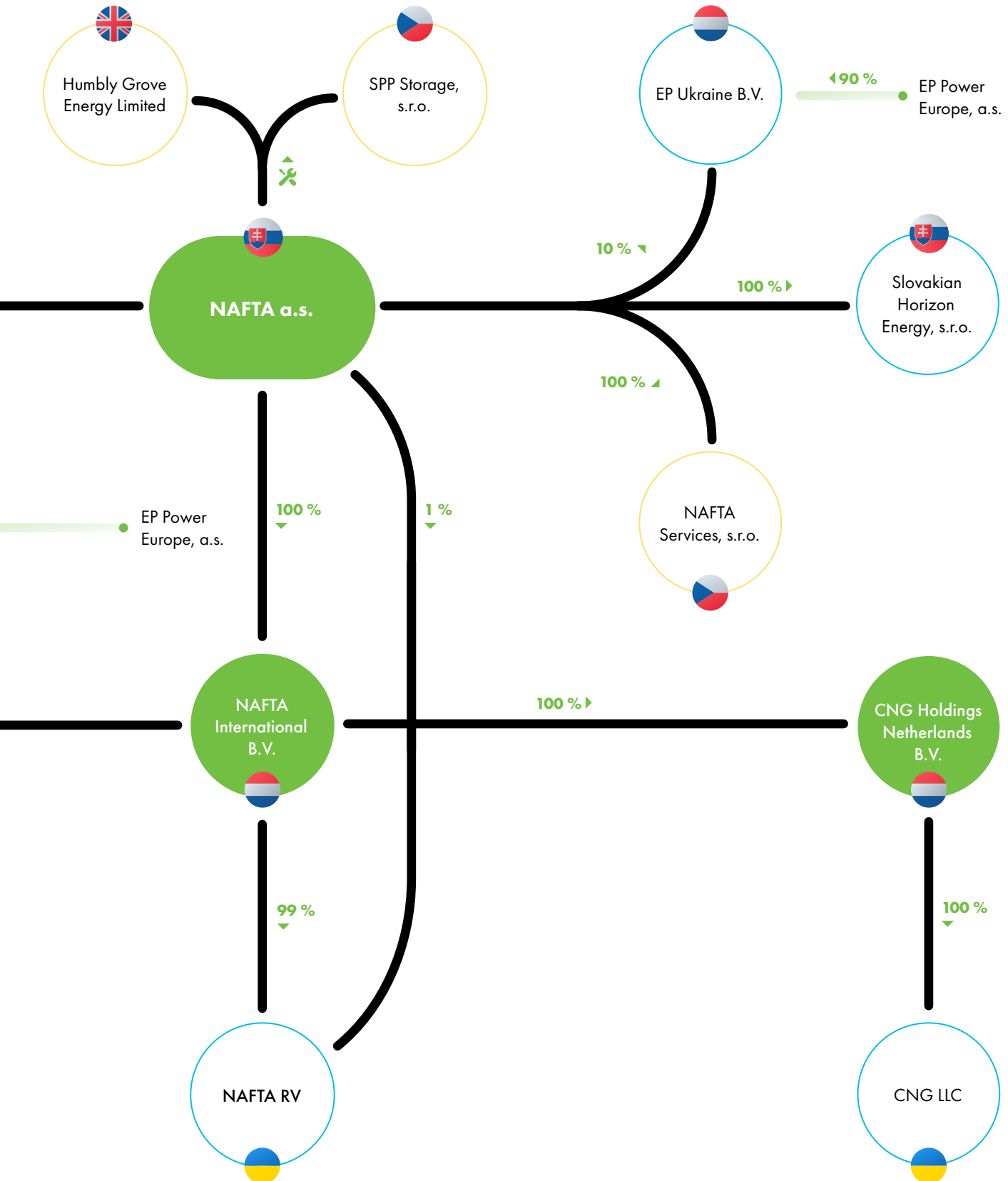
# Structure of the NAFTA Group

as at 31st December 2023 per relevant business registers.





- Companies active in exploration and production
- Companies active in natural gas storage facilities and related activities
- ✂ Service and technical services





## Underground natural gas storage

2023 marked 110 years since the discovery of oil and natural gas in our country. Hydrocarbon deposits in Slovakia are mainly concentrated in the Záhorská nížina, for the most part in the surrounding area of Malacky and Gbely. Although the share of oil and natural gas production from domestic sources has decreased significantly over time, Slovakia has had extraordinary achievements, especially in the field of natural gas storage, which has a history of more than 50 years.

The gradual exhaustion of natural gas deposits and new trends in the gas industry drive the process behind the construction and expansion of storage capacity, which saw its full development in the 1970s. An important impetus was the construction of a transit gas pipeline from Russia through the territory of Slovakia in 1970, which was then followed by the construction of underground storage facilities in the Vienna basin in western Slovakia. The first cubic meters of imported natural gas began to flow into storage facilities in 1973, which is considered to be the beginning of the history of gas storage in Slovakia.

NAFTA is based on this tradition and the know-how obtained as a result and is today a modern company with extensive experience in operating and constructing underground natural gas storage facilities in Slovakia.

Gas storage facilities fulfil a critical role in every season of the year. While they are used to store gas during periods of lower consumption, they remain available to supply gas during times when there is a lack of supply in the gas system, or increased market demand. NAFTA is one of the key companies responsible for energy security in Slovakia and in the region of Central Europe.

The main activity of the company is the storage of natural gas for its clients, who are gas suppliers for end users and natural gas traders. Through the long-term and systematic development of the underground storage facilities, NAFTA managed to create a reliable basis for ensuring smooth supplies of natural gas for customers in Slovakia, as well as ideal conditions for the development of an extremely promising industry.

NAFTA operates a complex of storage facilities in Slovakia. They provide a direct connection to other gas systems, including distribution systems (via the SPP – distribúcia, a.s. distribution system) and gas transit pipelines in Slovakia (operated by eustream, a.s.).

Via Pozagas, a.s., in which NAFTA is a 65 % shareholder, its gas storage facilities are connected to the Austrian distributor Gas Connect Austria, which enables access for gas market participants operating in Austria. Another advantage is the location of the complex of storage facilities in close proximity to the borders of three countries, which allows the system to serve all of Central Europe as a result. This allows NAFTA to be a major exporter of flexibility services abroad.

NAFTA is part of various international working groups and associations, such as IGU (International Gas Union) or GIE (Gas Infrastructure Europe).





## Underground storage facility

In 2023, NAFTA continued providing safe, reliable and efficient operation of gas storage facilities. All client requirements for withdrawal and injection applied on the basis of valid contracts and gas quality parameters resulting from valid interconnection agreements were met.

We continued efforts within storage facility operations in 2023 to develop a system of tools focused on improved prediction of storage facility performance characteristics and software solutions for the commercial dispatching. These tools are primarily used for the short-term sale of storage capacities and given the dynamic market situation, they played an important role in maintaining NAFTA's revenues in 2023.

During 2023, we also implemented and operated with the new dispatching software. The transition went smoothly without any constraints for customers, and additionally provided an improved user experience and improved electronic communication security.

NAFTA's main investments in underground gas storage in 2023 was focused on refurbishing the process technology at the Plavecký Štvrtek Central Station. This is used to regenerate the liquid desiccant used in the treatment of extracted gas, replacement of heaters, as well as restoration of the exhaust tracts on the most powerful turbo compressors, TK 7 and TK 8. Despite the significant investment activity that was carried out during the summer months in one of the operating centres, storage customers were not restricted in their use of storage services.

We have also paid great attention to maintenance and repairs of equipment, which are planned and implemented through a specially adapted maintenance management system.

NAFTA Group companies provide operation, development, technical and maintenance services for storage facilities with storage capacity of more than 64 TWh in several European countries. This is an important contribution to the security of gas supplies. In addition, we are trying to export our long-standing know-how and are also looking at other options to expand storage services abroad.

In Germany, the NAFTA Group operates the Inzenham-West, Wolfersberg and Breitbrunn/Eggstätt underground storage facilities. In 2023, we focused on introducing new additional services and selling available storage capacity at these facilities. Moreover, at NAFTA's Speicher Inzenham storage facility, we were able to allocate 2.7 TWh of storage capacity for the 2023/24 storage season.

A decorative graphic consisting of several green lines and circles. A large green circle is on the left, with a smaller white circle containing the letter 'B' overlapping its edge. To the right, a thick green line curves downwards and then turns into a vertical line. At the end of this vertical line, there is a white circle. Another thick green line starts from the top right and curves towards the center, ending in a black circle. The overall design is modern and abstract, using various shades of green and white.

## Sales of storage products and services

Despite difficult conditions, NAFTA remained an important part of the energy ecosystem in 2023 which helped stabilise the European gas market. Over the past year, suppliers diversified their sources of natural gas supply, which was one of the reasons for the increased interest of clients in NAFTA's storage capacity.

The favourable economic result was influenced by the fact that the company successfully continued to implement its strategy to focus more on the provision of short-term storage services. The demand for these services also grew due to the increased volatility of gas prices. By offering short-term storage services, NAFTA has helped to stabilise the gas market in Europe.

NAFTA's portfolio includes not only traditional seasonal products and flexible storage services, but also innovative storage products. In 2023, we have worked intensively to ensure we can offer NAFTA Speicher Inzenham clients the same high standard of services and products as they are used to in Slovakia. In doing so, we strive to take advantage of every business opportunity, not only in the individual markets in which we are gradually establishing ourselves, but also between these markets.

In March 2022, NAFTA became a relevant company in the Austrian market, which has resulted in cost savings for the company and clients in 2023. Our next activity in this area will be directed to the use of the company to aggregate customer's requirements for injection and withdrawal to and from Austria, and thus to more efficient use of transport capacities.

In 2023, we saw increased demand for storage capacity in 2023, and the sale of short-term storage capacity proved to be extraordinarily successful. The number of short-term storage contracts concluded in 2023 was 98, with a total of 15.4 TWh of storage capacity allocated in total for the 2023/24 gas year. Meanwhile, NAFTA was able to successfully sell gas from its own production, with deliveries in 2023 totalling 180 GWh and deliveries in 2024 totalling 385 GWh. Moreover, we successfully expanded our client portfolio to include eight important players from the European market.

Storage facilities operated within the NAFTA Group reached a maximum filling level of 99.6% in 2023. In addition, NAFTA's storage capacity was also used in 2023 to store Austria's strategic reserves of natural gas.



## Green energy innovations

NAFTA participated in several innovative and development projects in 2023, in which it was able to leverage unique know-how and synergies within the existing gas market. Among them, we can mention the more than a year operation of photovoltaic panels installed within the central campuses in Gajary and Plavecký Štvrtok.

In this area, we have also participated in a call with the Ministry of the Economy of the Slovak Republic, which includes three more projects for the installation of panels on NAFTA's land and premises. One of these projects is currently in the implementation phase. Additionally, we continue our efforts to develop more projects supported by the EU funds.

**Furthermore, NAFTA uses its competence in the field of innovative renewable energy storage, and is active in several research, experimental projects and international partnerships.**

Currently, most of the innovative projects implemented by NAFTA Group companies are focused on storing hydrogen. The flagship project in this area is the HENRI project, which was successfully awarded the IPCEI ("Important Projects of Common European Interest") status in 2022. Its aim is to locate suitable geological structures in Slovakia for large-scale capacity underground storage of hydrogen and to determine the conditions under which hydrogen could be stored. This means understanding if it can be stored in a selected structure in its pure form, or if it needs to be in a mixture with natural gas, the pressure level, etc.

NAFTA is currently implementing the first phase of the project. In order to define the storage conditions and the suitability of geological structures, research will be carried out on the impact of hydrogen on both the bearing rock reservoir and the sealing layer, as well as testing for microbial processes in the storage facility. The obtained data will then be used in a computer model. The specific structure will then be tested in the second phase,

where the hydrogen will be physically pumped into a storage facility.

In 2023, the project developed a methodology to assess the various individual potential structures for storing hydrogen in Slovakia. In October 2023, 3D seismic measurements were carried out and laboratory testing of the impact of hydrogen on the rock reservoirs, sealing layer and analysis of the effects on microbial reactions began. The first official conference related to the project was also held in 2023, where the partners presented the scope of the tests to be carried out under the project.

Another project aimed at broader use of hydrogen as an energy source is the H2EU+Store project in which NAFTA is also a partner. The project consortium was established in 2022, and subsequently, work on a feasibility study for the generation of energy from renewable sources and hydrogen production in Ukraine began in 2023. Here it is assumed that hydrogen would be transported through the transmission networks of Ukraine, Slovakia and Austria to German industrial customers, and there will be the possibility of storing green hydrogen storage along this transportation route.

In 2023, we partnered with the largest storage operator in Germany, UNIPER Energy Storage, in the HyStorage project. The HyStorage project aims to test the impact of storing a mixture of natural gas and hydrogen in different concentrations on the geological structure in the Bierwang site. The project has successfully started, with the first injection of a gas mixture with 5% hydrogen in autumn 2023 and with the reverse extraction being realised in 2024, when further storage cycles for 10% and 25% hydrogen concentrations will also be tested. NAFTA became one of the founding members of H2eart for Europe in 2023, which associates the leading operators of storage facilities in the EU with a focus on hydrogen storage facilities.

Strong competence and the most modern technological capacities open up a tremendous opportunity for development of NAFTA Group companies. Due to that, NAFTA has the opportunity to play an important role in the transition of European countries to low-carbon energy.







# Hydrocarbon exploration and production

**NAFTA is a leader in hydrocarbon exploration and production with more than 110 years of history. One important aspect of its activities is extending the service life of production deposits in Slovakia by using its extensive expertise and the latest methods and innovations.**

NAFTA's exploration activities are primarily focused on two main areas. The first is the implementation of geophysical seismic measurements, the results of which are used to determine the geological structure of rocks and can also be used in the search for sources of geothermal energy or drinking water. The second area is exploratory drilling, which will be carried out based on the interpretation of the results of seismic measurements. If the presence of a field with natural gas reserves is confirmed, the process of obtaining the necessary extraction permits follows.

Domestic production has several benefits for Slovakia. While transporting liquefied natural gas by tankers requires a large amount of energy and long-distance pipelines can leak emissions, local production can minimise these losses, as the gas travels directly to the gas network without the need for long transportation distances. Another advantage is transparency and consistent control of the production processes, as well as the stability and security of supply. Furthermore, domestic gas reserves protect Slovakia from possible supply shortages originated from other countries or in the event of other unforeseen circumstances.

The NAFTA Group places the highest emphasis on the safety of operations and the minimisation of impacts on the environment and the local community in all its exploration and production activities.



ZONA 2  
(SNV1)



## SLOVAKIA

The exploration and production activities of the NAFTA Group in Slovakia are concentrated in three specific locations: The Vienna Basin, the Danube Plain and the East Slovak Plain.

NAFTA successfully drilled a total of 2 new wells in its exploration and drilling fields in 2023 (Záhorská Ves 7 and Kúty 48). We revitalised and tested the older Gbely G 142 well and conducted several geological workovers, opening up further potential opportunities in the field of hydrocarbon exploration and production. We continued working on preparing additional drilling projects in 2023 which we are planning to complete over the next two years. There are in total 11 new projects.

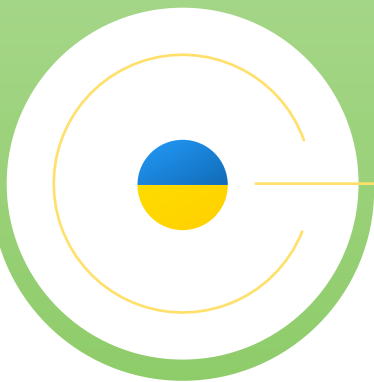
In the last quarter of 2023, we carried out 3D seismic measurements at the Ptrukša location covering a total of 106 km<sup>2</sup>, of which 43 km<sup>2</sup> were in the Pavlovce nad Uhom and Beša exploration area (for which Slovakian Horizon Energy, s.r.o. holds the exploration license) and 63 km<sup>2</sup> in the Kapušianske Kľačany production area (part of the HENRI project). Processing and interpretation of data from these measurements will follow in 2024.

In the exploration area of Trnava, cooperation with a foreign partner from the Vermilion Energy group continued last year, as part of which we received the final decision in the environmental impact assessment (EIA) process for the Malženice 1, 2 and 3 wells, as well as the related connections and the central facility. On the basis of this, we can now begin planning future work towards the implementation of this project.



## HUNGARY

In cooperation with EP Power Europe ("EPPE"), NAFTA is operating in Hungary alongside the US firm Aspect Energy under three licenses. A total of 11 wells have been drilled up to this point and the extraction and sales of hydrocarbons are ongoing. An additional 10 wells are planned to be drilled in 2024.



## UKRAINE

The NAFTA Group uses its extensive experience and professional expertise in hydrocarbon exploration and production in the development of this sector in Ukraine, where it has operated since 2016.

NAFTA Group projects are located in two different areas. The first is located in Western Ukraine and is a continuation of existing reserves in the territory of Slovakia. However, following the drilling and testing of the Uzh104 well in 2023, no commercially recoverable hydrocarbon volumes have been confirmed. The data is currently being analysed and the way forward within the Uzhgorod license is yet to be defined.

The Vatazhkivska project is located in Eastern Ukraine near the city of Poltava. As part of this project, existing 2D seismic and geological data were processed and evaluated in order to determine the next step and the area for new 3D seismic and possible further drilling. The PSA Hrunivska and Okhtyrka project is another project in Eastern Ukraine where NAFTA holds the necessary exploration and production licenses and is engaged in the EP Power Europe consortium based on an agreement between the investors and the government. This agreement provides the investor with a guarantee of equal conditions for 50 years, which is a key element to achieve the stability of the project.

The licenses are located in an area with unexploded ordnance, so the first necessary step after the end of the war will be to clear the area and conduct a pyrotechnic survey. As a result of the ongoing war conflict, all other investment activities in Eastern Ukraine (within the Vatazhkivska project and within the framework of PSA projects) have been temporarily suspended and we are currently exclusively dealing with administrative and management duties associated with being the license holder.

## UNDERGROUND DRILLING AND WORKOVER (POSAV)

The NAFTA Group has a broad portfolio of wells and therefore is in the company's interest to expand its internal know-how to flexibly ensure these wells are properly maintained, repaired, and closed when necessary.

We completed a total of 28 workover jobs with our POS rigs in 2023 for our production and storage wells. As part of this work, we have also completed the closure of 7 wells and drilled two wells for NAFTA with our BIR 8005 drilling rig.

We likewise continued providing these services in 2023 for external clients at home and abroad, with a total of 10 projects successfully completed. Our equipment and know-how were used in two well closure projects in the Czech Republic.



 570 employees

 2023

# Employment, training and development of corporate culture

The success of the NAFTA Group in 2023 is largely the result of the professionalism, knowledge and rich experience of our employees. As of 31st of December 2023, NAFTA had 570 employees whom we actively support by creating a stable and inspirational work environment.





## EMPLOYMENT

With the end of the emergency and alert state due to the COVID-19 pandemic, we at NAFTA could return to more in-person forms of collaboration. Regardless, given our company's strategic position in the energy sector, we continue to pay close attention to potential pandemic risks.

In 2023, we focused on recruiting new talents, totalling 75 new colleagues joining our team. A strong pillar to the recruitment success was our existing employees, who helped us find a large number of new colleagues within the framework of the candidate referral program.

We also continued various forms of cooperation with high schools and universities. Students had the opportunity to try real hands-on internships, summer jobs and cooperation on

specialised final theses. We are glad that several of the students are gradually becoming full-time staff members. For them, we regularly implement an adaptation program, which formally welcomes them to the company, and gradually introduces the graduates to its activities and projects. We conducted a Management Forum for our management level employees as an opportunity to share in NAFTA's strategic goals and plans.

In the end of 2023, we successfully negotiated with the trade unions to extend the NAFTA a.s. Collective Bargaining Agreement until 2027. We have also devoted considerable attention to the preparation of changes in the compensation system, which will bring even more clarity and transparency from 2024.

## EMPLOYMENT

The expertise of our staff is a strength and a competitive advantage of our company. That is why at NAFTA we place great emphasis on the expansion of professional competences, soft skills and language training of our employees. The sector in which NAFTA operates places a high level of demands on professionalism and the quality of education and training. Legal and expert technical trainings are therefore a stable element of our education system, which help us operate technological equipment at a high level and in full compliance with the applicable legislation. After the pandemic, a large number of trainings could be carried out face-to-face, and they were held

in Slovakia and abroad. In 2023, we have also continued to support employees who decided to strengthen their qualifications by studying at a university.

NAFTA is a part of various international work groups and associations. The know-how of our employees is based on years of experience and the latest business trends. Proof of that, in 2023, a representative of our company became a member of the Board of Directors of GIE (Gas Infrastructure Europe).





## CORPORATE CULTURE

At NAFTA, we are about a work-life balance. As such, we enjoyed interesting employee events and activities in 2023, not only designed for our employees, but also for their family members. Teamwork, as one of our key corporate values, and the health of our staff, were promoted through several sports activities.

Hence, in 2023, we awarded 11 colleagues for their innovative ideas and solutions that had a real and positive impact on the company's activities. In 2023 **we gave awards to 11 colleagues for their innovative ideas and solutions** which have had a real and positive impact on the company's activities.

We also think about our former staff who are now pensioners and keep up close contacts with them. Furthermore, we have successfully completed another year of the "Naftári naftárom, ale nielen im" (which translates to "Nafta employees to Nafta employees, but not only to them"), a project that helps people around us who are experiencing difficult life situations. We are proud that this project has found a place in the hearts of our staff for 10 years during which we have supported **62 unique stories and raised nearly EUR 200,000**.

We have also shown our solidarity to people from Ukraine fleeing the war conflict. In partnership with the EPH Foundation, we have cooperated by sending material aid to Ukraine.

We implemented internal communication in the form of regular publication of news on our Intranet, email communication and intensive information of employees through videos on screens located in the locations where we operate.

To actively create and support a high-quality and inspiring work environment, we developed a long-term project focused on the development of our corporate culture in cooperation with an external partner. As part of the project, we have identified and are gradually implementing several key tools that will help us constantly improve our corporate culture.



11

award-winning  
colleagues



62

stories supported  
with nearly EUR 200,000

# Corporate social responsibility

**The NAFTA Group in all its activities strongly applies the principles of safety, health protection of employees and residents around its operations, while aiming to minimise the impact of its activities on the environment and climate change. A responsible approach is an integral part of corporate culture in all NAFTA Group companies.**

Required information resulting from legislation that relate to the disclosure of the impact of activities on the environment, society and employment, including information on the observance of human rights and the fight against corruption and bribery, are part of EPH's Sustainability Report.

## Responsible business

In 2023, we successfully passed the recertification audit according to the established Integrated Management System (IMS), which focuses on maintaining and improving increasing standards and levels for our Underground drilling and workover (POSaV) division. At the same time, we have confirmed our international ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certifications, which is a confirmation of the professionalism of our experts in quality management, in the environmental field, as well as in safety and health protection. We have also successfully completed the SCC - VAZ 2021 recertification (Safety Contractor Certificate), which, as the

ISO 45001 system, focuses on occupational health and safety for contractors. All the obtained certificates and recommendations from the audit move us further in the continuous improvement of the level in our main activities.

As part of the strategy of wider use of renewable energy sources, we built a photovoltaic power plant with an output of approx. 1 MW on unused land at our Central Gajary Facility, and in the future, projects aimed at hydrogen storage will also bring significant synergies in the field of green energy, which NAFTA is developing within international cooperations.

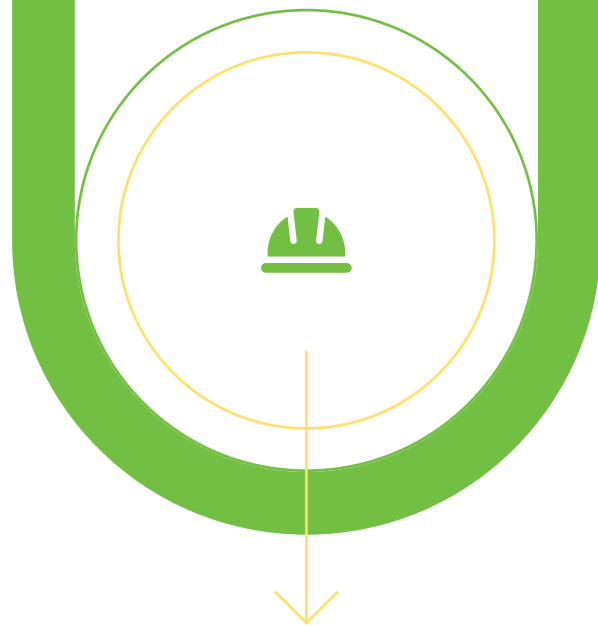
## Environmental protection

Focus on the responsible use of natural resources and doing business while keeping future generations in mind are firmly rooted in all our activities and decisions related to new investments and projects within the NAFTA Group. An important part of our activities is the continuous improvement of process safety and the prevention of serious industrial accidents that may have a negative impact on the environment.

In the course of 2023, we continued with activities whose main goal was to reduce methane emissions. In this effort we developed a program to reduce both fugitive methane emissions and process-related methane emissions. With the purposes of measuring, monitoring and minimising fugitive emissions, our companies in the NAFTA Group use proprietary technical equipment and procedures.

In particular, we have paid a lot of attention to measures and investments aimed at reducing the impact of PZZP operations on the surrounding environment (mainly emissions, but also noise). Larger investments include the modernisation of the TK8 compressor unit, the refurbishment of the heaters OH5a and OH6 and the refurbishment of reconcentration boilers RK2 and RK3.

The NAFTA Group is actively engaged in the process of land reclamation following the end of exploration and production activities, with the aim of minimising the impact of its operations on the environment. Within these activities, work has been completed on the environmental remediation at ZNS Cunín. The Slovak Ministry of Environment approved the full-scale reclamation of this site and post-remediation monitoring took place in 2023.



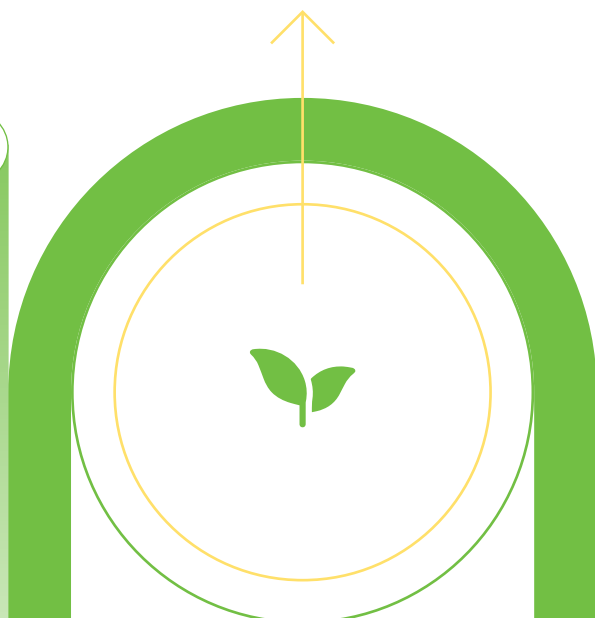
## Occupational health and safety (OHS)

In the area of work safety, we focused particular attention in 2023 on prevention, with particular emphasis on improving our safety culture. We also paid increased attention on external contractors, in particular through more frequent and rigorous inspections focused on safety and fire protection. We also organised launch conferences for activities related to occupational health and safety (Drilling and Workover) and focused on work safety in the coordination and management of contractors.

In terms of preventive measures, we focused on adjusting the methodology for risk analysis in 2023, while improvements were made in the area of environmental risk assessment in particular. We introduced a simple process for assessing risks at defined conditions and completed other activities within the change management process.

In addition to prevention, we also focused on accident preparedness last year. We conducted regular annual updates of the accident plans. Moreover in 2023, we organised a series of training drills that practically tested our employees' theoretical and practical knowledge of emergency procedures and processes.

NAFTA's assets include the unique "Polygón Lozorno" training centre, which is also home to the Main Mining Rescue Service Station. In this area NAFTA has invested in land reclamation technical equipment for accident response, which, together with related services, it also provides to foreign fire departments or companies. NAFTA works with foreign experts on these activities.



## Public service activities

We have a long-standing presence in various regions of Slovakia and are actively involved in the life of communities, mainly supporting projects in the fields of education, culture and sports. Company NAFTA annually provides financial support to various interesting projects with the aim of supporting the development of the locations where it operates.

**NAFTA supported a total of 65 projects in 2023, which contributed to the improvement of people's quality of life and the sustainable development of the region.** The supported projects were primarily based on our two traditional initiatives - Green Regions and Interactive Education, which accounted for a significant part of the supported public service projects.

In the field of environmental protection, we supported projects for the revitalisation of municipalities by planting greenery or restoring the surroundings of water bodies. Our efforts have contributed to improving the well-being of citizens, creating new resting areas, while also revitalised existing ones, and modernising ecological public lighting and benches. As part of our sustainability efforts, we have also supported projects related to the restoration of public infrastructure, including the renovation of a historic well and the replacement of trash cans.

Quality education is one of the key pillars of the future for us. We supported educational institutions within the Interactive Education initiative to increase the effectiveness of teaching, make it more attractive and improve the teaching process. Our efforts were manifested in the form of support for several schools in local communities, where we contributed to the creation of optimal conditions for education. We devoted financial support to interactive whiteboards, equipping gymnasiums, purchasing sports equipment, providing Internet access and implementing innovative educational programs.

We have also tried to intensify interest in sports activities by supporting projects to build or reconstruct children's playgrounds, sports fields or sports events. Annually we motivate and encourage our employees to participate in sporting events including the cycling "Tour de Gas" and the "Tatra - Danube run". Thanks to NAFTA's financial support, the traditional spring volunteer event for the Earth Day was held in Plavecký Štvrtok.

Supporting public service projects is key for us and we strive to ensure that the contribution of the NAFTA Group to communities is targeted and as effective as possible, while having a long-term positive impact on the lives of residents and the environment.



€

65

supported projects which contributed to the improvement of people's quality of life and the sustainable development of the region.

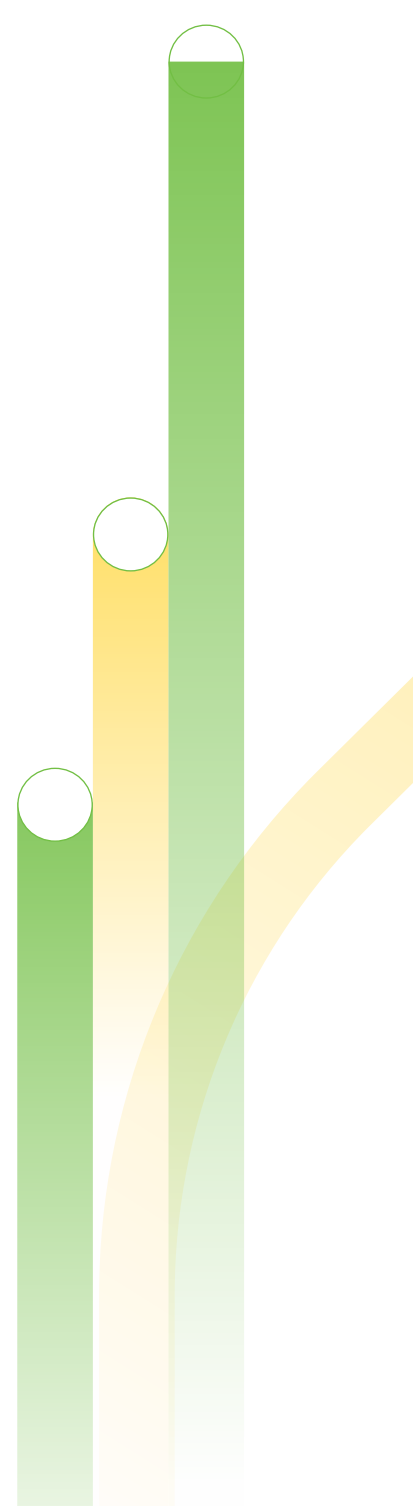
# NAFTA Group perspectives

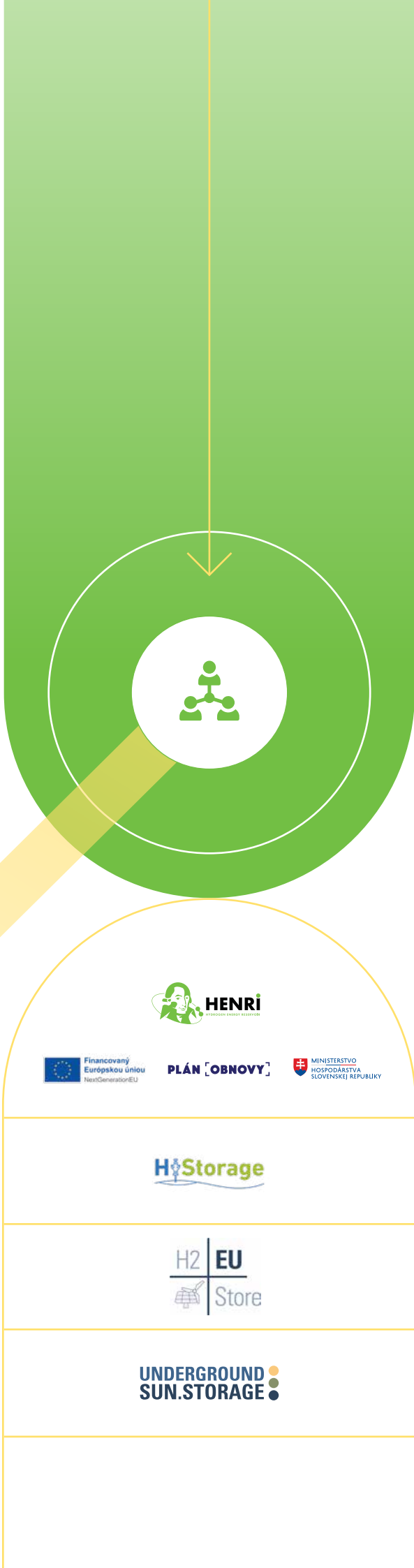
The NAFTA Group has confirmed over the past year, which was marked significantly by the military conflict in Ukraine, its important place on the European energy market. For the coming years, our priority remains on the safe operation of our facilities in several European countries and the reliability of the services provided, yet with the ambition of further growth. NAFTA's strategic goal in the field of underground storage is to become one of Europe's "TOP 3".

We believe that natural gas will not lose its importance by 2050 or beyond. It is the cleanest fossil fuel, and it will continue to play an important role for heating for years to come. The same is true for the generation of electricity, in particular the regulated generation, as we do not have a better solution available at present that would cover this issue on a large scale. This is also why natural gas will contribute to the necessary stability of the energy network in the long term. It is therefore in NAFTA's interests to continue to expand its storage capacities and it is within this context that we continue to evaluate opportunities and the potential of storage facilities located in Western Europe.

In addition to this objective, our attention is increasingly shifting to exploring possibilities and developing opportunities that are related to the green transformation of European economies, and the inevitable wider use of energy from renewable sources.

In the area of exploration and extraction of hydrocarbons in Slovakia, we plan to continue using our long-standing know-how and the latest methods and innovations. In this way, we want to extend the life of existing reserves and at the same time use the acquired knowledge to support the development of new areas and new technologies. We are also interested in continuing our activities in the field of workover and closure of wells,





as well as the development of licenses for exploration activities on several prospective European markets. Although we see long-term prospects for the use of natural gas, we also want to develop our business in other related areas of energy storage and production. That is why we have been working on several innovative and experimental projects since 2014. We focus the most attention on projects that investigate the possibilities of hydrogen storage.

The first phase of our flagship project HENRI, which successfully obtained IPCEI status in 2022, is already under way. The impacts of hydrogen on the bearing rock in storage facilities and microbial processes is currently being investigated. In the second phase, we will test the specific structure by physically pumping hydrogen into the storage facility.

Another one of our partner projects for the wider use of hydrogen is the H2EU+Store project, where in 2023 work began on preparing a feasibility study for the production of energy from renewable sources and hydrogen in Ukraine. In Germany, we became a partner of the largest storage operator, UNIPER Energy Storage, in the HyStorage project, the aim of which is to test the impact of storing a mixture of natural gas and hydrogen in different concentrations on the geological structure.

All these projects and activities indicate that this is a very promising industry with a pan-European reach and could be an important area of activity for the NAFTA Group in the future.

Finally, NAFTA's first geothermal project will contribute in an innovative way to the decarbonisation of industry in Slovakia. The aim of this project, which is located near the city of Trebišov, is to convert five unused production wells into deep heat exchangers.

Thanks to the strong and often unique competence of our employees and our cutting-edge technological resources, the NAFTA Group has all the prerequisites to play a significant role in the process of energy modernisation and decarbonisation of European economies. We are ready to be at the forefront not only in the safe and reliable operation of storage capacities, but also in research activities and the development of new technologies, which is imperative for the preparation of Slovakia and Europe for an emission-free future.

# Report on the company's business results and assets for the previous year

This report on the company's business results and assets for the previous year is based on the individual and consolidated financial statements of NAFTA a.s. issued as at 31st December 2023 in accordance with International Financial Reporting Standards (IFRS).





According to the individual financial statements of NAFTA a.s. issued in accordance with IFRS, NAFTA reports total net assets as at 31st December 2023 of EUR 847,090 thousand, of which EUR 652,129 thousand constitutes net non-current assets, and EUR 194,961 thousand constitutes net current assets. The most important items in non-current assets are buildings, structures, machinery and equipment totalling EUR 566,314 thousand, with the most important item in current assets being financial receivables totalling EUR 129,193 thousand. Buildings, structures, machinery and equipment are reported at their revalued values in accordance with the revaluation accounting model according to IAS 16, which was applied for the first time as at 31st December 2022.

According to the individual financial statements, NAFTA reports total equity as at 31st December 2023 of EUR 606,704 thousand, which mainly consists of registered capital, current year profit and the asset revaluation provision in accordance with IAS 16.

The company's registered capital as at 31st December 2023 comprises registered shares. As at 31st December 2023, the total number of issued and fully paid up shares are 3,230,960 with a nominal value of EUR 33.19.

The company's liabilities reported as at the balance sheet date totalled EUR 240,386 thousand, and comprised EUR 178,248 thousand in long-term liabilities and EUR 62,138 thousand in short-term liabilities. The most significant liability line items are tax liabilities in the amount of EUR 102,191 thousand, EUR, and provisions in the amount of EUR 91,079 thousand and which are created mainly in connection with the estimated future liquidation and reclamation costs.

According to the individual financial statements issued for the year ending 31st December 2023, the company generated profit after tax of EUR 155,501 thousand. The favourable economic result was influenced by positive market conditions, in which the company could successfully apply a strategy of greater orientation towards the provision of short-term storage services. At the same time, the company contributed to the stabilisation of the European energy market. More than half of the turnover was generated by storage for foreign clients.

**EUR 847,090 thousand**

in total net assets according to the individual financial statements of NAFTA a.s. as at 31st December 2023 issued in accordance with IFRS

**EUR 1,270,535 thousand**

in total net assets according to the consolidated financial statements of the NAFTA Group as at 31st December 2023 issued in accordance with IFRS

NAFTA participated in innovative and developmental projects in 2023 that are described in more detail in the report on the company's business activities. Research costs in 2023 totalled EUR 1,588 thousand.

Under the Accounting Act, NAFTA a.s. also issues consolidated financial statements in accordance with IFRS as approved by the EU.

According to the consolidated financial statements of NAFTA a.s. issued as at 31st December 2023, the NAFTA Group reports total net assets of EUR 1,270,535 thousand, of which EUR 996,505 thousand constitutes net non-current assets, and EUR 274,030 thousand constitutes net current assets.

The NAFTA Group's total equity was EUR 883,201 thousand as at 31st December 2023.

According to the consolidated financial statements, the NAFTA Group reported a consolidated profit after tax allocated to NAFTA shareholders totalling EUR 175,324 thousand for the year ending 31st December 2023. In addition to the individual results from NAFTA a.s., the consolidated profit includes the profits of other companies belonging to the group, especially companies operating in Germany and company Pozagas.

The company has an organisational unit in the Czech Republic for the purposes of conducting geological and exploration work. Costs and revenues incurred in the organisational unit are included in the company's economic result.

Additional information on the company's assets, equity and liabilities, as well as significant risks and uncertainties to which the company is exposed, are included in the notes to the individual financial statements, or consolidated financial statements compiled according to International Financial Reporting Standards. The financial statements are part of this annual report.

Balance sheet and statement of profit and loss for NAFTA a.s. for the year ending 31st December 2023 and 31st December 2022 according to individual financial statements prepared in accordance with International Financial Reporting Standards as approved by the EU:

# Condensed balance sheet

as at 31st December 2023 and 31st December 2022 (Thousands of EUR)

<b>Assets</b>	Year ending 31st December 2023	Year ending 31st December 2022
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	566,314	622,066
Right-of-use assets	2,081	3,021
Intangible and other assets	9,425	9,120
Investments in subsidiaries and joint ventures and other financial investments	45,299	42,070
Deferred tax asset	29,010	32,579
<b>Total non-current assets</b>	<b>652,129</b>	<b>708,856</b>
<b>CURRENT ASSETS</b>		
Inventories	5,123	5,780
Trade and other receivables	13,285	12,226
Financial receivables	129,193	24,811
Cash and cash equivalents	47,360	212,023
<b>Total current assets</b>	<b>194,961</b>	<b>254,840</b>
<b>TOTAL ASSETS</b>	<b>847,090</b>	<b>963,696</b>

<b>Equity and liabilities</b>	Year ending 31st December 2023	Year ending 31st December 2022
<b>EQUITY</b>		
Registered capital and treasury shares	102,490	102,490
Other capital funds	21,447	21,447
Hedging derivatives reserve and other reserves	(614)	(415)
Revaluation reserve	291,485	335,064
Profit from previous years	36,395	1,438
Profit for the current year	155,501	200,178
<b>Total equity</b>	<b>606,704</b>	<b>660,202</b>
<b>NON-CURRENT LIABILITIES</b>	<b>178,248</b>	<b>234,616</b>
<b>CURRENT LIABILITIES</b>	<b>62,138</b>	<b>68,878</b>
<b>Total liabilities</b>	<b>240,386</b>	<b>303,494</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>847,090</b>	<b>963,696</b>

# Consolidated statement of profit and loss

for the year ending 31st December 2023 and 31st December 2022  
(Thousands of EUR)

	Year ending 31st December 2023	Year ending 31st December 2022
Revenues	308,884	332,510
Operating expenses	(136,396)	(80,088)
<b>Profit before interest and taxes</b>	<b>172,488</b>	<b>252,422</b>
Financial income/(expenses)	25,806	9,500
<b>Profit before taxes</b>	<b>198,294</b>	<b>261,922</b>
Income taxes	(42,793)	(61,744)
<b>NET PROFIT</b>	<b>155,501</b>	<b>200,178</b>

Balance sheet and statement of profit and loss for  
NAFTA a.s. for the year ending 31st December 2023  
and 31st December 2022 according to consolidated  
financial statements prepared in accordance with  
International Financial Reporting Standards as  
approved by the EU:

# Consolidated balance sheet

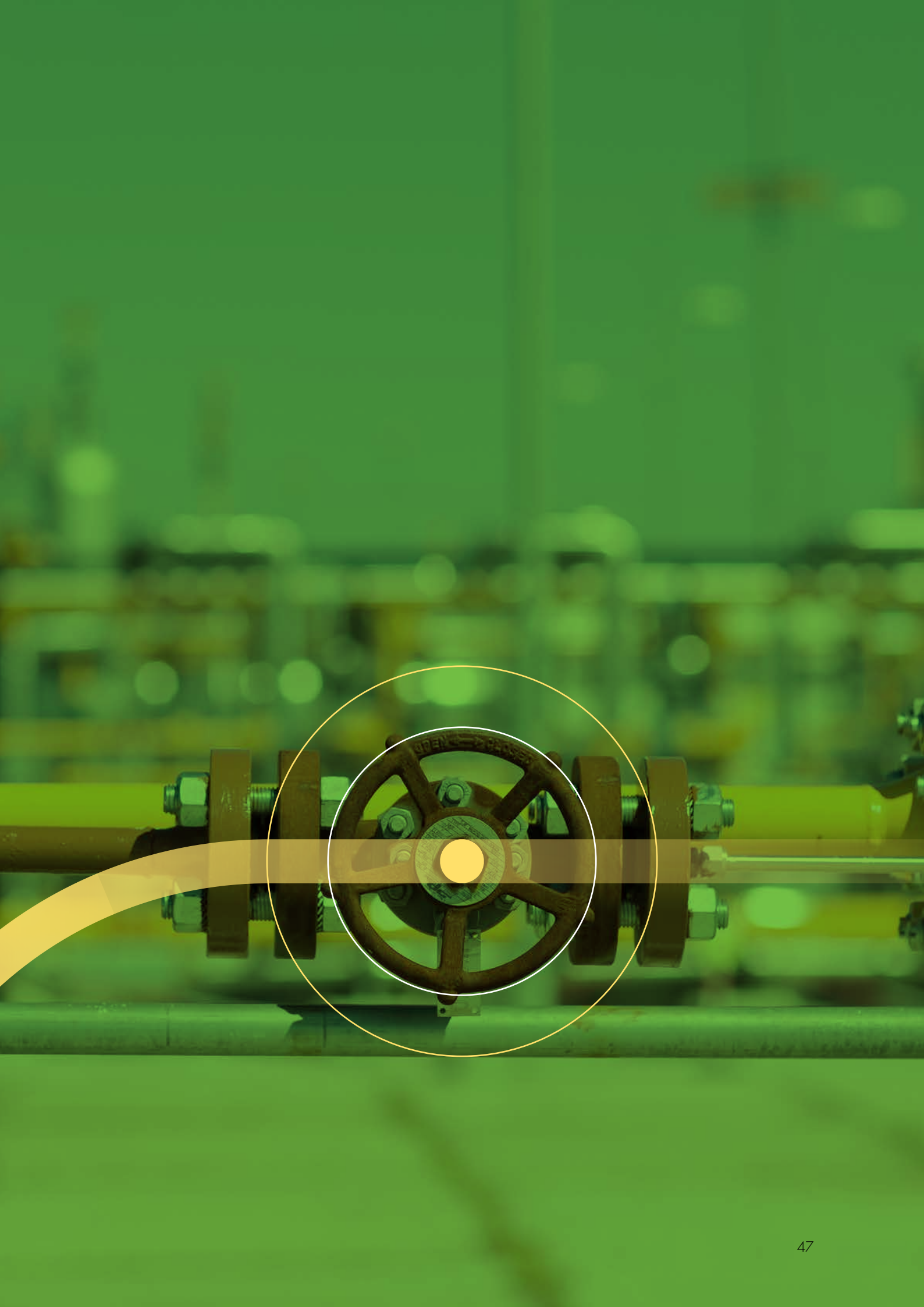
as at 31st December 2023 and 31st December 2022 (Thousands of EUR)

<b>Assets</b>	Year ending 31st December 2023	Year ending 31st December 2022
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	830,539	907,647
Right-of-use assets	7,203	7,621
Intangible and other assets	12,000	11,757
Investments in joint ventures	140,089	146,817
Other financial investments	6,116	2,887
Long-term loans provided	558	–
<b>Total non-current assets</b>	<b>996,505</b>	<b>1,076,729</b>
<b>CURRENT ASSETS</b>		
Inventories	6,316	6,887
Trade and other receivables	17,220	16,250
Tax receivables	–	31
Financial receivables	129,313	24,821
Cash and cash equivalents	121,181	254,239
<b>Total current assets</b>	<b>274,030</b>	<b>302,228</b>
<b>TOTAL ASSETS</b>	<b>1,270,535</b>	<b>1,378,957</b>
<b>Equity and liabilities</b>		
	Year ending 31st December 2023	Year ending 31st December 2022
<b>EQUITY</b>		
Registered capital and treasury shares	102,490	102,490
Other capital funds	21,447	21,447
Exchange rate reserve	(173)	(144)
Hedging derivatives reserve and other reserves	872	1,535
Revaluation reserve	446,561	510,215
Profit from previous years	136,680	73,832
Profit for the current year	175,324	217,621
<b>Total equity</b>	<b>883,201</b>	<b>926,996</b>
<b>NON-CURRENT LIABILITIES</b>	<b>311,256</b>	<b>366,101</b>
<b>CURRENT LIABILITIES</b>	<b>76,078</b>	<b>85,860</b>
<b>Total liabilities</b>	<b>387,334</b>	<b>451,961</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,270,535</b>	<b>1,378,957</b>

# Consolidated balance of profit and loss

for the year ending 31st December 2023 and 31st December 2022  
(Thousands of EUR)

	Year ending 31st December 2023	Year ending 31st December 2022
Revenues	377,547	379,430
Operating expenses	(170,427)	(112,133)
<b>Profit before interest and taxes</b>	<b>207,120</b>	<b>267,297</b>
Financial income/(expenses)	25,495	22,391
<b>Profit before taxes</b>	<b>232,615</b>	<b>289,688</b>
Income taxes	(57,291)	(72,067)
<b>NET PROFIT</b>	<b>175,324</b>	<b>217,621</b>
<b>ATTRIBUTABLE TO</b>		
<b>NAFTA shareholders</b>	<b>175,324</b>	<b>217,621</b>
Minority interests of other owners of subsidiaries	-	-



# Annual report on payments to public authorities

Under §20a of Act No. 431/2002 Coll. on Accounting, as amended, related to payments to public authorities, the company reported the following expenses in its individual financial statements for 2023:

corporate income taxes and similar taxes totalling EUR 57,731 thousand,

fees for production rights, fees related to gas exploration and storage totalling EUR 2,550 thousand,

other taxes totalling EUR 130 thousand.

The Board of Directors of NAFTA a.s. declares that the Annual Report on Payments to Public Authorities provides, in accordance with the Accounting Act, a faithful and true representation of payments to public authorities.

The Annual Report on Payments to Public Authorities for 2023 is signed, on behalf of the Board of Directors, on 28th March 2024 by:



**Ing. Jan Špringl**  
Chairman of the Board of Directors  
NAFTA a.s.



**Ing. Robert Bundil**  
Member of the Board  
NAFTA a.s.





# Proposal for the distribution of profit

The Board of Directors of NAFTA a.s. recommends to the General Meeting of NAFTA a.s. the following distribution of the profit reported in the regular individual financial statements as at 31st December 2023:

**A** Profit for the current year 2023 in the amount of EUR 155,501,238;

**B** Profit from previous years in the amount of EUR 36,394,876;

in a total amount of EUR 191,896,114 as follows:  
payment of a dividend to shareholders in the amount of EUR 191,886,114;

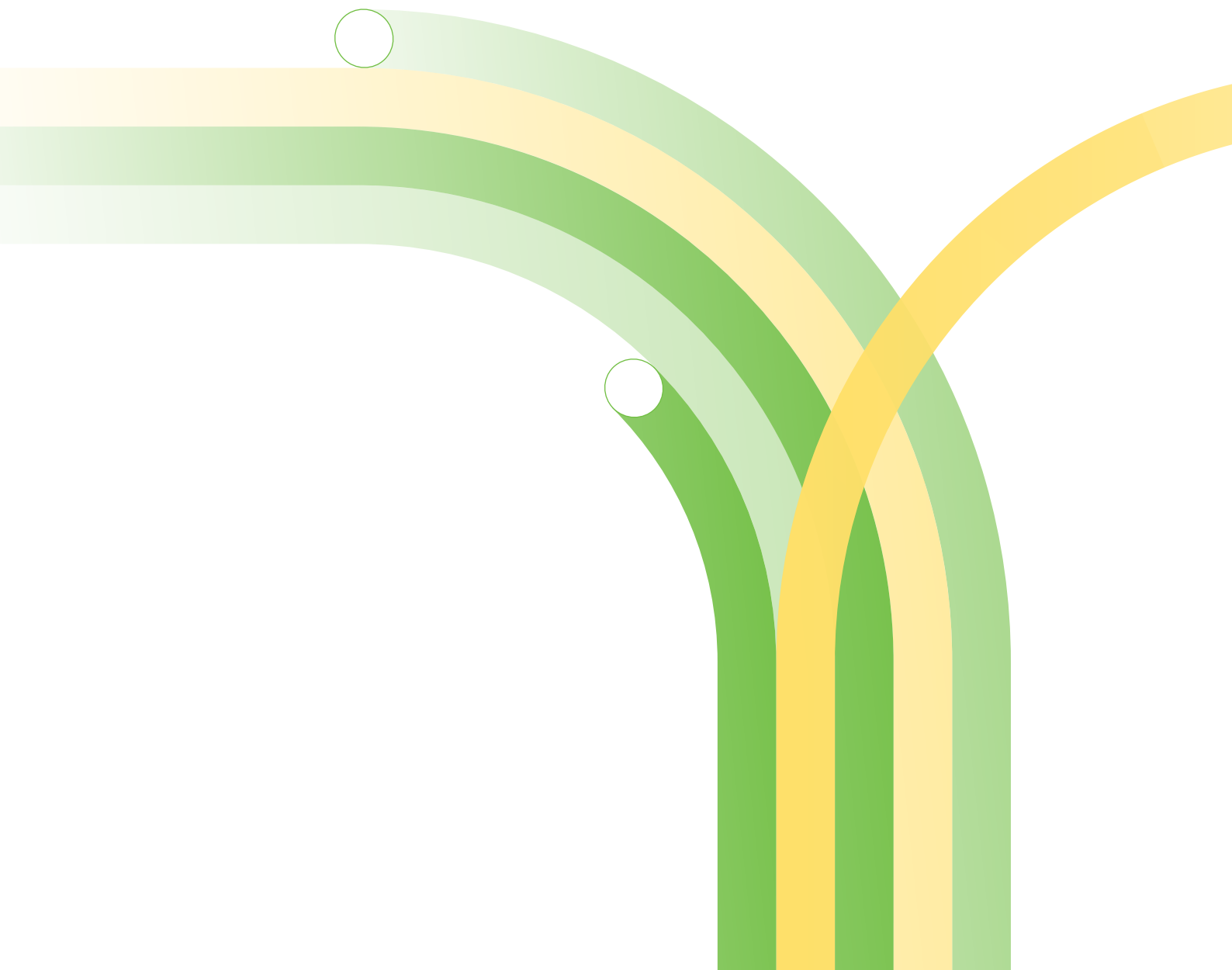
a transfer to profit from previous years totalling EUR 9,400.



A photograph of an industrial facility, likely a gas processing plant, with a strong yellow color cast. The scene features a complex network of yellow pipes, valves, and machinery. A prominent tall, cylindrical tower with a yellow top is visible on the right. In the foreground, two yellow pipes are labeled 'ZEMINY PLYN' with arrows pointing left. The ground is a light-colored, textured surface.

## Events of special importance occurring after 31st December 2023

No events occurred that would have a significant impact on the company's annual report after 31st December 2023 and until the date of publication of this annual report.



Annual  
Report  
**2023**

