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 2013

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

CONTENTS

Deloitte.

Deloitte Audit s.r.o.
Digital Park II
Einsteinova 23
Bratislava 851 01
Slovak Republic

Tel: +421 2 582 49 111
Fax: +421 2 582 49 222
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered in the Commercial
Register of the District Court Bratislava I
Section Sro, File 4444/B
Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

NAFTA a.s.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of NAFTA a.s. and subsidiaries (the "Company"), which comprise consolidated balance sheet as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Consolidated Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NAFTA a.s. and subsidiaries as of 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

As described in Note 21.2, the Company is a party to an arbitration regarding a dispute with a customer whose outcome as well as timing is uncertain as at the date of this report.

As stated in Note 1.4, in 2013 the Company changed its accounting policy on the measurement of items of property, plant and equipment to the so-called cost model, which is based on the historical cost basis. Financial information in these financial statements for the preceding periods are restated so that it reflects the change in the accounting policy and is comparable with the carrying amounts presented for 2013.

Our opinion is not modified in respect of these matters.

Bratislava, 2 February 2014

Deloitte

Deloitte Audit s.r.o.

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

NAFTA a.s.

CONSOLIDATED BALANCE SHEETS
as of 31 December 2013, 31 December 2012 (restated) and 1 January 2012 (restated)
(Thousands of EUR)

	Note	***31 December 2013***	***31 December 2012 (restated)***	***1 January 2012 (restated)***
ASSETS:				
NON-CURRENT ASSETS:				
Property, plant and equipment	4	268 287	260 814	250 674
Intangible and other assets		11 181	11 311	12 270
Investment in joint venture	5	17 854	17 447	17 377
Deferred tax asset	17.3	11 598	11 425	9 068
Total non-current assets		308 920	300 997	289 389
CURRENT ASSETS:				
Inventories	7	6 019	5 487	3 868
Trade and other receivables	8	12 771	16 120	17 957
Income tax assets		3 416	820	12
Other financial receivables		32	-	-
Cash and cash equivalents		72 459	55 616	65 231
Total current assets		94 697	78 043	87 068
TOTAL ASSETS		**403 617**	**379 040**	**376 457**
EQUITY AND LIABILITIES:				
EQUITY:				
Registered capital	9	107 235	107 235	107 235
Treasury shares, at cost	9	(4 745)	(4 745)	(4 745)
Other capital funds	9	23 001	19 322	9 673
Translation reserve		(381)	(233)	(274)
Hedging derivatives reserve	9	25	(155)	(1 725)
Profit/(loss) from previous years		34 560	6 029	122 026
Profit/(loss) for the current year		99 165	115 590	-
Equity attributable to shareholders of NAFTA		258 860	243 043	232 190
Minority interests of other owners of subsidiaries	3c	2 229	2 189	2 120
Total equity		261 089	245 232	234 310
NON-CURRENT LIABILITIES:				
Borrowings	11	-	-	12 000
Provision for abandonment and restoration	10	99 363	102 414	90 907
Retirement and other long-term employee benefits	12	1 799	1 639	1 478
Other non-current liabilities		2 811	1 242	797
Deferred income		1 953	2 014	2 051
Total non-current liabilities		105 926	107 309	107 233
CURRENT LIABILITIES:				
Trade and other payables	13	17 701	14 938	23 170
Income tax liabilities		-	59	4 205
Other financial liabilities		-	202	2 130
Other current provisions	10, 14	18 901	11 300	5 409
Total current liabilities		36 602	26 499	34 914
TOTAL LIABILITIES		142 528	133 808	142 147
TOTAL EQUITY AND LIABILITIES		**403 617**	**379 040**	**376 457**

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
for the year ended 31 December 2013 and 31 December 2012 (restated)
(Thousands of EUR)

	Note	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
REVENUES:			
Natural gas storage revenues and hydrocarbon sales	20.1	174 778	170 917
Geological works		3 369	2 876
Other revenues		5 004	5 139
Total revenues		183 151	178 932
OPERATING EXPENSES:			
Own work capitalized		8 624	6 466
Consumables and services		(26 144)	(21 875)
Labour and related costs	15	(22 017)	(21 043)
Depreciation and amortization		(20 657)	(15 775)
Other operating income/(expenses), net	16.1	6 057	10 352
Total operating income/(expenses), net		(54 137)	(41 875)
FINANCIAL INCOME/(EXPENSES):			
Interest income		150	240
Interest expense		(2 471)	(2 887)
Income from joint venture	5	3 089	6 341
Other financial income/(expenses), net	16.2	(428)	(262)
Total financial income/(expenses), net		340	3 432
PROFIT BEFORE INCOME TAXES		129 354	140 489
INCOME TAXES	17	(29 539)	(24 338)
NET PROFIT		**99 815**	**116 151**
Attributable to:			
Shareholders of NAFTA		99 165	115 590
Minority interests of other owners of subsidiaries	3c	650	561
EARNINGS PER SHARE (in EUR)	18	30.89	35.95

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND INCOME TAX NOTE RELATED TO OTHER COMPREHENSIVE INCOME for the year ended 31 December 2013 and 31 December 2012 (restated) (Thousands of EUR)

	Note	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
PROFIT FOR THE YEAR AFTER INCOME TAXES		99 815	116 151
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the profit and loss statement:			
Effect of subsidiaries' foreign currency translations		(291)	81
Hedging derivatives		234	1 928
Other comprehensive income for the year before income taxes		(57)	2 009
Tax at tax rate of 23% (2012: 19%)		(54)	(366)
Tax impact due to a change in the tax rate from 23% to 22% (2012: from 19% to 23%)		-	8
Tax related to items of other comprehensive income		(54)	(358)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**99 704**	**117 802**
Total comprehensive income for the year attributable to:			
Equity shareholders of NAFTA		99 197	117 201
Minority interests of other owners of subsidiaries		507	601
		99 704	**117 802**

	Year ended 31 December 2013			Year ended 31 December 2012 (restated)		
	Before taxation	***Tax***	***After taxation***	***Before taxation***	***Tax***	***After taxation***
Effect of subsidiaries' foreign currency translation	(291)	-	(291)	81	-	81
Hedging derivatives	234	(54)	180	1 928	(358)	1 570
Total other comprehensive income/(loss) for the year	**(57)**	**(54)**	**(111)**	**2 009**	**(358)**	**1 651**

NAFTA a.s.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2013 and 31 December 2012 (restated)
(Thousands of EUR)

	Registered capital	*Treasury shares, at cost*	*Other capital funds*	*Translation reserve*	*Property revaluation reserve*	*Hedging derivatives reserve*	*Profit /(loss) from previous years*	*Profit /(loss) for the current year*	*Attributable to shareholders of NAFTA*	*Minority interests*	*Total*
At 1 January 2012 (initially recognised)	**107 235**	**(4 745)**	**9 673**	**(274)**	**636 905**	**(1 725)**	**118 171**	**-**	**865 240**	**2 120**	**867 360**
Restatement due to a change in the accounting policy (see Note 1.4)	-	-	-	-	(636 905)	-	3 855	-	(633 050)	-	(633 050)
At 1 January 2012 (restated)	**107 235**	**(4 745)**	**9 673**	**(274)**	**-**	**(1 725)**	**122 026**	**-**	**232 190**	**2 120**	**234 310**
Transfer of profit/(loss) for the current year	-	-	9 649	-	-	-	(9 649)	-	-	-	-
Dividends	-	-	-	-	-	-	(106 348)	-	(106 348)	(532)	(106 880)
Net profit for the year	-	-	-	-	-	-	-	115 590	115 590	561	116 151
Other comprehensive income/(loss) for the year	-	-	-	41	-	1 570	-	-	1 611	40	1 651
At 31 December 2012 (restated)	**107 235**	**(4 745)**	**19 322**	**(233)**	-	**(155)**	**6 029**	**115 590**	**243 043**	**2 189**	**245 232**
Transfer of profit/(loss) for the current year	-	-	3 679	-	-	-	111 911	(115 590)	-	-	-
Dividends	-	-	-	-	-	-	(83 380)	-	(83 380)	(467)	(83 847)
Net profit for the year	-	-	-	-	-	-	-	99 165	99 165	650	99 815
Other comprehensive income/(loss) for the year	-	-	-	(148)	-	180	-	-	32	(143)	(111)
At 31 December 2013	**107 235**	**(4 745)**	**23 001**	**(381)**	**-**	**25**	**34 560**	**99 165**	**258 860**	**2 229**	**261 089**

NAFTA a.s.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended 31 December 2013 and 31 December 2012 (restated)
(Thousands of EUR)

	Year ended 31 December 2013	***Year ended 31 December 2012 (restated)***
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income taxes and minority interests	129 354	140 489
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:		
Depreciation and amortization	20 657	15 775
Interest expense, net	2 321	2 647
Unrealised exchange rate differences	322	199
Impairment and provisions	6 686	6 948
(Profit)/loss on sale of non-current assets	(8 469)	(13 407)
Income from joint venture	(3 089)	(6 341)
Retirement and other long-term employee benefits	249	374
Other non-cash items	(511)	(33)
Changes in assets and liabilities:		
Inventories	(782)	(1 334)
Trade and other receivables	(1 477)	(3 067)
Trade and other payables	3 000	(1 673)
Abandonment and restoration	(799)	(885)
Employee benefits	(89)	(213)
Other assets and liabilities	1 569	446
Operating cash flows, net	148 942	139 925
Interest received	150	240
Interest paid	-	(125)
Income tax	(32 878)	(30 493)
Net cash flows from operating activities	116 214	109 547
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to tangible and intangible non-current assets	(27 176)	(19 860)
Proceeds from sale of non-current assets	8 841	14 063
Income received from joint venture	3 150	4 755
Net cash flows from investing activities	(15 185)	(1 042)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in borrowings	-	(12 000)
Grants received	-	939
Dividends paid	(83 374)	(106 334)
Dividends paid to minority interests	(467)	(532)
Net cash flows from financing activities	(83 841)	(117 927)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	17 188	(9 422)
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	55 616	65 231
EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(345)	(193)
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**72 459**	**55 616**

1. GENERAL

1.1. Description of Business

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

NAFTA, as described in Note 3d below (NAFTA Group), is involved in the underground storage of natural gas, hydrocarbon exploration and production, and geological works. 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 security of supply. NAFTA stores gas for significant Slovak and international companies.

As of 31 December 2013, the Company's shares were held by SPP (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). The share of voting rights of the aforementioned shareholders equalled their shares in the registered capital of NAFTA. On 30 December 2013, a 40.4% share held by E.ON Ruhrgas International AG was transferred to Czech Gas Holding Investment B.V., a member of the Energetický a průmyslový holding, a.s. Group ("EPH"). As of 31 December 2013, Czech Gas Holding Investment B.V. was not registered in the list of shareholders.

1.2. Legal Basis for Preparing the Financial Statements

These consolidated financial statements have been prepared as the ordinary consolidated financial statements pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended.

1.3. Changes in Accounting Procedures and Policies

In 2013, the Company changed the accounting policy on the measurement of items of property, plant and equipment; it ceased using the revaluation model under IAS 16 "Property, Plant and Equipment" and adopted the so-called cost model based on historical cost less accumulated depreciation and provisions.

With effect from 1 January 2013, a new definition of the fair value was adopted under the new IFRS 13 "Fair Value Measurement" (see Note 2 on the adoption of new standards), which defines the fair value as the exit price. The adoption of such definition would result in even greater variations in the measurement of non-current assets, especially of cushion gas in connection with variations in the price of natural gas, which would not have any link to a change in its ability to generate revenues for the Company. Therefore, the Company decided to adopt the cost model since it believes that adopting this model will result in the presentation of IFRS financial statements that provide more reliable and relevant information. In accordance with the requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", this change has been adopted retrospectively; thus, the Company restated the measurement of property, plant and equipment, financial investment in a joint venture and the related asset revaluation reserves, depreciation and amortisation charges and deferred income tax initially recognised in the financial statements for the years ended 31 December 2012 and 31 December 2011.

(Thousands of EUR)

The effect of the change in the accounting policy on the subsequent measurement of property, plant and equipment and a financial investment in a joint venture to the cost model in respect of individual affected items of the consolidated financial statements is as follows:

Consolidated balance sheets	***31 December 2012 (initially recognised)***	***Effect of the change in the accounting policy***	***31 December 2012 (restated)***	***1 January 2012 (initially recognised)***	***Effect of the change in the accounting policy***	***1 January 2012 (restated)***
ASSETS:						
Property, plant and equipment	1 028 796	(767 983)	260 813	988 652	(737 978)	250 674
Intangible and other assets	11 329	(17)	11 312	12 300	(30)	12 270
Investment in joint venture	51 593	(34 146)	17 447	52 643	(35 266)	17 377
Deferred tax asset	-	11 425	11 425	-	9 068	9 068
Other non-restated items of asset	78 043	-	78 043	87 068	-	87 068
TOTAL ASSETS	**1 169 761**	**(790 721)**	**379 040**	**1 140 663**	**(764 206)**	**376 457**
EQUITY AND LIABILITIES:						
Property revaluation reserve	630 196	(630 196)	-	636 905	(636 905)	-
Profit/(loss) from previous years	29 692	(23 663)	6 029	118 171	3 855	122 026
Profit/(loss) for the current year	86 990	28 600	115 590	-	-	-
Other non-restated items of equity	123 613	-	123 613	112 284	-	112 284
TOTAL EQUITY	**870 491**	**(625 259)**	**245 232**	**867 360**	**(633 050)**	**234 310**
Deferred tax liability	165 462	(165 462)	-	131 156	(131 156)	-
Other non-restated items of liabilities	133 808	-	133 808	142 147	-	142 147
Total non-current liabilities	**299 270**	**(165 462)**	**133 808**	**273 303**	**(131 156)**	**142 147**
TOTAL EQUITY AND LIABILITIES	**1 169 761**	**(790 721)**	**379 040**	**1 140 663**	**(764 206)**	**376 457**

Consolidated statement of profit and loss	***31 December 2012 (initially recognised)***	***Effect of the change in the accounting policy***	***31 December 2012 (restated)***
Consumables and services	(23 792)	1 917	(21 875)
Depreciation and amortisation	(36 048)	20 273	(15 775)
Other operating income/ (expenses), net	(1 413)	11 765	10 352
Income from joint venture	5 244	1 097	6 341
Other non-restated items	161 446	-	161 446
Income taxes	(17 886)	(6 452)	(24 338)
NET PROFIT AFTER TAX	**87 551**	**28 600**	**116 151**
Attributable to shareholders of NAFTA	86 990	28 600	115 590

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the European Union (hereinafter the "EU") and that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. The following standards, amendments and interpretations to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current accounting period:

- **IFRS 13 "Fair Value Measurement"**, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2013),

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2013),

- **Amendments to IFRS 1 "First-time Adoption of IFRS"** – Government Loans, adopted by the EU on 4 March 2013 (effective for accounting periods beginning on or after 1 January 2013),

- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for accounting periods beginning on or after 1 January 2013),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for accounting periods beginning on or after 1 July 2012),

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2013),

- **Amendments to IAS 19 "Employee Benefits"** – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for accounting periods beginning on or after 1 January 2013),

- **Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)"** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (effective for accounting periods beginning on or after 1 January 2013), and

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2013).

The adoption of these standards and amendments to the existing standards has not led to any changes in the Company's accounting policies.

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

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2014),

- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2014),

- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2014),

- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2014),

- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for accounting periods beginning on or after 1 January 2014),

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for accounting periods beginning on or after 1 January 2014),

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU on 20 November 2013 (effective for accounting periods beginning on or after 1 January 2014),

- **Amendments to IAS 32 "Financial Instruments: Presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for accounting periods beginning on or after 1 January 2014),

- **Amendments to IAS 36 "Impairment of Assets"** - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for accounting periods beginning on or after 1 January 2014), and

- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for accounting periods beginning on or after 1 January 2014).

The Company has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates.

The Company anticipates that the adoption of these standards, revisions, and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

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

- **IFRS 9 "Financial Instruments" and subsequent amendments** (effective date not yet determined),

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014),

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (effective for accounting periods beginning on or after 1 July 2014),

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (effective for accounting periods beginning on or after 1 July 2014), and

- **IFRIC 21 "Levies"** (effective for accounting periods beginning on or after 1 January 2014).

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

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. Based on the Company's estimates, application of hedge accounting for the 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

The 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 determined that portfolio hedge accounting under IAS 39 would not impact the consolidated financial statements had it been approved by the EU at the balance sheet date.

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 Note 3, the Company has made the following judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year or that have the significant effect on the amounts recognized in the financial statements.

Energy legislation related to natural gas storage and price regulation

Primary energy legislation in gas industry is represented by Act No. 251/2012 Coll. on Energy and Act No. 250/2012 Coll. on Regulation in Network Industries, which are effective since 1 September 2012 and superseded previous energy legislation. Purpose of these new laws was transposition of the so called 3rd Energy Package of the EU including requirements of Directive 2009/73/EC concerning 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 use of natural gas storage services. Natural gas storage was not subject to price regulation in 2013.

New laws did not have a significant impact on the conditions for operations of the Company with respect to gas storage and gas exploration and production.

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. 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. The recoverable amount of the gas storage assets depends on the future demand for gas storage services. Further information on the impairment of property, plant, and equipment is disclosed in Note 4.

Litigations

The Company is involved in various legal proceedings for which management has assessed the probability of loss that may result in a cash outflow. In making this assessment, the Company has relied 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 21.2.

Provision for Abandonment and Restoration

The consolidated financial statements include significant amounts as a provision for abandonment and restoration of production and storage wells and centres. 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 costs estimated for the abandonment of production and storage wells and centres and for the restoration of sites to their original condition based on previous experience and estimates of costs. In 2008, the Company prepared a detailed estimate of the abandonment and restoration which is yearly updated. Refer to Note 10 for further details.

(Thousands of EUR)

Unaudited Subsidiaries and Associate Undertakings

Certain subsidiaries and associate undertakings included in these consolidated financial statements were not audited. Unaudited subsidiaries represent less than 4% of the total consolidated assets, liabilities, income and expenses. Investments in the unaudited associates are accounted for using the cost method, and the share of NAFTA in the equity of these entities represents less than 1% of its total assets.

c. Basis of Consolidation

NAFTA consolidates the financial statements of all significant subsidiaries.

Those 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 have been consolidated. 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.

d. Subsidiaries and Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method.

Goodwill arising on consolidation is recognized 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 realizable value of the identifiable assets, liabilities, and contingent liabilities recognized. The negative difference between the acquisition cost of a business combination and the share of the NAFTA Group's interest in the net realizable value of the identifiable assets, liabilities, and contingent liabilities is recognized 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 recognized for goodwill is not reversed in a subsequent period.

The following subsidiaries have been consolidated:

Name of Company	***Seat***	***Description of business***	***Ownership interest***	***Ownership status***
1. Karotáže a cementace, s. r. o. (1)	Velkomoravská 2606/83, Hodonín, Czech Republic	Logging and cementation	51%	Subsidiary
2. Nafta Exploration s.r.o. (1)	Plavecký Štvrtok 900, Slovak Republic	Exploration	100%	Subsidiary

(1) Unaudited subsidiary for the year ended 31 December 2013 and the year ended 31 December 2012 represents approximately less than 2% of total consolidated assets, liabilities, and shareholders' equity.

e. Investments in Associated Undertakings and Joint Ventures

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 recognizing 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 balance sheet at an amount that reflects its share of the net assets of the associates and joint ventures and includes goodwill on acquisition.

(Thousands of EUR)

The following joint venture has been recorded using the equity method:

Name of Company	*Seat*	*Description of business*	*Ownership interest*	*Ownership status*
POZAGAS a. s.	Malé námestie 1, Malacky, Slovak Republic	Natural gas storage	35%	Joint-venture

f. Property, Plant and Equipment and Intangible Assets

As at 31 December 2013 and 2012, property, plant, and equipment are stated in the balance sheet at cost less any subsequent accumulated depreciation and total provisions due to the permanent and temporary impairment of assets. Cost includes the costs of contracted work, direct material, wages and salaries, overheads and capitalised interest on received loans and borrowings directly attributable to the acquisition, construction or production of the relevant asset.

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 centres 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 2013***	***31 December 2012***
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	3 years	3 years

Expenditures related to hydrocarbon reserves exploration are accounted for in accordance with the successful efforts method. Under this method, exploration expenditures (exploration wells) are capitalized 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. Expenditures related to efforts deemed to be unsuccessful are provided for.

Gains and losses on the disposal of property, plant, and equipment are fully recognized 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.

In accordance with the requirements of IAS 36, at each balance sheet date an assessment is made as to whether there is any indication that the recoverable amount of the Company's property, plant, and equipment is less than the 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 net cash flows, is estimated. Any resulting estimated impairment loss is recognized in full in the statement of profit and loss in the year in which the impairment occurs. The discount rates used to calculate the net present value of the cash flows are those considered appropriate to the Company in the economic environment in the Slovak Republic at each balance sheet date. In the event that a decision is made to abandon a construction project in progress or to significantly postpone its planned completion date, the carrying value of the asset is reviewed for potential impairment, and a provision is recorded, if appropriate.

Intangible assets include a connection fee to 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 production would affect the ability of the underground reservoirs to serve. Cushion gas is disclosed as part of the value of the assets used for underground storage of natural gas.

h. Financial Assets

Investments are recognized and derecognized on the transaction date when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value less direct transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of using the financial assets and is determined at the time of initial recognition.

As at the dates of the preparation of the financial statements, held-to-maturity' investments (debt securities NAFTA Group intends to hold up to their maturity) are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Investments other than held-to-maturity debt securities are classified either as financial assets "at fair value through profit or loss" (investments held for trading) or as investments available for sale, which are measured as at the dates of the preparation of the following financial statements at fair value based on quoted market prices at the balance sheet date. Where securities are held for trading purposes, unrealised gains and losses are included in the statement of profit and loss. For available for sale investments, unrealised gains and losses are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized is included in the statement of profit and loss. If the fair value of investments available for sale cannot be determine reliably (e.g. investments in unlisted companies), such investments are measured at cost less impairment losses.

Trade receivables, loans, and other receivables that have fixed or variable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

i. Cash and Cash Equivalents

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

j. Inventories

Materials and supplies are stated at the lower of cost or net realizable value. Cost includes raw materials, other direct costs and related overheads. Net realizable 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 fair value through profit or loss' (FVTPL) or 'other financial liabilities'. Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as 'held for trading':

- If it has been incurred principally for the purpose of repurchasing in the near future; or
- If it is a part of an identified portfolio of financial instruments that the Company manages and has a pattern of a short-term profit-taking portfolio; or
- If it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

m. Provisions

Provisions are recognized 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 centres 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 centres, 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 revenue from underground storage of natural gas, hydrocarbon sales 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.

o. Income Taxes

Income taxes are provided on accounting profit as determined under the applicable legislation at a rate of 23% (2012: 19%), after adjustments for certain items for taxation purposes. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

In line with the currently applicable law, in addition to income taxes the company is obliged to pay a monthly special levy from September 2012 for business in regulated services. The levy rate is 0.00363 per month calculated from the profit/loss determined in accordance with the Slovak accounting regulations. Refer also to Note 17.1.

p. Deferred Income Taxes

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 realized or the liability is settled. Deferred tax is charged or credited to 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. Due to change in the tax rate valid since 1 January 2014 the balance of deferred income tax as of 31 December 2013 is recalculated at the tax rate of 22 % (31 December 2012: 23 %). Refer also to Note 17.1. and 17.2.

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 recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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

q. 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 recognized as an expense or as income in the statement of profit and loss. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted to EUR using the exchange rates of the ECB on the balance sheet date. Unrealized gains and losses due to fluctuations in exchange rates are fully recognized 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 balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, 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.

r. 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. These borrowing costs are included in the cost of the qualifying asset until such time when the asset is put in use (IAS 23).

s. Financial Instruments

Financial assets and liabilities are recognized on the NAFTA Group's balance sheet when the NAFTA Group became a party to the contractual provisions of the instrument.

t. Derivative Financial Instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognized directly in equity. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. Amounts deferred in equity are recognized in the statement of profit and loss in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the statement of profit and loss as they arise.

u. 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.

v. 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, the 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, which have terms to maturity approximating the terms of the related liability.

w. Finance Lease

Assets acquired under finance lease are recognized as assets at their fair value as at the acquisition date. The related payable to the lessor is recognized as obligations under finance leases in the balance sheet. Financial expenses representing the difference between total obligations under finance leases and fair value of acquired assets are recognized in the statement of profit and loss over the lease term using the internal rate of return.

x. Emission Rights

Emission quotas issued free of charge are accounted at zero book value. Transactions that have been made on 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.

y. Government and European Union Grants

Grants are not recognized 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 recognized in the income statement on a systematic basis over the periods in which the Company has recognized costs that are intended to be compensated by the grants. Specifically, government grants whose primary condition is that the Company should purchase, construct, or otherwise acquire non-current assets are recognized as deferred revenue in the balance sheet and accounted in the profit or loss on a systematic and rational basis over the economic useful lives of the related assets.

(Thousands of EUR)

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

Year ended 31 December 2012	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Natural gas storage assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2012 (restated)	**13 811**	**7 739**	**2 537**	**138 051**	**88 535**	**250 673**
Additions	-	-	-	-	17 650	17 650
Transfers	770	1 921	(28)	88 811	(91 474)	-
Disposals	-	(18)	-	(783)	(400)	(1 201)
Depreciation	(2 892)	(1 654)	(1 479)	(7 914)	-	(13 939)
Exchange rate differences	25	23	-	-	-	48
Change in provision recorded to assets	-	-	933	7 763	-	8 696
(Additions)/Release of provision	3 009	24	-	7	(4 153)	(1 113)
Net Book Value as at 31 December 2012 (restated)	**14 723**	**8 035**	**1 963**	**225 935**	**10 158**	**260 814**
Cost as at 31 December 2012	110 186	59 336	35 548	358 586	45 159	608 815
Accumulated depreciation and provisions as at 31 December 2012	(95 463)	(51 301)	(33 585)	(132 651)	(35 001)	(348 001)
Net Book Value as at 31 December 2012 (restated)	**14 723**	**8 035**	**1 963**	**225 935**	**10 158**	**260 814**

Year ended 31 December 2013	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Natural gas storage assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2013	**14 723**	**8 035**	**1 963**	**225 935**	**10 158**	**260 814**
Additions	-	-	-	-	30 643	30 643
Transfers	4 083	1 467	(38)	10 723	(16 235)	-
Disposals	(1)	(10)	-	(433)	(26)	(470)
Depreciation	(3 524)	(1 658)	(751)	(10 050)	-	(15 983)
Exchange rate differences	(100)	(74)	-	-	(10)	(184)
Change in provision recorded to assets	-	-	262	(3 528)	-	(3 266)
(Additions)/Release of provision	(333)	(60)	-	(10)	(2 864)	(3 267)
Net Book Value as at 31 December 2013	**14 848**	**7 700**	**1 436**	**222 637**	**21 666**	**268 287**
Cost as at 31 December 2013	117 356	59 573	35 256	363 984	59 072	635 241
Accumulated depreciation and provisions as at 31 December 2013	(102 508)	(51 873)	(33 820)	(141 347)	(37 406)	(366 954)
Net Book Value as at 31 December 2013	**14 848**	**7 700**	**1 436**	**222 637**	**21 666**	**268 287**

(Thousands of EUR)

Property, plant, and equipment used in the storage of natural gas include land, buildings and structures, plant, machinery and equipment, cushion gas, and dismantling assets.

As at 31 December 2013 and 31 December 2012, 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% was used to calculate the present value of future cash flows of the "hydrocarbon production and exploration" cash-generating unit.

Assets in the course of construction include:

	Cost	***Provision***	***31 December 2013 Net***	***31 December 2012 Net***
Exploration wells	30 832	(30 832)	-	-
Facilities with suspended completion	5 962	(5 707)	255	255
Other	22 278	(867)	21 411	9 903
Total	**59 072**	**(37 406)**	**21 666**	**10 158**

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 2013, the Company capitalised EUR 4 534 thousand referring to cost of hydrocarbon reserves exploration (31 December 2012: EUR 5 139 thousand).

The cost of fully depreciated items of property, plant and equipment that were still in use as at 31 December 2013 amounts to EUR 93 236 thousand (31 December 2012: EUR 93 256 thousand).

The net book value of property, plant and equipment that are temporarily unused amounts to EUR 2 660 thousand (31 December 2012: EUR 2 340 thousand) and the related provision of EUR 2 660 thousand (31 December 2012: EUR 2 340 thousand) was recorded; thus, such items are stated at a zero net book value as at 31 December 2013 and 31 December 2012.

NAFTA's non-current tangible assets are insured against all risks through the "ALLRISK" insurance policy. The insured amount is EUR 847 072 thousand.

As at 31 December 2013 and 31 December 2012, NAFTA had no limited right to handle non-current tangible assets.

During 2010, the European Commission decided on granting funds to refinance some expenses related to the investment project concerning the underground gas storage facility, which will enable a reverse flow in the event of short term supply disruption and improve security of gas supplies in the Slovak Republic and other European countries. In 2011 and 2012, NAFTA received a grant in the total amount of EUR 2 151 thousand that was recognised as deferred revenue and released through profit or loss on a pro-rata basis to the recognised depreciation charges of assets acquired from grants.

(Thousands of EUR)

5. INVESTMENT IN JOINT VENTURE

	31 December 2013	*31 December 2012 (restated)*
Cost of investment	433	433
Share of post-acquisition profit, net of dividends received	17 421	17 014
Net book value	**17 854**	**17 447**

The NAFTA Group has the following significant interest in this joint venture:

Name of Company	*Seat*	*Effective ownership*	*Principal activity*
POZAGAS a. s.	Malé námestie 1, Malacky, Slovak Republic	35%	Natural gas storage

POZAGAS a. s. is jointly controlled by NAFTA and two other entities with proportional sharing of the risk and rewards of ownership and operation of the joint venture.

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

	Year ended 31 December 2013	*Year ended 31 December 2012*
Non-current assets	19 774	17 618
Current assets	3 313	4 031
	23 087	21 649
Other non-current liabilities	(4 114)	(3 334)
Current liabilities	(1 119)	(868)
	(5 233)	(4 202)
Net assets	**17 854**	**17 447**
Revenues	8 913	10 754
Profit before tax	3 089	6 341
Income tax including deferred tax	468	(1 516)
Profit after tax	**3 557**	**4 825**

6. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments comprise the following:

	31 December 2013	*31 December 2012*
Cost	6 477	6 477
Diminution in value	(6 477)	(6 477)
Closing net book value	**-**	**-**

Available for sale investments comprise the following unconsolidated subsidiaries and other shareholdings:

Name of Company	*Seat*	*Effective ownership*	*Principal activity*
Unconsolidated subsidiaries			
AUTOKAC, s. r. o., Hodonín [(1)]	Velkomoravská 2606/83, Hodonín, Czech Republic	42%	Dormant, in liquidation
Other shareholdings			
AG Banka, a. s. v konkurze (in bankruptcy)	Coboriho 2, Nitra, Slovak Republic	39%	Dormant, in bankruptcy

[(1)] *Shareholding held directly by Karotáže a cementace, s. r. o. Hodonín*

These investments represent equity investments whose fair value cannot be reliably measured as these are unquoted equity investments. These investments are carried at cost less any provision for impairment.

(Thousands of EUR)

7. INVENTORIES

Inventories, net are comprised of the following:

	31 December 2013	***31 December 2012***
Materials and supplies	6 303	5 272
Work in progress	278	121
Finished goods	401	888
Less: provision for old and obsolete items	(963)	(794)
Total inventories, net	**6 019**	**5 487**

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

8. TRADE AND OTHER RECEIVABLES

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

	31 December 2013	***31 December 2012***
Trade receivables		
Domestic customers	6 575	10 572
Foreign customers	4 729	4 970
Total trade receivables	11 304	15 542
Less: provisions for doubtful amounts	(460)	(1 087)
Total trade receivables, net	10 844	14 455
Other receivables	20 244	19 985
Less: provisions for doubtful amounts	(18 317)	(18 320)
Trade and other receivables, net	**12 771**	**16 120**

Included in other receivables as of 31 December 2013 is the amount of EUR 18 297 thousand (31 December 2012: EUR 18 297 thousand) outstanding from SPX Trading, a. s., company in liquidation. The receivable was fully provided for.

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

The average credit period on sales of goods and services is 25 days (2012: 26 days). The Company has provided fully for all receivables over 365 days because previous experience is such that receivables that are past due beyond 365 days are generally not recoverable. Trade receivables between 60 days to 365 days are provided for based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to previous default experience.

Movement in the provision for doubtful debts:

	Year ended 31 December 2013	***Year ended 31 December 2012***
Balance at beginning of the year	(19 407)	(19 595)
Additions to and release of provisions and transfer	(364)	(37)
Amounts written off as uncollectible	994	225
Balance at end of the year	**(18 777)**	**(19 407)**

(Thousands of EUR)

9. EQUITY

Registered capital includes certificate-form registered shares. As of 31 December 2013, total number of issued and fully paid shares was 3 230 960, with nominal value of EUR 33.19 per share (31 December 2012: EUR 33.19).

As of 31 December 2013 and 31 December 2012, 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 21 526 thousand as of 31 December 2013 (31 December 2012: EUR 17 847 thousand) and other funds that amount to EUR 1 475 thousand as of 31 December 2013 (31 December 2012: EUR 1 475 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 the profit distribution purposes the separate financial statements of the Company prepared under IFRS as of 31 December 2013 are relevant. The amount of retained earnings under the Company's financial statements prepared as of 31 December 2013, distributable to the shareholders is EUR 132 765 thousand. In 2013, dividend payment to the shareholders from profit for 2012 was approved in the amount of EUR 26.20 per share.

The hedging reserve represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized 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.

Hedging reserve:	***Year ended 31 December 2013***	***Year ended 31 December 2012***
Balance at beginning of the year	**(155)**	**(1 725)**
Profit/(loss) recognized on cash flow hedges:		
Forward currency contracts	-	(15)
Commodity swap contracts	(41)	(1 792)
Interest rate swap contracts	-	(83)
Income tax related to profit/loss recognized in equity	10	367
Transferred to profit or loss:		
Forward currency contracts	-	46
Commodity swap contracts	275	3 519
Interest rate swap contracts	-	253
Income tax related to profit/loss recognized in profit or loss	(64)	(725)
Balance at end of the year	**25**	**(155)**

10. PROVISION FOR ABANDONMENT AND RESTORATION

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

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

Balance as at 31 December 2011	**96 194**
Additions/(Release) to provision to assets	8 696
Additions/(Release) through profit or loss	(476)
Interest on discounting	2 723
Utilization of provision	(885)
Balance as at 31 December 2012	**106 252**
Additions/(Release) to provision to assets	(3 266)
Additions/(Release) through profit or loss	(2 775)
Interest on discounting	2 471
Utilization of provision	(799)
Balance as at 31 December 2013	**101 883**

NAFTA currently has 182 production wells in addition to 254 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 law.

(Thousands of EUR)

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 current market assessment of the time value of money and risks specific to the liability (3.7%). The provision takes into account costs estimated for the abandonment of production and storage wells and centres, and for the restoration of the site to its original condition. These costs are expected to be incurred between 2014 and 2093.

11. BORROWINGS

The Company has opened unused credit lines amounting to EUR 15 000 thousand. See also Note 22.2 (v).

12. 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 of 31 December 2013 there were 717 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.

The change in net liabilities stated in the balance sheet for the year ended 31 December 2013 and the year ended 31 December 2012 is summarised as follows:

	Total long-term employee benefits 31 December 2013	***Total long-term employee benefits 31 December 2012***
Liabilities as at 1 January, net	1 639	1 478
Net change in provision (actuarial estimate), included in labour and related expenses	249	374
Employee benefits paid	(89)	(213)
Liabilities as at 31 December, net	**1 799**	**1 639**

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

	At 31 December 2013	***At 31 December 2012***
Discount rate	2.6 %	2.4%
Future expected annual rate of salary increases	2.2 %	2.2%
Expected fluctuation	5.0 %	5.0%
Retirement age	62 years	62 years

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	31 December 2013	***31 December 2012***
Trade payables	10 195	8 312
Payables to employees	3 199	2 531
Social security liabilities	1 283	1 112
Other tax liabilities	2 322	2 230
Other payables	702	753
Total trade and other payables	**17 701**	**14 938**

The average credit period is 27 days (2012: 28 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Group records no payables overdue as at 31 December 2013 (2012: EUR 401 thousand overdue).

(Thousands of EUR)

The change on Social Fund liabilities disclosed in the balance sheet as of 31 December 2013 and 31 December 2012 is analysed as follows:

	Year 2013	*Year 2012*
Payables as at 1 January	**61**	**37**
Total creation:	395	434
from expenses	*157*	*174*
from profit	*238*	*260*
Total drawing:	(396)	(410)
catering services	*(100)*	*(97)*
recreation	*(70)*	*(73)*
other	*(226)*	*(240)*
Payables as at 31 December	**60**	**61**

14. OTHER CURRENT PROVISIONS

Other current provisions consist of provisions for liabilities and charges and include provision for abandonment and restoration, refer to Note 10 and litigation and other, refer to Note 21.2.

15. LABOUR AND RELATED EXPENSES

Labour and related expenses are comprised of the following:

	Year ended	
	31 December 2013	***31 December 2012***
Wages and salaries	(14 866)	(14 260)
Social security costs and other social expenses	(7 151)	(6 783)
Total labour and related expenses	**(22 017)**	**(21 043)**

The average number of employees for the year ended 31 December 2013 was 769, thereof managers 12 (year ended 31 December 2012: 780, thereof managers 12).

16. OTHER OPERATING AND FINANCIAL INCOME/(EXPENSES)

16.1. Other Operating Income/(Expenses), net

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

	Year ended	
	31 December 2013	***31 December 2012 (restated)***
Taxes and charges	(3 021)	(2 775)
Profit/(loss) on sale of non-current assets and inventories	8 550	13 479
Provisions for receivables, net	(367)	(23)
Provisions for inventories, net	(176)	(38)
Provision for abandonment and restoration costs	2 775	476
Provision for potential losses from litigations and other provisions	(107)	(20)
Insurance charges	(816)	(703)
Other income/(expenses), net	(781)	(44)
Total other operating income/(expenses), net	**6 057**	**10 352**

16.2. Other Financial Income/(Expenses), net

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

	Year ended	
	31 December 2013	***31 December 2012***
Exchange rate differences, net	(406)	22
Profit/(loss) from derivative transactions	-	(46)
Other financial income/(expenses), net	(22)	(238)
Total other financial income/(expenses), net	**(428)**	**(262)**

(Thousands of EUR)

17. INCOME TAXES

17.1. Income Taxes Reconciliation

Reconciliation between the income tax calculated at the statutory tax rate of 23 % (2012: tax rate of 19%) to income tax expenses is as follows:

	Year ended	
	31 December 2013	***31 December 2012 (restated)***
Profit before income taxes	129 354	140 489
Tax at domestic income tax rate of 23% (2012: 19%)	(29 751)	(26 693)
Special levy for business in regulated services		(1 633)
Tax effect of expenses not deductible, tax effect of non-taxable income, tax related to previous periods	212	3 306
Tax impact due to change in tax rate from 23% to 22% (2012: from 19% to 23%)	(533)	2 198
Tax effect of shares in profit/loss of joint venture	468	(1 516)
Effect of different tax rates of subsidiaries operating in other jurisdictions	65	-
Total income tax charges	**(29 539)**	**(24 338)**

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 in the Slovak Republic.

Currently, companies in the Slovak Republic must submit tax returns separately and no possibility exists to prepare a consolidated tax return for a group of companies.

17.2. Income Taxes

Income tax expenses comprise the following:

	Year ended	
	31 December 2013	***31 December 2012 (restated)***
Current income tax of NAFTA and subsidiaries	(30 226)	(25 538)
Share of taxation attributable to the joint venture	468	(1 516)
Deferred income tax	219	2 716
Related to the current year	752	518
Deferred tax adjustment due to change in tax rate	(533)	2 198
Total income taxes	**(29 539)**	**(24 338)**

17.3. Deferred Income Taxes

The following are the major deferred tax liabilities and assets recognized by the Company, and the movements thereon, during the current and prior reporting periods:

	As at 1 January 2012 (restated)	***Charge (credit) to equity for the period (restated)***	***Charge (credit) to profit for the period (restated)***	***As at 31 December 2012 (restated)***
Property, plant and equipment	(3 127)	-	(2 677)	(5 804)
Provision for abandonment and restoration costs	11 635	-	3 368	15 003
Retirement and other long-term employee benefits	281	-	96	377
Inventories	123	-	373	496
Derivatives	404	(358)	-	46
Other	(248)	(1)	1 556	1 307
Total	**9 068**	**(359)**	**2 716**	**11 425**

(Thousands of EUR)

	As at 1 January 2013	*Charge (credit) to equity for the period*	*Charge (credit) to profit for the period*	*As at 31 December 2013*
Property, plant and equipment	(5 804)	-	(1 588)	(7 392)
Provision for abandonment and restoration costs	15 003	-	(320)	14 683
Retirement and other long-term employee benefits	377	-	19	396
Inventories	496	-	(242)	254
Derivatives	46	(54)	-	(8)
Other	1 307	8	2 350	3 665
Total	**11 425**	**(46)**	**219**	**11 598**

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy. The following is an analysis of the deferred tax balances (after offset) for balance sheet purposes:

	31 December 2013	*31 December 2012 (restated)*
Deferred tax asset	11 716	11 531
Deferred tax liability	(118)	(106)
Total	**11 598**	**11 425**

18. 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 accounting period.

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

Costs of the services of an audit firm comprised EUR 27 thousand for the audit of the financial statements (2012: EUR 43 thousand) and EUR 8 thousand for accounting or tax advisory services (2012: EUR 6 thousand).

(Thousands of EUR)

20. SIGNIFICANT TRANSACTIONS WITH THIRD PARTIES AND RELATED PARTIES

20.1. Significant Transactions

NAFTA provides underground storage of natural gas for SPP (parent company) and other significant international companies. NAFTA performs operation services of underground storage facilities of natural gas at POZAGAS (joint venture).

In 2012 NAFTA finished cooperation with OMV Slovakia Exploration in joint exploration and production of hydrocarbons in the Vienna Basin.

20.2. Related Parties

Related parties of the company have been identified as unconsolidated subsidiaries and associates (see Notes 5 and 6), companies under common ownership (SPP Group), shareholders, directors, and management of the Company.

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

As of 31 December 2013, receivables from related parties amounted to EUR 4 438 thousand (31 December 2012: EUR 6 080 thousand).

As of 31 December 2013, payables to related parties amounted to EUR 446 thousand (31 December 2012: EUR 352 thousand).

Revenues from transactions with related parties for the year ended 31 December 2013 amounted to EUR 119 509 thousand (year ended 31 December 2012: EUR 125 903 thousand).

Expenses and other deliveries from transactions with related parties for the year ended 31 December 2013 amounted to EUR 6 428 thousand (year ended 31 December 2012: EUR 1 863 thousand).

Transactions with related parties represent mainly services related to underground storage, sale and purchase of natural gas mainly to the direct or indirect owners of the Company (SPP, POZAGAS a. s., until 23 January 2013 including 2012 also GDF SUEZ s. a.).

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

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

20.3. Board Members' and Directors' Remuneration

Remuneration to board members and directors recorded during the year ended 31 December 2013 and 31 December 2012 was as follows:

	Year ended	
	31 December 2013	***31 December 2012***
Salaries	1 470	1 452
Discretionary bonuses	-	-
Total	**1 470**	**1 452**

Salaries and bonuses are included in labour and related expenses.

(Thousands of EUR)

21. COMMITMENTS AND CONTINGENCIES

21.1. Capital Expenditures

As of 31 December 2013, capital expenditures in the amount of EUR 1 433 thousand (31 December 2012: EUR 10 744 thousand) have been committed under contractual arrangements that are not recognized in these consolidated financial statements and relate primarily to the construction and modernisation of non-current assets related to the underground storage facility of natural gas.

21.2. Litigation

The Company has entered into long-term storage contracts with various customers operating in Europe. The prices and other contractual conditions in these contracts are subject to change due to various contractually defined factors. In this regard, in 2012 NAFTA entered into price arbitration, which effect is adequately reflected in these financial statements. The final outcome as well as timing of the price arbitration is uncertain. It was decided not to disclose additional data on this matter since the management of the company believes this would breach confidentiality and/or trade secrets and/or may cause damage to the Company.

In addition to the legal cases described above, the Company is also involved in other litigations arising in the normal course of business and it is not expected, either individually or in the aggregate, that they would have a significant adverse impact on the accompanying consolidated financial statements.

21.3. 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 2008 through 2013 are open and subject to review.

21.4. Bank Guarantees

The Company did not record any bank guarantees as of 31 December 2013.

22. FINANCIAL INSTRUMENTS

22.1. 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 2012.

The gearing ratio at the year-end was as follows:

	31 December 2013	***31 December 2012 (restated)***
Debt (i)	-	-
Cash and cash equivalents	72 459	55 616
Net debt	**72 459**	**55 616**
Equity (ii)	(261 089)	(245 232)
Net debt to equity ratio	**N/A**	**N/A**

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

(Thousands of EUR)

22.2. Categories of Financial Instruments

	31 December 2013	*31 December 2012*
Financial derivatives recognized as hedging	32	-
Loans and receivables (including cash and cash equivalents)	85 230	71 736
Financial assets	**85 262**	**71 736**
Financial derivatives recognized as hedging	-	(202)
Interest free liabilities	(20 512)	(16 180)
Financial liabilities	**(20 512)**	**(16 382)**

(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.

(i) Foreign exchange risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	Liabilities		*Assets*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*
USD	146	632	3 771	2 411
CZK	179	167	3 796	4 467

The following table details the Company's sensitivity to a 16% increase and decrease of EUR against USD (in 2012: 17%) and a 13% increase and decrease of EUR against CZK (2012: 15%). 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.

	USD		*CZK*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*
Profit or loss (i)	580	303	470	645

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

As at 31 December 2013 and 31 December 2012, the Company had no open currency contracts.

(ii) Commodity Price Risk

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

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

Outstanding swap commodity contracts	***Contract value (EUR '000)***		***Fair value (EUR '000)***	
	2013	***2012***	***2013***	***2012***
Cash flow hedges				
Crude oil	2 279	5 960	32	(46)
Natural Gas	-	5 692	-	(131)
Gas condensate	-	1 716	-	(25)
Sell crude oil				
Less than 3 months	570	1 490	8	(12)
3 to 12 months	1 709	4 470	24	(34)
Sell natural gas				
Less than 3 months	-	1 423	-	(33)
3 to 12 months	-	4 269	-	(98)
Sell gas condensate				
Less than 3 months	-	429	-	(6)
3 to 12 months	-	1 287	-	(19)

The Company has entered into swap commodity contracts to hedge the market risk arising from crude oil price changes in anticipated future transactions associated with the Company's sales in 2014.

As of 31 December 2013, the aggregate amount of unrealised gains under swap commodity contracts deferred in the hedging reserve relating to these anticipated future purchase transactions is EUR 32 thousand (2012: loss of EUR 202 thousand).

(iii) Interest Rate Risk

The Company's operating income and operating cash flows are independent of changes in market interest rates. The Company has no significant interest-bearing assets other than cash and cash equivalents. As at 31 December 2013 and 31 December 2012, the Company had no open interest rate derivatives.

(iv) 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.

(v) 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 and the ability to close out market positions. The Company maintains sufficient cash and credit lines, and has no open market positions other than open positions from derivative transactions.

(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***	***Total***
2013						
Non-interest bearing		16 875	392	434	2 811	20 512
Variable interest rate instruments	-	-	-	-	-	-
2012						
Non-interest bearing	-	14 426	432	80	1 242	16 180
Variable interest rate instruments	-	-	-	-	-	-

The Company has access to financing facilities. The total unused amount of such facilities is EUR 15 000 thousand at the balance sheet date (2012: EUR 30 000 thousand). The Company expects to meet its other obligations from operating cash flows and maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the balance sheet date.

	Less than 1 month	***1 – 3 months***	***3 months to 3 years***	***Total***
2013				
Net settled:				
Commodity swap contracts	3	5	24	32
Total	**3**	**5**	**24**	**32**
2012				
Net settled:				
Commodity swap contracts	(17)	(34)	(151)	(202)
Total	**(17)**	**(34)**	**(151)**	**(202)**

(2) Fair Value Estimation

The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on forward interest rates as at the balance sheet date and agreed forward rates reflecting the credit risk of various parties. The fair value of interest rate-currency swap contracts is determined using forward currency exchange rates at the balance sheet date and agreed forward exchange rates discounted using interest rates, which reflect the credit risk of various parties.

In assessing the fair value of non-traded derivatives and other financial instruments, the Company uses a variety of methods and market assumptions that are based on market conditions existing at the balance sheet date. Other techniques, mainly estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

According to the Company's management, carrying amounts of financial assets and liabilities disclosed in the financial statements at amortised cost approximate their fair value.

(Thousands of EUR)

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

23.1. Consolidated Financial Statements

NAFTA prepares consolidated financial statements for 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 are available for inspection in 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 subsidiary of Slovenský plynárenský priemysel, 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 prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use in the EU.

After SPP's consolidated financial statements are approved by SPP's bodies and the General Meeting, the financial statements are available for inspection in SPP'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).

23.2. Unlimited Guarantee

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

23.3. Members of the Company's Bodies as of 31 December 2013:

Board of Directors:	Chairman	Ing. Jan Špringl
	Vice-Chairman	RNDr. Pavol Kaločaj, PhD.
	Member	Ing. Bohumil Kratochvíl
	Member	Ing. Robert Bundil
Supervisory Board:	Chairman	JUDr. Daniel Křetínský
	Member	Ing. Peter Čulen
	Member	Peter Dubaj
	Member	Mgr. Pavel Horský
	Member	Mgr. Jan Stříteský
	Member	Ing. Peter Šefara
	Member	Ing. Robert Ševela, PhD.
	Member	Ing. Matúš Tisovský
	Member	Ing. Jan Tomaník
Top Management:	General Director	Ing. Martin Bartošovič
	Director for Strategy and Development	Ing. Bohumil Kratochvíl
	Director for Development and International Relationships	Ing. Mirek Topolánek
	Director of Underground Gas Storage Division	Ing. Ladislav Goryl
	Director of Exploration and Production Division	Ing. MBA Jozef Levoča
	Director of Workover and Drilling Division	Ing. Marián Marcin, PhD.
	Director of Service Division	Ing. Michal Ševera
	Director of Economic Section	Ing. Szilárd Kása
	Director of Sales and Marketing Section	Mgr. Peter Kučera

24. EVENTS AFTER THE BALANCE SHEET DATE

From 31 December 2013 up to the date of the approval of these consolidated financial statements there were no significant events that would significantly impact the assets and liabilities of the Company.

25. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements on pages 3 to 33 are signed on 2 February 2014 on behalf of the Board of Directors by:

Ing. Jan Špringl
Chairman of Board of Directors

Ing. Robert Bundil
Member of Board of Directors

Signature of the person responsible for preparing the financial statements:

Ing. Szilárd Kása
Director of Economic Section

Signature of the person responsible for bookkeeping:

Ing. Ivana Kocáková
Head of Financial Accounting Department