NAFTA a.s.

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

Year ended 31 December 2016

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

CONTENTS

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NAFTA a.s.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of NAFTA a.s. (the "Company"), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance for the year then ended in accordance with the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting").

Basis for Opinion

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

Responsibilities of Management

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Act on Accounting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting. Our opinion on the financial statements stated above does not apply to other information in the annual report.

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

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

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

- Information disclosed in the annual report prepared for 2016 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 24 February 2017

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

NAFTA a.s.
SEPARATE BALANCE SHEETS
as at 31 December 2016 and 31 December 2015
(Thousands of EUR)

	Note	*31 December 2016*	*31 December 2015*
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	232 089	241 948
Intangible and other assets		10 578	10 810
Investments in subsidiaries and a joint venture and available-for-sale investments	5	18 134	18 134
Deferred tax asset	18.3	11 535	7 808
Long-term loans provided	8	222 069	250 000
Total non-current assets		494 405	528 700
CURRENT ASSETS:			
Inventories	6	4 526	6 649
Trade and other receivables	7	10 682	13 446
Income tax assets		1 208	3 567
Financial receivables from group companies	11	-	30 000
Other financial receivables		-	806
Cash and cash equivalents		17 312	12 479
Total current assets		33 728	66 947
TOTAL ASSETS		**528 133**	**595 647**
EQUITY AND LIABILITIES:			
EQUITY:			
Registered capital	9	107 235	107 235
Treasury shares, at cost	9	(4 745)	(4 745)
Other capital funds	9	21 447	21 447
Hedging derivatives reserve and other reserves	9	(1 986)	449
Profit/(loss) from previous years		1 832	1 571
Profit/(loss) for the current year		79 553	103 465
Total equity		203 336	229 422
NON-CURRENT LIABILITIES:			
Long-term loans received	10	175 000	175 000
Provision for abandonment and restoration	12	94 765	97 397
Retirement and other long-term employee benefits	13	3 568	3 116
Other non-current liabilities		368	1 261
Deferred income		1 770	1 831
Total non-current liabilities		275 471	278 605
CURRENT LIABILITIES:			
Trade and other payables	14	17 283	20 035
Short-term loans	10	166	65 000
Financial liabilities to group companies	11	27 991	-
Other financial liabilities		1 814	-
Other current provisions	12,15	2 072	2 585
Total current liabilities		49 326	87 620
TOTAL LIABILITIES		324 797	366 225
TOTAL EQUITY AND LIABILITIES		**528 133**	**595 647**

(Thousands of EUR)

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
REVENUES:			
Natural gas storage revenues and hydrocarbon sales	21.1	155 620	194 550
Other revenues		4 487	4 262
Total revenues		160 107	198 812
OPERATING EXPENSES:			
Own work capitalised		1 395	3 672
Consumables and services		(23 696)	(22 296)
Labour and related costs	16	(19 884)	(21 260)
Depreciation and amortisation		(12 652)	(21 819)
Other operating income/(expenses), net	17.1	(3 368)	(2 007)
Total operating income/(expenses), net		(58 205)	(63 710)
FINANCIAL INCOME/(EXPENSES):			
Interest income		3 903	443
Interest expenses		(5 033)	(3 661)
Other financial income/(expenses), net	17.2	(2 167)	211
Total financial income/(expenses), net		(3 297)	(3 007)
PROFIT BEFORE INCOME TAXES		98 605	132 095
INCOME TAXES	18	(19 052)	(28 630)
NET PROFIT		**79 553**	**103 465**
EARNINGS PER SHARE (in EUR)	19	24.62	32.02

(Thousands of EUR)

	Note	*Year ended 31 December 2016*	*Year ended 31 December 2015*
PROFIT FOR THE YEAR AFTER INCOME TAXES		79 553	103 465
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the profit and loss statement:			
Hedging derivatives		(2 619)	806
Other comprehensive income for the year before income taxes		(2 619)	806
Tax at the tax rate of 22%		576	(177)
Tax effect due to change in tax rate from 22% to 21%		(18)	-
Tax related to items of other comprehensive income		558	(177)
Items that will not be subsequently reclassified to the profit and loss statement:			
Actuarial gains/losses		(470)	(42)
Other comprehensive income for the year before taxes		(470)	(42)
Tax at the tax rate of 22 %		103	9
Tax effect due to change in tax rate from 22% to 21%		(7)	-
Tax related to items of other comprehensive income		96	9
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**77 118**	**104 061**

	Year ended 31 December 2016			*Year ended 31 December 2015*		
	Before taxation	*Tax*	*After taxation*	*Before taxation*	*Tax*	*After taxation*
Hedging derivatives	(2 619)	558	(2 061)	806	(177)	629
Actuarial gains/losses	(470)	96	(374)	(42)	9	(33)
Total other comprehensive income/(loss) for the year	**(3 089)**	**654**	**(2 435)**	**764**	**(168)**	**596**

NAFTA a.s.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2016 and 31 December 2015
(Thousands of EUR)

	Registered capital	*Treasury shares, at cost*	*Other capital funds*	*Hedging derivatives reserve and other reserves*	*Profit/(loss) from previous years*	*Profit/(loss) for the current year*	*Total*
At 1 January 2015	**107 235**	**(4 745)**	**21 447**	**(147)**	**2 158**	**89 122**	**215 070**
Transfer of profit/(loss) for the current year	-	-	-	-	89 122	(89 122)	-
Dividends	-	-	-	-	(89 709)	-	(89 709)
Net profit for the year	-	-	-	-	-	103 465	103 465
Other comprehensive income/(loss) for the year	-	-	-	596	-	-	596
At 31 December 2015	**107 235**	**(4 745)**	**21 447**	**449**	**1 571**	**103 465**	**229 422**
Transfer of profit/(loss) for the current year	-	-	-	-	103 465	(103 465)	-
Dividends	-	-	-	-	(103 204)	-	(103 204)
Net profit for the year	-	-	-	-	-	79 553	79 553
Other comprehensive income/(loss) for the year	-	-	-	(2 435)	-	-	(2 435)
At 31 December 2016	**107 235**	**(4 745)**	**21 447**	**(1 986)**	**1 832**	**79 553**	**203 336**

(Thousands of EUR)

	Year ended 31 December 2016	***Year ended 31 December 2015***
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income taxes	98 605	132 095
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:		
Depreciation and amortisation	12 652	21 819
Interest expense, net	1 130	3 218
Unrealised exchange rate differences	(13)	4
Impairment and provisions	1 323	(10 722)
(Profit)/loss on sale of non-current assets	(316)	(822)
Income from financial investments	(301)	(466)
Retirement and other long-term employee benefits	213	403
Other non-cash items	(140)	(84)
Changes in assets and liabilities:		
Inventories	2 416	(1 860)
Trade and other receivables	2 525	(7 666)
Trade and other payables	(3 376)	438
Provision for abandonment and restoration and other provisions	(2 072)	(15 476)
Employee benefits	(231)	(275)
Operating cash flows, net	112 415	120 606
Interest received	19	28
Interest paid	(2 009)	-
Income tax	(19 764)	(32 746)
Net cash flows from operating activities	90 661	87 888
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to tangible and intangible non-current assets	(6 867)	(9 748)
Proceeds from sale of non-current assets	856	1 277
Disposal/(Acquisition) of financial investments	(1 620)	(90)
Dividends received	301	467
Net cash flows from investing activities	(7 330)	(8 094)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in loans and borrowings received	(37 000)	240 000
Net change in loans and borrowings provided	(630)	(280 000)
Dividends paid	(40 882)	(89 975)
Net cash flows from financing activities	(78 512)	(129 975)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4 819	(50 181)
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12 479	62 662
EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	14	(2)
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**17 312**	**12 479**

1. GENERAL

1.1. Description of Business

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

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

As at 31 December 2016, the Company's shares were held by SPP Infrastructure, a.s. (56.2%, EUR 60 217 thousand), Czech Gas Holding Investment B.V. (40.4%, EUR 43 375 thousand), other minority shareholders (1.9%, EUR 2 050 thousand), and NAFTA (treasury shares 1.5%, EUR 1 593 thousand). The share of voting rights of the aforementioned shareholders equalled their shares in the registered capital of NAFTA a.s. The shareholders of SPP Infrastructure, a.s. are Energetický a průmyslový holding, a.s. ("EPH") holding a 49% share and management control, and Slovenský plynárenský priemysel, a.s. ("SPP") holding a 51% share. Czech Gas Holding Investment B.V. is controlled by EPH, which is also an ultimate consolidating reporting entity of NAFTA a.s.

1.2. Legal Basis for Preparing the Financial Statements

These financial statements have been prepared as the ordinary separate financial statements of NAFTA for the accounting period from 1 January until 31 December 2016 pursuant to Article 17a Paragraph 2 of Act No. 431/2002 Coll. on Accounting, as amended.

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

1.3. Approval of the 2015 Financial Statements

The financial statements of NAFTA a.s. for 2015 according to International Financial Reporting Standards were approved by the Annual General Meeting held on 12 May 2016.

1.4. Comparative Information for Previous Reporting Periods

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 effective for annual periods beginning on 1 January 2016. 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 reporting period:

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception, adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016);

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations, adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);

- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Bearer Plants, adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);

- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);

- Amendments to various standards "Improvements to IFRS (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, adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015);

- Amendments to various standards "Improvements to IFRS (cycle 2012 – 2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

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

- IFRS 9 "Financial Instruments", adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018);

- IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective Date of IFRS 15", adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

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

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

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019);

- Amendments to IFRS 2 "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 Financial Instruments with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied for the first time);

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

- Amendments to IFRS 15 "Revenue from Contracts with Customers" – Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018);

- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);

- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017);

- Amendments to IAS 40 "Investment Property" – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);

- Amendments to various standards "Improvements to IFRS (cycle 2014 – 2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

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

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

The Company anticipates that the adoption of these standards and amendments to the existing standards and interpretations will have no material impact on its financial statements in the period of initial application, except for IFRS 15 "Revenue from Contracts with Customers" where the Company is currently assessing its potential impacts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

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

NAFTA has prepared and issued consolidated financial statements for the year ended 31 December 2016 that comply with IFRS. Such consolidated financial statements were issued separately and do not accompany these separate financial statements. For a better understanding of the Company's consolidated financial position and results of operations, reference should be made to the consolidated financial statements for the year ended 31 December 2016, which were issued on 24 February 2017. These IFRS consolidated financial statements are obtainable at the registered corporate address of NAFTA.

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

The principal accounting policies adopted are set out below.

b. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Energy legislation related to natural gas storage and price regulation

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 have been effective since 1 September 2012 and superseded previous energy legislation. The purpose of these laws was the transposition of the so-called 3rd Energy Package of the EU including the 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 the use of natural gas storage services. Natural gas storage was not subject to price regulation in 2016.

Impairment of Property, Plant and Equipment

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

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

Litigations

With respect to litigations, management estimates a probable loss, which may result in certain financial expenses. In making this assessment, the Company relies on the advice of external legal counsel, the latest available information on the status of the court proceedings, and an internal evaluation of the likely outcome. Details of the individual legal cases are included in Note 22.2.

(Thousands of EUR)

Provision for Abandonment and Restoration

These financial statements include significant amounts as a provision for the abandonment and restoration of production and storage wells and 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 the 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 abandonment and restoration which is updated yearly. Refer to Note 12 for further details.

c. Property, Plant and Equipment and Intangible Assets

As at 31 December 2016 and 2015, property, plant, and equipment are stated in the balance sheet at cost less any subsequent accumulated depreciation and 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 2016	***31 December 2015***
Buildings, halls and structures used in natural gas storage	40 – 80 years	40 – 80 years
Cushion gas	1 000 years	1 000 years
Other buildings, halls and structures	25 – 40 years	25 – 40 years
Machines and equipment used in natural gas storage	4 – 40 years	4 – 40 years
Other machines, equipment and vehicles	4 – 30 years	4 – 30 years
Intangible assets	4 – 30 years	4 – 30 years

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

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

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

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

d. Cushion Gas

Cushion gas represents gas needed to run the underground reservoirs of natural gas. Its production would affect the operability of underground reservoirs. Cushion gas is disclosed as part of land, buildings and structures.

e. Investments in the Subsidiaries, Joint Venture and Associates

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

f. Financial Assets

Financial assets are classified 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 date of the preparation of the financial statements, held-to-maturity' investments (debt securities NAFTA intends to hold up to their maturity) are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised 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 recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised 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 recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

g. Cash and Cash Equivalents

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

h. Inventories

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

i. Accruals

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

j. 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 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;
- If it is part of an identified portfolio of financial instruments that the Company manages and has a pattern of a short-term profit-taking portfolio;
- 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 recognised in profit or loss. The net gain or loss recognised 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 recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

k. Provisions

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

The Company accrues costs relating to the abandonment of its production, exploration, and storage wells (including related 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.

l. Revenue Recognition

NAFTA records revenue from the 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.

m. Current and Deferred Income Taxes

Income taxes are provided on accounting profit as determined under the applicable legislation at a rate of 22 %, after adjustments for certain items for taxation purposes. Refer also to Note 18.

As of September 2012, the Company is obliged to pay under applicable legislation a monthly special levy on business in regulated industries in addition to corporation tax; the levy is classified as an income tax in accordance with International Financial Reporting Standards. The levy rate for 2016 is 0.00363 per month and is calculated from the profit/loss determined in accordance with Slovak Accounting Standards.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is recognised in the statement of profit and loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded in equity. Due to a change in the tax rate valid from 1 January 2017, the deferred tax balance as at 31 December 2016 is recalculated using the tax rate of 21% (31 December 2015: 22%).

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

Due to the legislative abolition of the time limit of the validity of the special levy on business in 2016, a deferred special levy on business was recognised in the financial statements as at 31 December 2016.
A deferred special levy on business is recognised from temporary differences between the net book value of assets and liabilities and the amount of assets and liabilities recognised in accordance with Slovak Accounting Standards. The deferred special levy on business is calculated by applying the special levy rate that is expected to apply to the period when the relevant asset is expected to be realised or the liability settled. The deferred special levy is recognised in the income statement. The annual rate of the special levy on business used to recalculate the special levy is 4.356%.

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

n. Transactions in Foreign Currencies

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

o. Borrowing Costs

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

p. Financial Instruments

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

q. 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 as cash flow hedges are recognised 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 recognised 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 recognised in the statement of profit and loss as they arise.

r. Social Security and Pension Schemes

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

s. Retirement and Other Long-term Employee Benefits

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

t. Finance Lease

Assets acquired under finance lease are recognised as assets at their fair value as at the acquisition date. The related payable to the lessor is recognised 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 recognised in the statement of profit and loss over the lease term using the internal rate of return.

u. Emission Rights

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

v. Government and European Union Grants

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

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

(Thousands of EUR)

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are comprised of the following:

Year ended 31 December 2015	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2015	**135 228**	**82 930**	**30 274**	**5 795**	**254 227**
Additions	-	-	-	10 204	10 204
Transfers	6 534	3 763	-	(10 297)	-
Disposals	(156)	(401)	(107)	(9)	(673)
Depreciation	(6 320)	(7 332)	(2 157)	-	(15 809)
Change in provision recorded to assets	-	-	(874)	-	(874)
(Additions)/Release of provision	(4 302)	(991)	-	166	(5 127)
Net Book Value as at 31 December 2015	**130 984**	**77 969**	**27 136**	**5 859**	**241 948**
Cost as at 31 December 2015	302 183	195 010	71 942	40 904	610 039
Accumulated depreciation and provisions as at 31 December 2015	(171 199)	(117 041)	(44 806)	(35 045)	(368 091)
Net Book Value as at 31 December 2015	**130 984**	**77 969**	**27 136**	**5 859**	**241 948**

Year ended 31 December 2016	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2016	**130 984**	**77 969**	**27 136**	**5 859**	**241 948**
Additions	-	-	-	5 851	5 851
Transfers	2 585	3 680	-	(6 265)	-
Disposals	(342)	(262)	(106)	(9)	(719)
Depreciation	(6 841)	(7 236)	(1 007)	-	(15 084)
Change in provision recorded to assets	-	-	(3 123)	-	(3 123)
(Additions)/Release of provision	3 664	220	590	(1 258)	3 216
Net Book Value as at 31 December 2016	**130 050**	**74 371**	**23 490**	**4 178**	**232 089**
Cost as at 31 December 2016	303 443	194 988	67 750	38 656	604 837
Accumulated depreciation and provisions as at 31 December 2016	(173 393)	(120 617)	(44 260)	(34 478)	(372 748)
Net Book Value as at 31 December 2016	**130 050**	**74 371**	**23 490**	**4 178**	**232 089**

(Thousands of EUR)

As at 31 December 2016 and 31 December 2015, the Company has reassessed the impairment of property, plant and equipment in accordance with IAS 36 "Impairment of Assets" on the basis of an evaluation of their future use, liquidation, or sale. The Company has determined the amount of the provision based on the present value of future cash flows, liquidation plan, estimated sale price or the sale price of other assets. A discount rate of 12% (31 December 2015: 12%) was used to calculate the present value of future cash flows of the "hydrocarbon production and exploration" cash-generating unit. The carrying amount of the cash-generating unit based on the recoverable amount as at 31 December 2016 represents EUR 5 204 thousand (31 December 2015: EUR 2 507 thousand).

Assets in the course of construction include:

	31 December 2016			***31 December 2015***		
	Cost	***Provision***	***Net***	***Cost***	***Provision***	***Net***
Exploration wells	26 388	(26 388)	-	28 278	(28 278)	-
Facilities with suspended completion	5 962	(5 707)	255	5 962	(5 707)	255
Other	6 306	(2 383)	3 923	6 664	(1 060)	5 604
Total	**38 656**	**(34 478)**	**4 178**	**40 904**	**(35 045)**	**5 859**

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 2016, the Company capitalised EUR 802 thousand referring to cost of hydrocarbon reserves exploration (31 December 2015: EUR 3 185 thousand).

The cost of fully depreciated items of property, plant and equipment that were still in use as at 31 December 2016 amounts to EUR 81 362 thousand (31 December 2015: EUR 83 657 thousand).

The net book value of property, plant and equipment that are temporarily unused amounts to EUR 1 481 thousand (31 December 2015: EUR 2 129 thousand) and the related provision of EUR 1 481 thousand (31 December 2015: EUR 2 129 thousand) was recorded; thus, such items are stated at a zero net book value as at 31 December 2016 and 31 December 2015.

NAFTA's non-current tangible assets are insured against all significant risks through the "ALLRISK" insurance policy. The insured amount is EUR 652 392 thousand.

As at 31 December 2016 and 31 December 2015, NAFTA had no limited right to handle non-current tangible assets.

(Thousands of EUR)

5. INVESTMENTS IN THE SUBSIDIARIES, JOINT VENTURE AND AVAILABLE-FOR-SALE INVESTMENTS

Investments in the subsidiaries, joint venture and available-for-sale investments are recognised at cost adjusted for impairment, if any.

Investments in the subsidiaries, joint venture, and available-for-sale investments as at 31 December 2016 are comprised of the following:

	Subsidiaries	***Joint venture***	***Total***
Cost	2 461	17 293	26 227
Diminution in value	(1 620)	-	(8 093)
Closing net book value	**841**	**17 293**	**18 134**

Investment in company AG Banka, a.s. which was recognised at zero net book value as investment available-for-sale as of 31 December 2015 was in year 2016 derecognised because of its deletion from the Commercial Register.

Information on the subsidiaries can be summarised as follows:

Name of Company	***Seat***	***Effective ownership***	***Principal activity***
Karotáž a cementace, s. r. o.	Velkomoravská 2606/83, Hodonín, Czech Republic	51%	Logging and cementing
Nafta Exploration, s. r. o.	Plavecký Štvrtok 900, Slovak Republic	100%	Exploration
Nafta Services, s.r.o.	č.p. 891, Dolní Bojanovice, Czech Republic	100%	Service work
NAFTA International B.V.	Schiphol Boulevard 403, Tower C-4, 1118 BK Schiphol, Netherlands	100%	Holding company

In 2016, NAFTA increased its contribution in NAFTA International B.V. (subsidiary) by EUR 1 600 thousand. NAFTA International B. V. owns assets that are mainly related to hydrocarbon reserves exploration. As stated in Note 3(c), the Company created a 100% provision for this financial investment.

Information on the joint venture can be summarised as follows:

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

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

Name of Company	***Equity***		***Profit/(loss)***	
	2016	***2015***	***2016***	***2015***
Karotáž a cementace, s. r. o.	3 651	4 134	109	695
Nafta Exploration, s. r. o.	1	3	(1)	(1)
POZAGAS a. s.	80 298	70 664	9 634	10 899
Nafta Services, s.r.o.	159	103	64	10
NAFTA International B.V.	1 570	20	(44)	(6)

(Thousands of EUR)

6. INVENTORIES

Inventories, net are comprised of the following:

	31 December 2016	*31 December 2015*
Materials and supplies	4 014	6 988
Finished goods	1 682	1 164
Less: provision for old and obsolete items	(1 170)	(1 503)
Total inventories, net	**4 526**	**6 649**

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

7. TRADE AND OTHER RECEIVABLES

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

	31 December 2016	*31 December 2015*
Trade receivables		
Domestic customers	4 648	10 827
Foreign customers	4 613	345
Total trade receivables	9 261	11 172
Less: provisions for doubtful amounts	(30)	-
Total trade receivables, net	9 231	11 172
Other receivables	1 451	2 274
Less: provisions for doubtful amounts	-	-
Trade and other receivables, net	**10 682**	**13 446**

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

The average credit period on sales of goods and services is 17 days (2015: 13 days). The Company has created 100% provisions for all receivables overdue by more than 365 days because previous experience suggests that receivables that are past due beyond 365 days are generally unrecoverable. 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 2016	*31 December 2015*
Balance at beginning of the year	-	(18 721)
Creation, reversal	(30)	346
Use	-	18 375
Balance at end of the year	**(30)**	**-**

8. LOANS PROVIDED

The Company provided its direct shareholders with long-term loans amounting to EUR 250 000 thousand with a variable interest rate. The average effective interest rate for such loans is 1.61%. The long-term loans fall due in 2019. The loans are secured by an option of their offsetting against future potential dividends.

NAFTA also provided loans totalling EUR 630 thousand with a credit line of EUR 9 500 thousand to entities in which the Company has an equity share. The average effective interest rate for such loans is 4.92%. The loans fall due in 2023. These entities own assets primarily related to hydrocarbon reserves exploration. As stated in Note 3(c), the Company created a 100% provision for these loans.

(Thousands of EUR)

9. EQUITY

Registered capital includes certificate-form registered shares. As at 31 December 2016, the total number of issued and fully paid shares was 3 230 960, with nominal value of EUR 33.19 per share (31 December 2015: EUR 33.19).

As at 31 December 2016 and 31 December 2015, NAFTA held 48 013 own shares at cost of EUR 4 745 thousand. This amount of shares held is in no way limited by law.

Other capital funds are comprised of the legal reserve fund, which amounts to EUR 21 447 thousand as at 31 December 2016 (31 December 2015: EUR 21 447 thousand). Under the Company's Articles of Association, the legal reserve fund is not available for distribution and can be used to cover losses and to increase the registered capital.

For profit distribution purposes the separate financial statements of the Company prepared under IFRS as at 31 December 2016 are relevant. The amount of retained earnings under the Company's financial statements prepared as at 31 December 2016, distributable to shareholders is EUR 81 385 thousand. In 2016, the dividend payment to shareholders from profit for 2015 was approved in the amount of EUR 32.43 per share.

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

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

	Year ended	
	31 December 2016	***31 December 2015***
Balance at beginning of the year	**449**	**(147)**
Profit/(loss) recognised on cash flow hedges:		
Commodity swap contracts	(3 405)	1 510
Forward currency contracts	(84)	-
Actuarial gains/losses	(470)	(42)
Income tax related to profit/loss recognised in equity	846	(323)
Transfer to profit or loss:		
Commodity swap contracts	905	(704)
Forward currency contracts	(35)	-
Income tax related to profit/loss recognised in profit or loss	(192)	155
Balance at end of the year	**(1 986)**	**449**

10. LOANS RECEIVED

As at 31 December 2016, a bank loan was drawn in the amount of EUR 175 000 thousand from a long-term credit facility totalling EUR 250 000 thousand. The long-term credit facility consists of a fixed portion of EUR 175 000 thousand falling due in 2019 and a variable portion (a revolving loan), which is renewed every three months and the final maturity of which is in 2019.

The loans are denominated in EUR with a variable interest rate. The average effective interest rate for bank loans is 0.9% p.a. The bank loans are not secured by any assets.

Under the loan agreements, the Company is obliged, *inter alia*, to comply with certain financial covenants as at the end of a calendar half-year (30 June and 31 December). The Company complied with the financial covenants as at 31 December 2016.

The Company has open unused credit lines, including the revolving loan stated above amounting to EUR 90 000 thousand. See also Note 23.2 (e).

(Thousands of EUR)

11. FINANCIAL RECEIVABLES FROM AND FINANCIAL LIABILITIES TO GROUP COMPANIES

The Company has concluded a cash pooling contract with other Group companies to ensure the effective use of funds and to optimise liquidity. In accordance with the contract, the Company recorded a receivable of EUR 30 000 thousand as at 31 December 2015, which was repaid in 2016.

In 2016, the Company also drew funds under the cash pooling arrangement. The balance of the cash pooling liability amounted to EUR 28 000 thousand as at 31 December 2016.

12. 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 1 January 2015	**99 237**
Additions/(Release) to provision to assets	(874)
Additions/(Release) through profit or loss	(1 948)
Interest on discounting	3 433
Utilisation of provision	(765)
Balance as at 31 December 2015	**99 083**
Additions/(Release) to provision to assets	(3 123)
Additions/(Release) through profit or loss	(1 030)
Interest on discounting	3 080
Utilisation of provision	(1 277)
Balance as at 31 December 2016	**96 733**

NAFTA currently has 158 production wells in addition to 245 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area and restore the site to its original condition to the extent as stipulated by the law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money and risks specific to the liability (2.65%). The provision takes into account the 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 2017 and 2093 as follows:

Costs incurred	Within 1 Year	1 – 5 Years	5 – 20 Years	More than 20 Years
Present value	1 968	25 717	28 841	40 207

13. RETIREMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

The long-term employee benefits program at the Company is a defined benefit program, under which employees are entitled to a lump-sum payment upon old age or disability retirement as a multiple of the employee’s average salary and, subject to vesting conditions. As at 31 December 2016 there were 649 employees at the Company covered by this program. To date it has been an unfunded program, with no separately allocated assets to cover the program’s liabilities.

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

	Year ended	
	31 December 2016	***31 December 2015***
Liabilities as at 1 January, net	**3 116**	**2 946**
Net change in provision (actuarial estimate), included in labour and related expenses	213	403
Actuarial gains/losses included in other comprehensive income	470	42
Employee benefits paid	(231)	(275)
Liabilities as at 31 December, net	**3 568**	**3 116**

(Thousands of EUR)

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

	31 December 2016	***31 December 2015***
Discount rate	0.8%	1.3%
Future expected annual rate of salary increases	1.8%	1.9%
Expected fluctuation	5.0%	5.0%
Retirement age	62 years	62 years

14. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	31 December 2016	***31 December 2015***
Trade payables	9 095	11 302
Payables to employees	2 895	3 695
Social security liabilities	1 220	1 432
Other tax liabilities	2 093	2 214
Other payables	1 980	1 392
Total trade and other payables	**17 283**	**20 035**

The average credit period is 34 days (2015: 34 days). The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Company records no payables overdue as at 31 December 2016 (2015: EUR 0 thousand).

The change on Social Fund liabilities disclosed in the balance sheet as at 31 December 2016 and 31 December 2015 is analysed as follows:

	Year ended	
	31 December 2016	***31 December 2015***
Payables as at 1 January	**60**	**47**
Total creation:	439	362
from expenses	*211*	*184*
from profit	*228*	*178*
Total drawing:	(294)	(349)
catering services	*(120)*	*(161)*
other	*(174)*	*(188)*
Payables as at 31 December	**205**	**60**

15. OTHER CURRENT PROVISIONS

Other current provisions consist of provisions for liabilities and charges and include provision for abandonment and restoration, refer to Note 12 and litigation and other, refer to Note 22.2.

16. LABOUR AND RELATED EXPENSES

Labour and related expenses are comprised of the following:

	Year ended	
	31 December 2016	***31 December 2015***
Wages and salaries	(13 822)	(14 283)
Social security costs and other social expenses	(6 062)	(6 977)
Total labour and related expenses	**(19 884)**	**(21 260)**

Labour and related expenses also include changes in the provision for retirement and other long-term employee benefits recognised in the statement of profit and loss statement. See also Note 13. The average number of employees for the year ended 31 December 2016 was 670, thereof 7 managers (year ended 31 December 2015: 703, thereof 8 managers).

(Thousands of EUR)

17. OTHER OPERATING AND FINANCIAL INCOME/(EXPENSES)

17.1. Other Operating Income/(Expenses), Net

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

	Year ended	
	31 December 2016	***31 December 2015***
Taxes and charges	(2 924)	(3 261)
Profit/(loss) on sale of non-current assets and inventories	399	840
Provisions for receivables, net	(30)	346
Provisions for inventories, net	332	(603)
Provision for abandonment and restoration costs	1 030	1 948
Provision for potential losses from litigations and other provisions	(104)	88
Insurance charges	(513)	(552)
Other income/(expenses), net	(1 558)	(813)
Total other operating income/(expenses), net	**(3 368)**	**(2 007)**

17.2. Other Financial Income/(Expenses), Net

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

	Year ended	
	31 December 2016	***31 December 2015***
Income on investments in subsidiaries and joint venture	302	466
Exchange rate differences, net	5	26
Provision for financial investments	(1 600)	(20)
Provision for intragroup borrowings	(634)	-
Other financial income/(expenses), net	(240)	(261)
Total other financial income/(expenses), net	**(2 167)**	**211**

18. INCOME TAXES

18.1. Income Taxes Reconciliation

Reconciliation between the income tax calculated at the statutory tax rate of 22% and income tax expenses is as follows:

	Year ended	
	31 December 2016	***31 December 2015***
Profit before income taxes	98 605	132 095
Tax at domestic income tax rate of 22%	(21 693)	(29 061)
Special levy on business in regulated services	(3 610)	(4 581)
Tax effect of expenses not deductible, tax effect of non-taxable income, tax related to previous periods	310	5 012
Tax effect of deferred special levy on business due to change of validity of the Act to indefinite period	6 171	-
Tax effect due to change in tax rate from 22% to 21%	(230)	-
Total income tax charges	**(19 052)**	**(28 630)**

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.

(Thousands of EUR)

18.2. Income Taxes

Income tax expenses comprise the following:

	Year ended	
	31 December 2016	***31 December 2015***
Current income tax	(18 577)	(22 600)
Deferred income tax	(3 098)	(1 660)
Current special levy on business	(3 548)	(4 370)
Deferred special levy on business	6 171	-
Total income taxes	**(19 052)**	**(28 630)**

18.3. Deferred Income Taxes

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

	1 January 2015	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2015***
Property, plant and equipment	(15 825)	-	(199)	(16 024)
Provision for abandonment and restoration costs	21 832	-	(34)	21 798
Retirement and other long-term employee benefits	648	9	29	686
Inventories	198	-	133	331
Derivatives	-	(177)	-	(177)
Other	2 783	-	(1 589)	1 194
Total	**9 636**	**(168)**	**(1 660)**	**7 808**

	1 January 2016	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2016***
Property, plant and equipment	(16 024)	-	4 618	(11 406)
Provision for abandonment and restoration costs	21 798	-	(797)	21 001
Retirement and other long-term employee benefits	686	96	(33)	749
Inventories	331		(85)	246
Derivatives	(177)	558	-	381
Other	1 194	-	(630)	564
Total	**7 808**	**654**	**3 073**	**11 535**

19. EARNINGS PER SHARE

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

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

The costs of services of an audit firm comprised EUR 36 thousand for the audit of the financial statements (2015: EUR 47 thousand), and EUR 3 thousand for accounting or tax advisory services (2015: EUR 2 thousand).

(Thousands of EUR)

21. SIGNIFICANT TRANSACTIONS WITH THIRD PARTIES AND RELATED PARTIES

21.1. Significant Transactions

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

In 2016, NAFTA signed an agreement on the joint exploration and production of hydrocarbons with company from Vermillion Energy Group.

21.2. Related Parties

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

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

As at 31 December 2016, receivables and loans from related parties amounted to EUR 229 236 thousand (31 December 2015: EUR 291 344 thousand).

As at 31 December 2016, payables to related parties amounted to EUR 30 633 thousand (31 December 2015: EUR 1 492 thousand).

Revenues and other considerations from transactions with related parties for the year ended 31 December 2016 amounted to EUR 108 199 thousand (year ended 31 December 2015: EUR 132 256 thousand).

Expenses and other deliveries from transactions with related parties for the year ended 31 December 2016 amounted to EUR 8 691 thousand (year ended 31 December 2015: EUR 7 137 thousand).

Transactions with related parties mainly represent services related to the underground storage, sale and purchase of natural gas mainly to the direct or indirect owners of the Company (SPP) and POZAGAS a.s. (associate) and via Nafta Services, s.r.o. (subsidiary), which provides services to SPP Storage, a.s. (SPP Infrastructure Group).

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

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

21.3. Board Members' and Directors' Remuneration

Remuneration to board members and directors recorded during the year ended 31 December 2016 and 31 December 2015 was as follows:

	Year ended 31 December 2016	*Year ended 31 December 2015*
Salaries	1 451	1 427
Discretionary bonuses	-	-
Total	**1 451**	**1 427**

Salaries and bonuses are included in labour and related expenses.

(Thousands of EUR)

22. COMMITMENTS AND CONTINGENCIES

22.1. Capital Expenditures

As at 31 December 2016, capital expenditures in the amount of EUR 625 thousand (31 December 2015: EUR 1 266 thousand) have been committed under contractual arrangements that are not recognised in these financial statements and relate primarily to the construction and modernisation of non-current assets related to the underground storage facility of natural gas.

22.2. 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 it reflected in the financial statements for previous periods. The price arbitration ended with a positive result in 2015. The arbitration result is significant and is fully reflected in the Company's revenues for 2015. It was decided not to disclose additional data on this matter since the management of the Company believes that 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 aggregate, that such litigations would have a significant adverse impact on the accompanying financial statements.

22.3. 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. 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 2011 through 2015 are open and subject to review.

22.4. Bank Guarantees

As at 31 December 2016, the Company provided bank guarantees amounting to EUR 77 thousand (31 December 2015: EUR 165 thousand).

23. FINANCIAL INSTRUMENTS

23.1. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern with the aim to achieve an optimum debt and equity balance. The Company's overall strategy remains unchanged from 2015.

The gearing ratio at year-end was as follows:

	31 December 2016	*31 December 2015*
Debt (i)	203 157	240 000
Cash and cash equivalents	(17 312)	(12 479)
Net debt	**185 845**	**227 521**
Equity (ii)	203 336	229 422
Net debt to equity ratio	**91.40%**	**99.17%**

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

23.2. Categories of Financial Instruments

	31 December 2016	*31 December 2015*
Loans and receivables (including cash and cash equivalents)	250 063	305 925
Financial derivatives recognised as hedging	-	806
Financial assets	**250 063**	**306 731**
Loans	(203 157)	(240 000)
Interest free liabilities	(17 651)	(21 296)
Financial derivatives recognised as hedging	(1 814)	-
Financial liabilities	**(222 622)**	**(261 296)**

(1) Financial Risk Factors

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

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

a. Foreign exchange risk

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

Carrying amounts of monetary assets and monetary liabilities (in EUR '000) denominated in a foreign currency at the balance sheet date are as follows:

	Liabilities		***Assets***	
	31 December 2016	***31 December 2015***	***31 December 2016***	***31 December 2015***
USD	84	74	544	354
CZK	118	85	548	397

The following table details the Company's sensitivity to a 16 % increase and decrease of EUR against USD (in 2015: 16%) and a 12% increase and decrease of EUR against CZK (2015: 12%). 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 2016	***31 December 2015***	***31 December 2016***	***31 December 2015***
Profit or loss (i)	74	45	52	37

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

The following table shows open forward currency contracts designated and qualified as effective hedging instruments as at the balance sheet date:

	Contract value (EUR '000)		***Fair value (EUR '000)***	
	2016	***2015***	***2016***	***2015***
Less than 3 months	589	-	(17)	-
3 to 12 months	1 751	-	(50)	-
Over 12 months	1 821	-	(52)	-
Total	**4 161**	**-**	**(119)**	**-**

b. Commodity Price Risk

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

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

	Contract value (EUR '000)		***Fair value (EUR '000)***	
	2016	***2015***	***2016***	***2015***
Less than 3 months	4 417	623	(436)	201
3 to 12 months	10 574	1 868	(738)	605
Over 12 months	8 559	-	(521)	-
Total	**23 550**	**2 491**	**(1 695)**	**806**

c. Interest Rate Risk

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

As at 31 December 2016 and 31 December 2015, the Company had no open interest rate derivatives.

d. Credit Risk

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

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

e. Liquidity Risk

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

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

(Thousands of EUR)

	Weighted average effective interest rate	***Less than 1 month***	***1 – 3 months***	***3 months to 1 year***	***1 – 5 years***	***Total***
2016						
Variable interest rate instruments	0.9%	28 000	394	1 181	177 986	207 561
Non-interest bearing		14 259	2 296	728	368	17 651
2015						
Variable interest rate instruments	0.9%	-	540	1 620	246 480	248 640
Non-interest bearing		17 454	2 114	467	1 261	21 296

The Company has access to credit facilities. The total unused amount of such facilities is EUR 90 000 thousand at the balance sheet date (2015: EUR 25 000 thousand). The Company expects to meet its other obligations from operating cash flows, maturing financial assets, funds from cash pooling and funds from an unused credit facility.

(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, the carrying amounts of financial assets and liabilities disclosed in the financial statements at amortised cost approximate their fair value.

(Thousands of EUR)

24. SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO THE STATUTORY REQUIREMENTS

24.1. Consolidated Financial Statements

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

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

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

The consolidated financial statements of EPH, after being approved by the Company's bodies and General Meeting, will be available at EHP's registered office (Přikop 843/3, Brno, Czech Republic) and at the Commercial Registry of the Regional Court in Brno, Czech Republic.

24.2. Unlimited Guarantee

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

24.3. Members of the Company's Bodies as at 31 December 2016

Board of Directors:	
Chairman	Ing. Jan Špringl
Vice-Chairman	RNDr. Pavol Kaločaj, PhD.
Member	Ing. Robert Bundil
Member	Ing. Bohumil Kratochvíl
Member	Ing. Branislav Pavlakovič
Supervisory Board:	
Chairman	JUDr. Daniel Křetínský
Member	Mgr. Jozef Dermek
Member	Mgr. Pavel Horský
Member	Ing. Daniel Kujan
Member	Dušan Sajko
Member	Mgr. Marek Spurný
Member	Mgr. Jan Stříteský
Member	Ing. Drahomír Zajíček
Top Management:	
General Director	Ing. Martin Bartošovič
Director of Underground Gas Storage Division	Ing. Ladislav Goryl
Director of Exploration and Production Division	Ing. Jozef Levoča, MBA
Director of Workover and Drilling Division	Ing. Gabriel Macejka
Director of Service Division	Ing. Michal Ševera
Director of Economic Section	Ing. Szilárd Kása
Director of Sales and Marketing Section	Mgr. Peter Kučera

25. EVENTS AFTER THE BALANCE SHEET DATE

From 31 December 2016 up to the date of the approval of these financial statements there were no significant events that would significantly impact the assets and liabilities of the Company.

26. PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements on pages 4 to 33 were signed on 24 February 2017 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