



Annual Report
2019

nafta



NAFTA a.s
ANNUAL REPORT



2019

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OPENING ADDRESS TO SHAREHOLDERS

Dear Shareholders,

our company has followed up with another successful year, marked by foreign projects and international cooperation. NAFTA is still importantly growing in key fields and effectively using its many years of know-how in both local and international markets, having successfully established ourselves in Germany and also utilizing our extensive experience in Ukraine. NAFTA operates in several European countries, and with a total storage capacity of approximately 60 TWh it is currently the sixth largest operator of underground gas storage in Europe. The following pages of the NAFTA a.s. Annual Report summarize its financial results and provide you with an assessment of its activities in the past period.

Since 2014, we have intensively sought out interesting foreign projects and cooperation possibilities, where we could use our expert know-how gained over a long-standing tradition of the company. In underground gas storage, a significant step was taken to expand our activities into the German market. The purchase of three underground gas storage facilities in Bavaria was accomplished by our subsidiary NAFTA Speicher. This successful transaction was completed after a long-term and active search for possible storage acquisitions in Europe's largest natural gas market. NAFTA Speicher is today the technical operator of the Inzenham, Wolfersberg and Breitbrunn/Eggstätt underground storage facilities. Last year's integration process and effort to deepen cooperation and exchange of experience between engineers and expert employees at both companies took place with the aim of even more effective and reliable operation. This strategic investment is an opportunity for us to use our innovative technical and business know-how in storage services on the dynamically changing natural gas market.



60 TWh

NAFTA OPERATES IN SEVERAL EUROPEAN COUNTRIES, AND WITH A TOTAL STORAGE CAPACITY OF APPROXIMATELY 60 TWH IT IS CURRENTLY THE SIXTH LARGEST OPERATOR OF UNDERGROUND GAS STORAGE IN EUROPE.

The past year confirmed NAFTA's strong position as a reliable underground gas storage operator. We have responsibly played a major role in natural gas storage, which can be seen in more than 45 years of operating our facilities in Slovakia and meeting customer demands with no restrictions. We are continually contributing toward Slovakia's energy security by ensuring smooth operation and constantly expanding storage capacity. Thanks to the already mentioned acquisition in Germany, NAFTA has become an international player in the storage services market.

NAFTA continued providing traditional seasonal products and flexible storage services, as it successfully sold an extensive portfolio of innovative storage products. 2019 was an exceptional year with the storage facilities 100% full during the summer, confirming them as an important tool for the security of gas supplies.

We concentrated on optimization of operations and continued in investments into improving safety and automation of Gathering stations. NAFTA invested into the installation of subsurface safety valves on underground storage wells and the construction of an automated fire extinguishing system at the Plavecký Štvrtok Central Station. We also concentrated on raising commercial measurement standards and continued in increasing the reliability and flexibility of our operation. In its capital investments, NAFTA sought to minimize technical constraints for its customers to enable them to fully use contracted storage capacity.

In 2019, NAFTA continued its intensive effort to seek public support for innovative energy storage projects, as underground gas storage facilities create a major potential for storing renewable resources and NAFTA has the opportunity to develop its competence further in this area.

In the exploration and production of hydrocarbons, NAFTA has continued with its international cooperation in local and international projects. We successfully drilled an exploration well - Trakovice 13 in Trnava region, where the hydrocarbon production has been reliably running for several decades. NAFTA also obtained new exploration areas in eastern Slovakia and in the Vienna Basin. In early 2019, NAFTA and a partner established the company Slovakian Horizon Energy s.r.o. to cooperate in exploring the Eastern Slovak Lowland and acquired the new Pavlovce nad Uhom exploration area.

NAFTA's planned expansion in Ukraine, which started in 2016, also successfully continued last year. We drilled the first exploration well in the Uzhgorod license with Cub Energy Inc. and in late 2019, NAFTA participated in the tender for the Vatazhkivska license in eastern Ukraine. Our exploration also expanded into Croatia, where NAFTA assessed the hydrocarbon potential and the possibility of its development.

In addition to these activities, NAFTA has continuously striven and worked with other companies to identify other attractive projects abroad. When assessing opportunities, we considered corporate strategy, different parameters in various projects and similar synergies in countries such as Germany, the Netherlands, the United Kingdom, Croatia or Ukraine.

NAFTA is developing its foreign activities not only in its core business, but also in the engineering and consulting services we offer both to companies in the Group and third parties.

The company has had another successful year fulfilling its strategy and targets. We owe the success NAFTA has achieved to the initiative of our employees, effective use of the know-how built over many years and advanced technology.



Ján Špringl

Chairman of Board
of Directors



Robert Bundil

Member of Board
of Directors



Martin Bartošovič

General Director

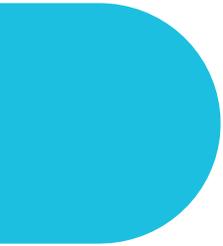


1,49 %

TREASURY
SHARES
1 593 551 €

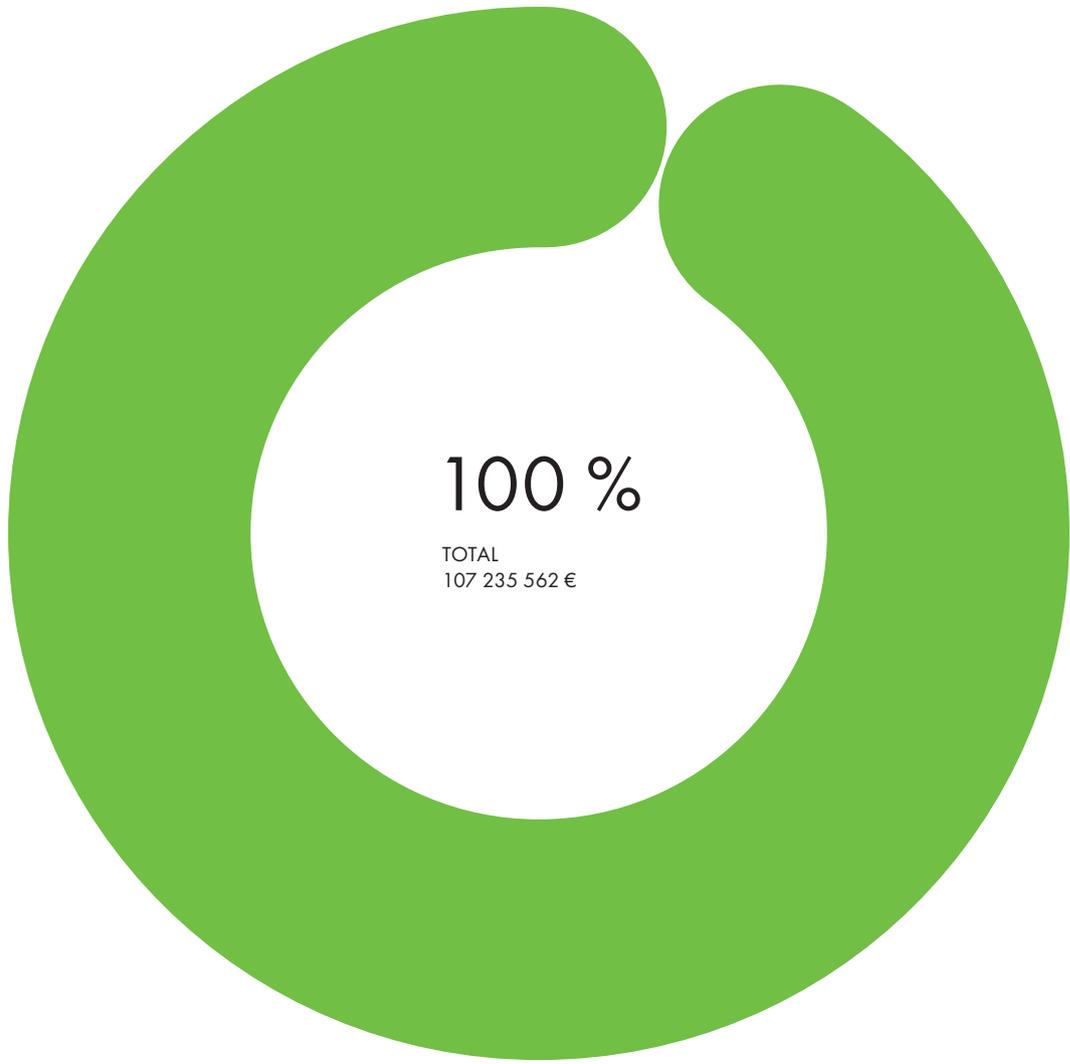
SHAREHOLDER STRUCTURE AND THEIR SHARES IN REGISTERED CAPITAL

AS OF 31 DECEMBER 2018



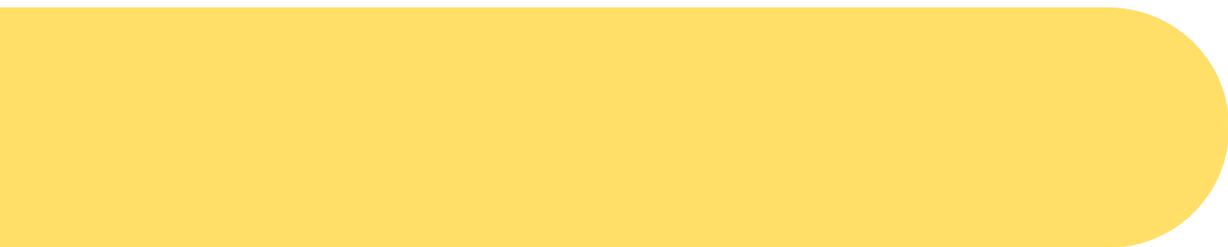
1,91 %

OTHER
SHAREHOLDERS
2 050 478 €



40,45 %

CZECH GAS HOLDING INVESTMENT B.V.
43 374 750 €



56,15 %

SPP INFRASTRUCTURE, A. S.
60,216,783 €

COMPANY PROFILE

ORGANIZATIONAL STRUCTURE 2019

NAFTA is an international company with extensive experience in natural gas storage and underground facility development in Slovakia. It is also Slovakia's leader in exploration and production of hydrocarbons.



Apart from Slovakia, NAFTA actively operates in the Czech Republic, Germany, Austria and Ukraine and manages underground gas storage facilities in several European countries as it explores and actively involves itself in the renewable energy storage projects. It has a total storage capacity of approximately 60 TWh and is currently the sixth largest operator of underground gas storages in Europe.

Business Name:

NAFTA a.s.

Registered Office:

**Votrubova
821 09 Bratislava
Slovak Republic**

Company Reg. No.:

36 286 192

Legal Form:

Joint stock company

Commercial Register:

**Bratislava I District Court Business Register,
Section: Sa, Insert No.: 4837/B**

General Meeting of Shareholders | M

Supervisory Board | B

Board of Directors | B

General Director | G

Internal Audit | I

Underground Gas Storage Division | D

Exploration and Production Division | D

Economic Section | S

Sales and Marketing Section | S

General Director Section | S

TOP MANAGEMENT

AS OF 31 DECEMBER 2019

Martin Bartošovič
General Director



Ladislav Goryl
Director of Underground Gas
Storage Division



Jozef Levoča
Director of Exploration
and Production Division



Ladislav Barkoci
Director of Sales and
Marketing Section



Szilárd Kása
Director of Economic Section



BOARD OF DIRECTORS



Jan Špringl
Chairman



Ján Majerčík
Vice-Chairman



Robert Bundil
Member



Bohumil Kratochvíl
Member



Rastislav Kupka
Member

SUPERVISORY BOARD

Daniel Křetínský
Chairman

Jan Stříteský
Member

Peter Hajduček
Member

Dušan Sajko
Member

Gary Mazzotti
Member

Pavel Horský
Member

Boris Balog
Member

Daniel Kujan
Member

Peter Šefara
Member

UNDERGROUND GAS STORAGE

NAFTA operates Slovakia's largest complex of underground gas storage facilities in Slovakia and is the sixth largest operator in Europe.

We have been a responsible storage operator for more than 45 years, contributing toward energy security by ensuring smooth operations and continually expanding the storage capacity of our storage facilities. Thanks to their high flexibility, NAFTA has been reliably meeting customer requirements while responding to new market demands.

Last year we provided traditional seasonal products and flexible storage services, successfully selling innovative storage products that are now a firm part of NAFTA's portfolio. Because of developments in the natural gas market and concerns about continued gas transit through Ukraine after January 1, 2020, this year was exceptional with the storage facilities 100% full during the summer. This situation confirmed that the underground gas storage is an important tool for the security of gas supplies in both Slovakia and Central Europe.

NAFTA — the sixth largest operator of underground gas storages in Europe.

A significant part of the natural gas supplied from gas network of NAFTA in the past withdrawal season went to the Slovak distribution network or the country's virtual trading point. NAFTA's reliable operation of underground storage facilities was one of the main factors that allowed natural gas to be seamlessly supplied to customers in Slovakia, while keeping gas prices affordable.

In 2019, NAFTA continued investing in improving reliability and safety. Reliable and safe operation of underground storage facilities is a permanent priority for us.

WE HAVE BEEN A RESPONSIBLE STORAGE OPERATOR FOR MORE THAN 45 YEARS, CONTRIBUTING TOWARD ENERGY SECURITY BY ENSURING SMOOTH OPERATIONS AND CONTINUALLY EXPANDING THE STORAGE CAPACITY OF OUR STORAGE FACILITIES.

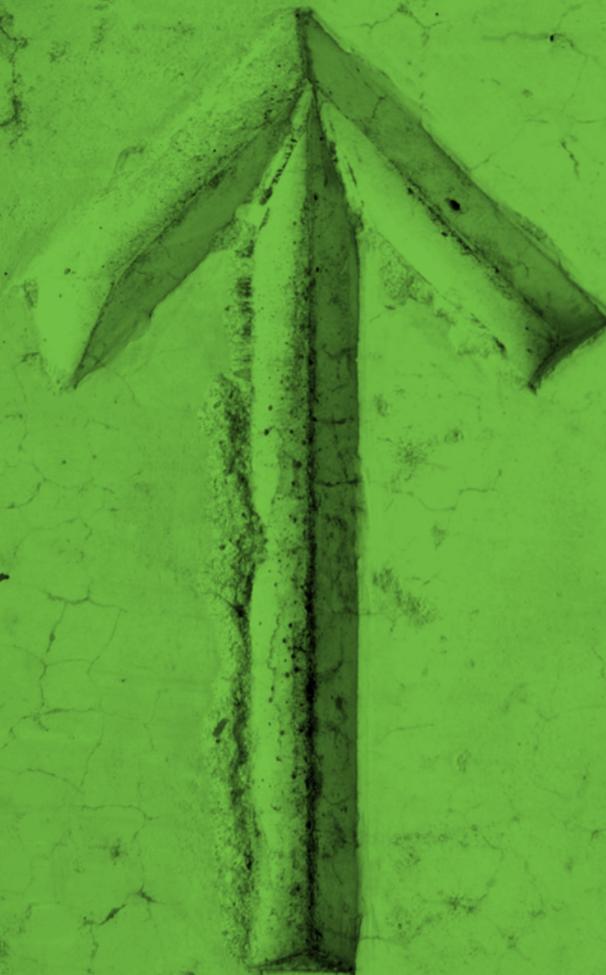
Funds earmarked for increasing safety were used to install subsurface safety valves on underground storage wells during underground workovers and to construct an automated fire extinguishing system at the Plavecký Štvrtek Central Station. In addition, NAFTA invested in raising commercial measurement standards, replacing orifice gauges with ultrasonic thickness gauges and continuing to replace ball shutters in order to increase reliability and operational flexibility.

NAFTA's underground storage facilities are providing us with the opportunity to develop our competence even in the innovative storage of renewable energy. These underground natural gas storage facilities are creating great potential for the storage of energy from renewable sources.





IN 2019, NAFTA CONTINUED
INVESTING IN IMPROVING
RELIABILITY AND SAFETY.
RELIABLE AND SAFE OPERATION
OF UNDERGROUND STORAGE
FACILITIES IS A PERMANENT PRIORITY
FOR US.



NAFTA continued in 2019 its intensive effort to seek public support for innovative energy storage and energy consumption optimization projects. Innovative projects for storing renewables in underground gas storage facilities should contribute substantially to the entire energy market.

Last year our key activities continued the set growth path as we intensively sought out projects outside of Slovakia and cooperation with foreign partners. As part of an approved growth strategy, our aim is to make use primarily of the company's professional know-how based on its long-standing tradition.

When identifying suitable projects abroad, besides corporate strategy we also considered similar synergies, particularly in countries such as Germany, the Netherlands and the United Kingdom. NAFTA gave attention likewise to Ukraine, monitoring the progressive liberalization of its gas market closely and analyzing potential commercial opportunities. An important milestone in NAFTA's planned expansion was its entry into the German market.

We have been a responsible storage operator for more than 45 years.



UNDERGROUND GAS STORAGE

GERMANY

In 2019, NAFTA successfully took over operation of the Inzenham-West, Wolfersberg and Breitbrunn/Eggstätt underground gas storage facilities. We see this acquisition as a strategic entry into the developed market in Germany, with NAFTA's goal to establish itself in the country as a responsible and professional energy partner.



These facilities are located in south Bavaria between Munich and Chiemsee. Operating them will bring us the opportunity to use our many years of professional underground gas storage know-how and diversify sales of storage capacity across several different areas.

All three storage facilities are operated by NAFTA Speicher GmbH & Co. KG, which also owns the subsurface and surface technology except for the compressor stations at Wolfersberg and Breitbrunn/Eggstätt. The operating center for all three facilities is located at Inzenham-West and they are controlled from this place. Both Breitbrunn/Eggstätt and Wolfersberg are run remotely from Inzenham-West. In 2019, NAFTA injected and withdrew natural gas from the underground structures according to customer nominations. The past year has specifically seen great interest in storage services throughout Europe and this made us fill all three facilities to 100% of their capacity.

Commercial services are provided at Inzenham-West through a subsidiary, NAFTA Speicher Inzenham-West, while capacity is provided at the remaining facilities through its partners bayernugs GmbH and Uniper Energy Storage GmbH, which had participated in their construction. Commercial services from NAFTA Speicher Inzenham GmbH are further proof of the great product flexibility we offer our clients.

We managed to implement or complete important investment projects, too. The most significant project in 2019 was to replace the YT-0100 compressor unit gas turbine at Inzenham-West. The new turbine is fitted with a low-emission SoLoNOx combustion system that guarantees low carbon oxide and nitrogen oxide levels when natural gas is burned. This project represents another step toward improving the environment in which NAFTA operates, but also brings more reliable compression work for Inzenham-West storage facility.

Another step reflecting NAFTA's active approach toward protection the environment and natural resources is the completion of a project at Wolfersberg, which is focused on the reservoir water treatment before its reinjection into the geological formations. The project was completed in 2019 and its real operation will be verified during the 2019/20 withdrawal season.

IN 2019, NAFTA SUCCESSFULLY TOOK OVER OPERATION OF THE INZENHAM-WEST, WOLFERSBERG AND BREITBRUNN/EGGSTÄTT UNDERGROUND GAS STORAGE FACILITIES.



Concurrently, NAFTA paid intense attention to setting up new IT infrastructure and the establishment of new data centers at all three facilities. Along with the related migration of data, software and technical systems, and also the deployment of new software and technical systems, they will help us to a significant degree streamline in underground storage operation. These projects include a new maintenance management software system, corporate document management and other projects we started in 2019.

1. Inzenham-West
2. Breitbrunn/Eggstätt
3. Wolfersberg

However, the key to NAFTA's success in the German energy market is good cooperation with our German colleagues. Employees from Slovakia also actively worked together on joint professional projects at NAFTA Speicher. Thanks to their mutual cooperation they could deliver complex solutions, based on the long-term experience of both teams. As at 31 December 2019, NAFTA Speicher employed 58 people.

EXPLORATION AND PRODUCTION OF HYDROCARBONS

NAFTA has spent many years exploring and producing hydrocarbons, as part of a tradition that started in 1913 when crude oil was first discovered in Slovakia's Záhorie region. We have operated in this industry for several decades, gaining valuable experience and geological data. The know-how acquired over these years is an important part of our company and critical to the success of geological and drilling projects.



This longstanding experience enables us to compete both in the domestic market and abroad. We have become more efficient in exploration and production and are continually seeking new development opportunities. Our priority in everything we do is operational safety and minimizing the impact of our activities on the environment and local communities.

In 2019, we continued in international cooperation projects both in Slovakia and foreign markets. As Slovakia's largest company in the sector, NAFTA operates primarily in the Vienna Basin and East Slovakian Lowlands. These regions have been explored and their long-term potential highly used, so other parts of Slovakia are being explored in order to further continue production. With this in mind, NAFTA obtained a license for the Trnava exploration area in 2014.

Since 2016, NAFTA has partnered with Vermilion Energy Inc. to conduct 3D seismic measurements, developing from them three geological prospects for shallow drilling and two for deep drilling. At the same time, there was enhanced cooperation with a partner in the area adjacent to this exploration area and NAFTA acquired the new 1190 square kilometers Topolčany exploration area. We successfully drilled a new exploration well - Trakovice 13 in the Trnava region, where the hydrocarbon production has been reliably running for several decades.

New exploration areas were also acquired by NAFTA at Beša in eastern Slovakia (770 square kilometers) and in the west of the country at Vienna Basin – North (146 square kilometers).

NAFTA and Aspect Holdings established Slovakian Horizon Energy s.r.o. in early 2019 to explore together the Eastern Slovak Lowland, while in October 2019 it acquired the Pavlovce nad Uhom exploration area (1069 square kilometers). By taking these steps, NAFTA wishes to verify its potential for exploring and producing hydrocarbons in another part of this region.

Exploration and production of hydrocarbons are of great significance in several respects. Natural gas has become the most widespread fuel in the global energy mix and is contributing to the transition to clean energy. Thus the increased production in Slovakia can also make a positive public contribution.

In western Ukraine, NAFTA drilled with Cub Energy Inc. its first exploration well in the Uzhgorod license. It is a geological continuation of the highly-explored areas in eastern Slovakia and is on trend with discoveries in Slovakia. NAFTA has been active in Ukraine since 2016 and is successfully continuing its planned expansion. In late 2019, we successfully participated in the tender for the Vatazhkivska License not far from Poltava in eastern Ukraine. The Vatazhkivska License (181 square kilometers) is yet another opportunity to intensively use our know-how, acquired by NAFTA from its long exploration and production of hydrocarbons.

Our next foreign activity was the evaluation hydrocarbon potential and the opportunities of its development in Croatia. As there were identified areas for further exploration, NAFTA decided to set up a local subsidiary. We used our workover experience both to develop our own activities, repairing 28 production and storage wells, and to carry out a further 15 workovers at external markets in Slovakia and abroad.

NAFTA has also focused its attention on the environment. In 2019, the Moravany mud pit in eastern Slovakia was closed and the land reclaimed through hydro seeding. Work was also carried out to close down the center in western Slovakia.

All projects both at home and abroad confirm NAFTA's effective utilization of the know-how it has gained over many years and so we are continuing to seek potential opportunities to cooperate.



NAFTA HAS SPENT MANY YEARS EXPLORING AND PRODUCING HYDROCARBONS, AS PART OF A TRADITION.

EMPLOYMENT, EDUCATION AND CORPORATE CULTURE

Employees are an important pillar of our company and a key factor in development and further progress in the sector where NAFTA operates. Their personal development and professional growth make education a priority for us. Evidence of this can be seen in the company's participation at a number of educational events in Slovakia and other countries, and at several of them NAFTA experts actively presented. Our attention are directed not just toward energy, the gas industry and the environment; we are also very interested in innovative technologies and how they are implemented in routine operations.



Taking into consideration the international projects, last year we supported the foreign language teaching for NAFTA employees, particularly English, German and Russian. Our employees were named Safety Certificate Contractors, complying with internationally recognized standards that meet high occupational safety, health and environmental protection requirements.

NAFTA continued working with universities and provided support for employees studying outside the company to upgrade their skills and improve qualifications, while successfully organizing a cycle of internal lectures at Naftárska univerzita.

In philanthropy, NAFTA organized events such as Naftárska kvapka krvi and the charitable contribution project Naftári naftárom, ale nielen im... to help people in the surrounding area cope with difficult life situations. We see tremendous importance in this project and we are glad that this project became a long-term tradition in our company. Another thing that moves us is how our employees contributing regularly to this charitable effort perceive the sense of it.

In cooperation with the EPH Foundation, NAFTA has participated on the employment grant program called V mojom okolí, which enables our employees to convey assistance and provide support for attractive projects and activities in their environment. NAFTA employees actively assisted at nursery schools, primary schools and art schools.

An integral part of NAFTA's corporate culture has been an appreciation of innovative ideas, teamwork and long-term service to the company.

In the coming period, our goal will be again organizing activities aimed at meeting targets and fulfilling the corporate strategy, advancing the development and strengthening our corporate culture and both the human and technical potential of NAFTA's employees.

EMPLOYEES ARE AN IMPORTANT PILLAR OF OUR COMPANY.

596



As at 31 December 2019,
NAFTA a.s. employed 596 people.



CORPORATE RESPONSIBILITY

Corporate responsibility is an integral part of NAFTA's everyday life. We act responsibly towards everybody involved in the company's operations, toward the environment in which we operate and in respect to the local community. NAFTA practices corporate responsibility in all its activities with respect and care for the environment, as it systematically assesses risks with the aim of achieving sustainable development. The company's ongoing priority is to operate in compliance with legislative requirements in Slovakia and Europe.

NAFTA is increasing safety in facilities and acting on its concern for occupational safety and health among employees, suppliers and those living near our sites. In the past year, a number of significant investments have been made into safety at our operations and their automation. Safety systems were installed at our underground gas storage wells and an automated fire extinguishing system was constructed at the Plavecký Štvrtok Central Station.

Our unique rescue unit - the Mine Rescue Service - organized its traditional rescuer exercise at the Polygon Lozorno training center. It is equipped with a training well and other special equipment for simulating various emergency situations. Every year, its services are provided to rescue units from Austria, the Czech Republic's mine rescue unit and also employees from German companies.



Excercise of mining rescuers
Polygon, Lozorno

CORPORATE RESPONSIBILITY IS AN INTEGRAL PART OF NAFTA'S EVERYDAY LIFE.

In 2019, the training of mining rescuers focused on extinguishing a gas far inside a well and special well recovery work. NAFTA's own rescuers each year complete regular training exercises aimed at resolving various extraordinary situations, together with the Slovak Republic Fire and Rescue Service and volunteer fire brigades. The training of mining rescuers met its objective and presented to the professional community our rescuers' ability to respond, their own professionalism and coordination in incidents. The highly professional readiness of members of our unique rescue unit confirms NAFTA's commitment to safety at its workplaces and responsible approach towards the environment in which the company operates.

Attention was also given to improving the environment through cleanups and biological reclamation in the areas where NAFTA finished its activities. In eastern Slovakia, the Moravany mud pit was closed completely. Work was also carried out to close the center in western Slovakia.

In the area of technical workovers, NAFTA used its experience both in the further development of its own activities, repairing 28 production and storage wells and carrying out another 15 workovers at external markets in Slovakia and abroad.

In 2019, NAFTA followed up on the independent authority certification by maintaining and improving its standards and managing workovers, drilling and slickline services. ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certifications are raising the level of quality management, environmental protection and also occupational health and safety at the company.

These activities confirmed NAFTA's thoughtful and reliable approach toward its environment and even in 2019 we demonstrated that our commitment to the safety of our operations and corporate social responsibility to the communities where we operate remains amongst the company's most important priorities.

COMMUNITY ACTIVITIES

Community service is an important part of NAFTA's corporate social responsibility. Its many years of community activities has brought both a wealth of expert experience and a better understanding of the communities where we operate.



Our intensive communication with local municipalities and organizations enables us to support meaningful projects that are improving regional quality of life. In addition, we are concentrating on interesting projects throughout Slovakia, while providing support to individuals in difficult life situations. It was no different in 2019.

Last year NAFTA focused on funding community development efforts and also education, culture, health, development of physical culture and other areas. This included the construction or renovation of sport facilities, playgrounds and sports-relaxation zone. Besides that, NAFTA also supported projects to increase safety and comfort in municipalities.

COMMUNITY SERVICE IS AN IMPORTANT PART OF NAFTA'S CORPORATE SOCIAL RESPONSIBILITY.

Another important area of corporate support was the organization of cultural and social events including community festivals and celebrations. We consider these events as very important in developing and maintaining cultural traditions in the communities and also as appropriate places for informal meetings of local residents. Last year's projects also included various sporting events, which we gladly supported. Moreover, we also proudly encouraged participation of our employees, whose excellent sporting achievements have been recognized on various events.

The team spirit of our colleagues has shown itself in events such as the annually organized run Od Tatier k Dunaju, the Medlenov chodník running event and the Tour de Gas cycling races.

NAFTA has traditionally funded voluntary activity in Plavecký Štvrtok, which is regularly organized on the International Earth Day. This year the popular Pieskovňa recreation area was cleared of trash. The company was more than just involved financially, employees pitched in to help in the cleanup, with the joint effort succeeding in collecting approximately 42 cubic meters of waste.

NAFTA believes that community contributions help to improve the environment in which we operate and that support of remarkable projects should be a part of every socially responsible corporation's business. That is why we intend to continue in this approach also in future years, in order for NAFTA to make the most of its positive contribution to communities.

NAFTArhumara RUNNERS od Tatier k Dunaju Run 2019





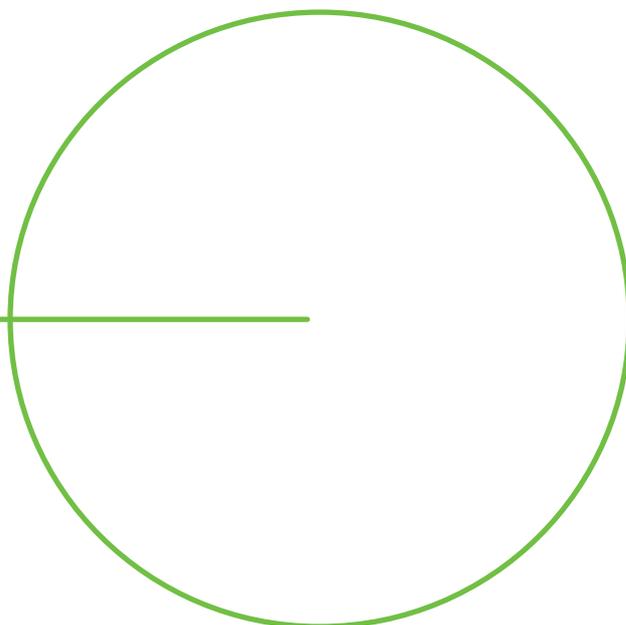


REPORT ON THE COMPANY'S BUSINESS ACTIVITIES

**Development of Assets and Results of Operations
of NAFTA a. s. for the Year ended 31 December
2019 and 2018**



under Separate Financial Statements presented in accordance with International Financial Reporting Standards as adopted by the EU



SUMMARISED SEPARATE BALANCE SHEETS

as of 31 December 2019 and 31 December 2018
(Thousands of EUR):

| | 2019 | 2018 |
|--|----------------|----------------|
| Total Assets | 490 735 | 577 349 |
| Non-current assets | 434 340 | 392 823 |
| Property, plant and equipment | 197 787 | 211 084 |
| Right-of-use assets | 1 538 | - |
| Intangible and other assets | 9 138 | 9 377 |
| Investments in subsidiaries and a joint venture and available-for-sale investments | 39 928 | 39 730 |
| Deferred tax asset | 7 464 | 8 536 |
| Long-term loans receivables | 178 485 | 124 096 |
| Current assets | 56 395 | 184 526 |
| Inventories | 2 649 | 7 887 |
| Trade and other receivables | 9 454 | 7 321 |
| Financial receivables | 24 862 | 155 851 |
| Cash and cash equivalents | 19 430 | 13 467 |
| Vlastné imanie a záväzky | 490 735 | 577 349 |
| Equity | 196 680 | 192 015 |
| Registered capital and treasury shares | 102 490 | 102 490 |
| Other capital funds | 21 447 | 21 447 |
| Hedging derivatives reserve and other reserves | 1 260 | (1 779) |
| Profit from previous years | 1 343 | 1 482 |
| Profit for the current year | 70 140 | 68 375 |
| Liabilities | 294 055 | 385 334 |
| Non-current liabilities | 267 050 | 92 415 |
| Current liabilities | 27 005 | 292 919 |

SUMMARISED SEPARATE STATEMENTS OF PROFIT AND LOSS

for the year ended 31 December 2019 and 2018
(Thousands of EUR):

| | 2019 | 2018 |
|--|---------------|---------------|
| Revenues | 165 413 | 150 878 |
| Operating expenses | (69 988) | (56 724) |
| Profit before interests and taxes | 95 425 | 94 154 |
| Financial income/(expenses) | (581) | (752) |
| Profit before income taxes | 94 844 | 93 402 |
| Income taxes | (24 704) | (25 027) |
| Net profit | 70 140 | 68 375 |

SUMMARISED CONSOLIDATED BALANCE SHEETS

as of 31 December 2019 and 31 December 2018
(Thousands of EUR):

| | 2019 | 2018 |
|--|----------------|----------------|
| Total Assets | 631 384 | 701 744 |
| Non-current assets | 534 350 | 458 484 |
| Property, plant and equipment | 366 351 | 391 216 |
| Right-of-use assets | 6 662 | - |
| Intangible and other assets | 9 577 | 9 387 |
| Investments in joint ventures | 53 119 | 48 598 |
| Available-for-sale financial assets | 745 | 747 |
| Deferred tax asset | 7 464 | 8 536 |
| Long-term loans provided | 90 432 | - |
| Current assets | 97 034 | 243 260 |
| Inventories | 3 640 | 8 866 |
| Trade and other receivables | 18 274 | 16 285 |
| Financial receivables | 24 862 | 155 851 |
| Cash and cash equivalents | 50 258 | 62 258 |
| Equity and liabilities | 631 384 | 701 744 |
| Equity | 224 960 | 207 417 |
| Registered capital and treasury shares | 102 490 | 102 490 |
| Other capital funds | 21 447 | 21 447 |
| Hedging derivatives reserve and other reserves | (389) | (1 779) |
| Profit from previous years | 16 745 | 10 176 |
| Profit for the current year | 84 667 | 75 083 |
| Liabilities | 406 424 | 494 327 |
| Non-current liabilities | 357 147 | 183 388 |
| Current liabilities | 49 277 | 310 939 |

SUMMARISED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

for the year ended 31 December 2019 and 2018
 (Thousands of EUR):

| | 2019 | 2018 |
|---|----------------|----------------|
| Revenues | 209 225 | 151 503 |
| Operating expenses | (95 275) | (57 433) |
| Profit before interests and taxes | 113 950 | 94 070 |
| Financial income/(expenses) | 529 | 6 816 |
| Profit before income taxes | 114 479 | 100 886 |
| Income taxes | (29 812) | (25 803) |
| Profit after taxation | 84 667 | 75 083 |
| Pripadajúci na: | | |
| ↓ Shareholders of NAFTA | 84 667 | 75 083 |
| Minority interests of other owners of subsidiaries | | |



DESPITE THE MANY CHALLENGES
THE COMPANY FACED, IT REMAINS
A SUCCESSFUL INTERNATIONAL
PLAYER IN UNDERGROUND
GAS STORAGE AND IN THE
EXPLORATION AND PRODUCTION
OF HYDROCARBONS.

NAFTA'S PROSPECTS

In 2019, NAFTA reaffirmed itself as a reliable and flexible part of the energy market. Despite the many challenges the company faced, it remains a successful international player in underground gas storage and in the exploration and production of hydrocarbons.

Apart from Slovakia, NAFTA currently operates in the Czech Republic, Germany, Austria and Ukraine. Thanks to the initiative of our employees, effective use of the know-how built over many years and advanced technology, we are following up on our growth and development in both local and international markets.

Our vision is to continue in development projects and become an important European player in underground gas storage, offering an extensive portfolio of innovative products. We see our growing foreign activities as a successful step in NAFTA's planned development strategy. Our ambition is to become a pan-European operator providing high-level storage services at every facility. Our team of technical experts is continually seeking out and identifying interesting projects abroad in the area of underground gas storage as well as the exploration and production of hydrocarbons. We are looking on projects where NAFTA could effectively utilize its comprehensive know-how. When evaluating opportunities, we take both NAFTA's corporate strategy and the different selection criteria for each project into consideration, focusing on geology, engineering, legislation and the economics. We see other acquisition opportunities in Germany, the Netherlands, the United Kingdom and Ukraine.





Likewise, we are prepared to further adapt our services to customer requirements, while flexibly responding to the current market situation. In today's dynamic and highly competitive climate, customers consider the development of flexible services and innovative products as critical benchmarks for them. But what remains number one at NAFTA is safe operation of our facilities and reliability in the services we provide.

In underground natural gas storage, NAFTA will continue to improve safety, modernize technology and automate our operations. NAFTA is engaging its unique know-how and cutting-edge technology in innovative projects that seek out solutions to the energy challenges of the future. We see great potential in the need to store more energy as the percentage of renewable resources in the electrical grid rises.

In hydrocarbon exploration and production, NAFTA is planning to drill further exploration wells in Slovakia, which can be beneficial for the country as they can bring the increase of domestic production. During the upcoming year we will be actively assessing our hydrocarbon potential in newly acquired exploration areas.

In 2020, NAFTA is planning more exploration wells in western Ukraine. The Uzhgorod License gives us the opportunity to demonstrate our extensive experience in areas such as geology, reservoir engineering and drilling. Meanwhile, NAFTA will be verifying the geological potential of the Vatazhkivska License in eastern Ukraine, utilizing our long-term know-how to assist Ukraine in increasing its energy independence.

WE ARE GAINING THE POSITION OF THE EUROPEAN LEADER IN UNDERGROUND GAS STORAGE AND IN EXPLORATION AND PRODUCTION OF HYDROCARBONS.

The advantage is that the basic infrastructure already exists today and underground storage facilities are creating great potential for storing energy from renewables. NAFTA will be working intensely in the following year on these innovative projects and endeavoring also to obtain public financing. We see ourselves in the future as a versatile energy storage operator providing significant benefits to the entire energy market.

Following the successful integration of the Inzenham-West, Wolfersberg a Breitbrunn/Eggstätt storage facilities in Bavaria, we are continuing to establish NAFTA Speicher in Germany's energy market. It is our belief that the acquisition represents the first, but not the last opportunity for NAFTA to use its innovative technical and commercial know-how.

All of NAFTA's activities are carried out by us alongside absolutely reliable and secure operation, while minimizing the impact they have on the environment, community and the areas where we do business. We are planning to continue cleanups and biological reclamation of the environment around sites NAFTA has closed. In 2020, NAFTA will be a socially responsible corporation, supporting community projects to make the most of its positive contribution to communities.

We believe that our many years of experience, highly-qualified team of experts and our sophisticated, cutting-edge technology can help NAFTA to gain the position of the European leader in underground gas storage and in exploration and production of hydrocarbons.

IMPLEMENTATION REPORT ON 2019 COMPLIANCE PROGRAM ACTION TAKEN

The Compliance Program internally governs the storage system operator (SSO), which has implemented rules to ensure its nondiscriminatory behavior contained in Act 251/2012 Coll. on energy and on the amendment of certain laws, Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency ("REMIT"), in Commission Implementing Regulation (EU) No 1348/2014 of 17 December 2014 on data reporting implementing Article 8 (2) and Article 8(6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency ("REMIT Implementing Regulation"), GGPSSO (Guidelines of Good Practice of Storage System Operators) and other relevant legislation.

The Compliance Program document contains the following rules:

- a • Rules to prevent illegal behavior
- b • Rules for disclosure of confidential information
- c • Rules for storage facility reporting
- d • Rules for providing storage services
- e • Rules for ensuring transparency
- f • Rules for guaranteeing non-discrimination

The creation of the Compliance Program and its updates, either as a result of changes (especially legislative ones) that affect its content or on the basis of findings of control of compliance with the Compliance Program, is provided by the Compliance Program Manager. The evaluation and control of the implementation of the Compliance Program is performed by the Internal Auditor in accordance with the internal audit process.

No breaches of the storage system operator's Compliance Program were found in the reviewed period running from 1 January 2019 to 31 December 2019.



Petra Jordanová
Internal Auditor



Lucía Slováková
Compliance Program Manager

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