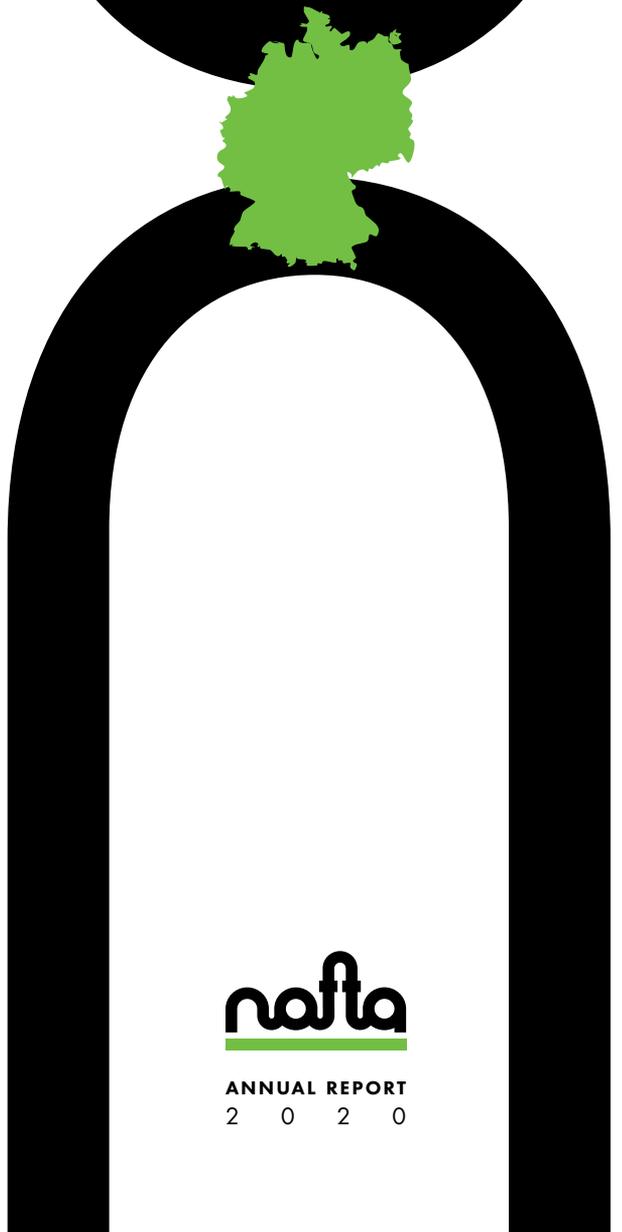


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**nafta**

ANNUAL REPORT  
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# OPENING ADDRESS TO SHAREHOLDERS

Dear Shareholders,

**2020 was a year full of changes. The COVID-19 pandemic was undoubtedly the most significant factor affecting the entire global business sector, including energy. Yet in such an exceptional situation, the key role staff employed at strategic energy companies played became noticeable. Their work is indispensable to everybody's day-to-day living. Our facilities were able to remain safe and stable last year thanks to rapid adoption of measures and the huge effort of our employees. Intensive preparation to cover various disease spread scenarios, strict internal guidelines to support generally applicable regulations and regular testing of our operation employees were all carried out to protect the health of people at NAFTA and also in order for energy to be smoothly brought from our storage facilities and production wells to customers. We are immensely proud that none of our energy was wasted. Throughout the year, NAFTA managed to provide stable and reliable services even in these difficult circumstances.**

In natural gas storage, NAFTA provided in 2020 both its traditional seasonal products and a variety of flexible and innovative products. In the past year, the number of our storage contracts reached three digits, a feat NAFTA managed because of the intensive work we had done on our portfolio by creating pro-client products for international settings.

Nonetheless, the foundation for any successful trading of our services is a high-quality professional and technological background, which NAFTA clearly has due to its many years of experience. In 2020, we invested in a number of projects to further upgrade our storage technology, including wells, safety systems and pipeline connections. We devoted time and effort to predictive diagnostics and limiting methane emissions, too.

In the previous year, NAFTA expanded its gas storage business into Germany and in 2020 continued reliably operating the Inzenham-West, Wolfersberg and Breitbrunn/Eggstätt storage facilities. Despite constraints brought by the pandemic, we were able to work together intensively and professionally with colleagues at our Bavarian facilities even at a distance. We finished several investments and introduced a maintenance and asset management system at our operations in Germany.

Another success we at NAFTA are especially proud of is the expansion of activities into yet another country - the United Kingdom. In 2020, NAFTA started providing technical and advisory services at Humbly Grove, a storage facility located only 50 kilometers outside of London and a significant element in the UK's natural gas infrastructure. Providing professional services in both Germany and the UK confirms our high competence in natural gas storage.

Oil and gas exploration in Slovakia is another relevant area in which we operate and have been gathering our experience for more than a century. We have long been active mainly in the Vienna Basin and the Eastern Slovak Lowland, where the country's most important regional hydrocarbon fields are

located. Because their potential is becoming limited after long-term production, we also worked intensively during 2020 to explore further, either on our own or together with partners. Exploration in Slovakia is planned in areas around Trnava, Topolčany, Pavlovce nad Uhom and in the Beša license.

Moreover, NAFTA is effectively using its long-term experience in exploration and production area outside Slovakia, too. In Ukraine, we are continuing to win new exploration licenses. As a shareholder in EP Ukraine, NAFTA was able in 2020 to obtain two new licenses, Grunivska and Okhtyrka. We continued in activities in previously won licences at Uzhhorod and Vatazhivska in Ukraine and also participated in an exploration project in Croatia as well.

We see great potential for our core business activities in the future, following up on our belief that natural gas will remain irreplaceable in today's energy mix as well as in transition to a green economy. This stable energy source, extensively used in households as well as industry, provides space for various synergies in the development of renewables, taking into consideration technological, financial and ecological aspects. Therefore, our highly developed infrastructure and know-how, upgraded over years, enables us to think in the future about more than clean natural gas inside our facilities. During 2020, NAFTA underscored its intentions with the installation of solar panels at selected locations and through innovative energy storage projects. Notwithstanding, there is a large number of options available to us and we are trying to explore them in detail within a number of projects in progress both at home and abroad.

In 2020, NAFTA also concentrated on environmental protection, preparing for the closure of sites when work there will be completed and supporting environmental protection. In addition to these projects, NAFTA continued its traditional contributions to community projects in locations where it operates. Our commitment to the environment remains strong and we continue to be dedicated to its protection and sustainable development.

Expert skills and initiatives our employees are taking are helping us to use our know-how effectively and to export it to foreign markets as well. Their traditional jobs were impacted in 2020 both by the pandemic and measures put in place to combat it. The responsible approach taken by our employees was thus one of the fundamental pillars of our success in the previous year. Close attention was paid to protecting their health in this challenging situation. Simultaneously, NAFTA sought to promote their professional development through training and conferences, especially online. A great deal of thanks in 2020 goes to our staff and their professional approach in the operation of our strategic infrastructure.

International projects in underground gas storage, exploration and production all enabled NAFTA to transform from a local Slovakian company into a major player in Europe's energy market. This was confirmed in 2020 with further significant expansion. We believe our expansion will continue in the future.

**Ing. Ján Špringl**

Chairman of NAFTA a.s.  
Board of Directors

**Ing. Robert Bundil**

Member of NAFTA a.s.  
Board of Directors

**Ing. Martin Bartošovič**

General Director of NAFTA a.s.

# COMPANY PROFILE

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. In Europe, the company actively operates gas storage facilities, explores and produces hydrocarbons and participates in renewable energy storage projects. NAFTA provides development, engineering and consultation services for facilities with overall storage capacity of approximately 64 TWh. In addition to Slovakia, the company is present in the Czech Republic, Germany, Great Britain, Austria, and Ukraine.

## **BUSINESS NAME**

NAFTA a.s.

## **REGISTERED OFFICE**

Votrubova 1  
821 09 Bratislava  
Slovak Republic

## **COMPANY REG. NO.**

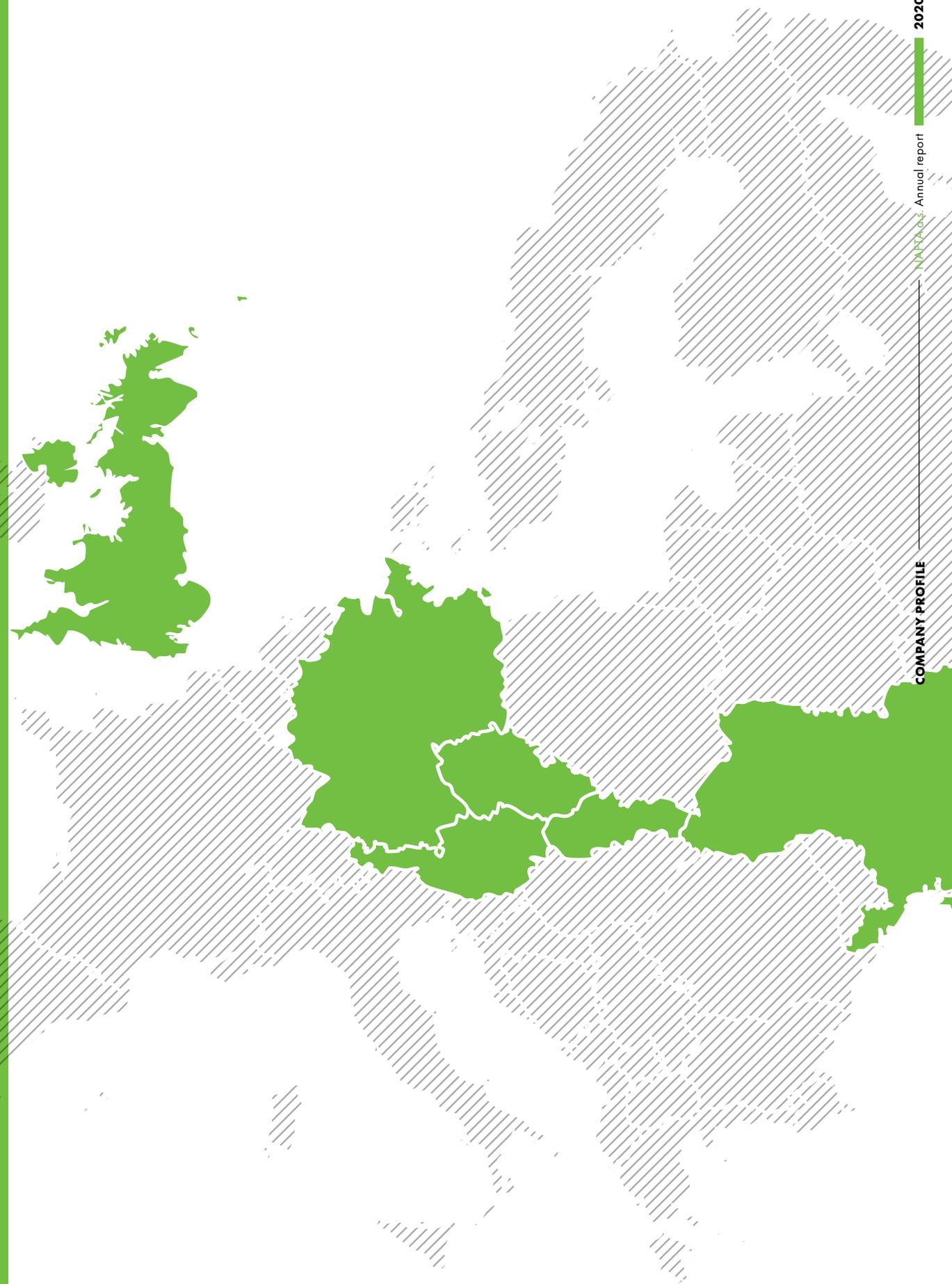
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## **CORPORATE FORM**

Joint stock company

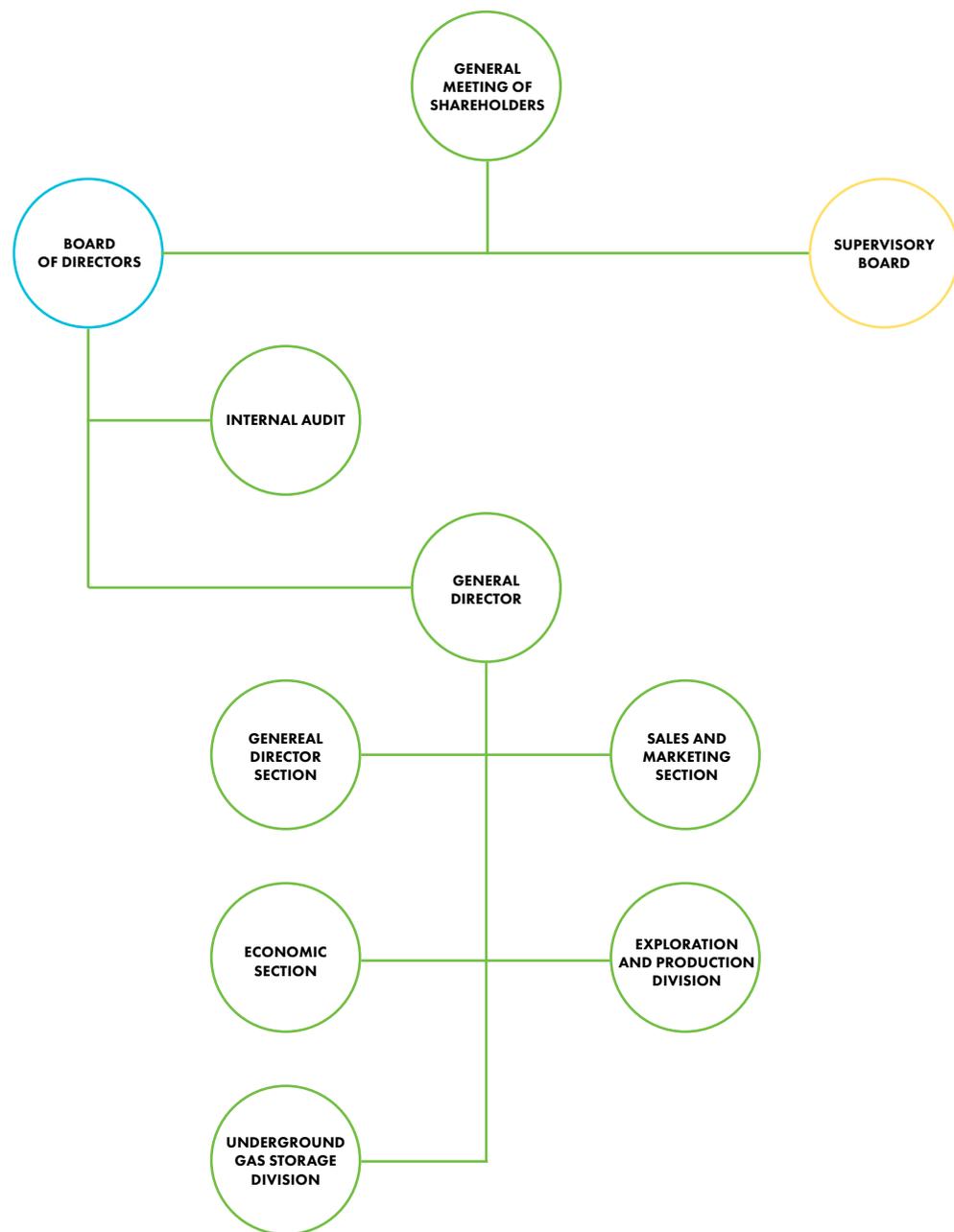
## **COMMERCIAL REGISTER**

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



# NAFTA a.s. ORGANIZATIONAL STRUCTURE

AS OF 31 DECEMBER 2020



## NAFTA a.s. TOP MANAGEMENT

AS OF 31. DECEMBER 2020



**Ing. Martin Bartošovič**  
General Director



**Ing. Szilárd Kása**  
Director of Economic Section



**Ing. Mgr. Ladislav Barkoci**  
Director of Sales and Marketing Section



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



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

## NAFTA a. s. BOARD OF DIRECTORS

AS OF 31. DECEMBER 2020



**Ing. Jan Špringl**  
Chairman



**Ing. Jozef Pagáč**  
Vice-Chairman



**Ing. Robert Bundil**  
Member



**Ing. Bohumil Kratochvíl**  
Member



**Ing. Dušan Halgaš**  
Member

## NAFTA a.s. SUPERVISORY BOARD

AS OF 31. DECEMBER 2020

**Ing. Lucia Ondrušová, PhD.**  
Chairman

**Gary Wheatley Mazzotti**  
Vice-Chairman

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

**Ing. Daniel Kujan**  
Member

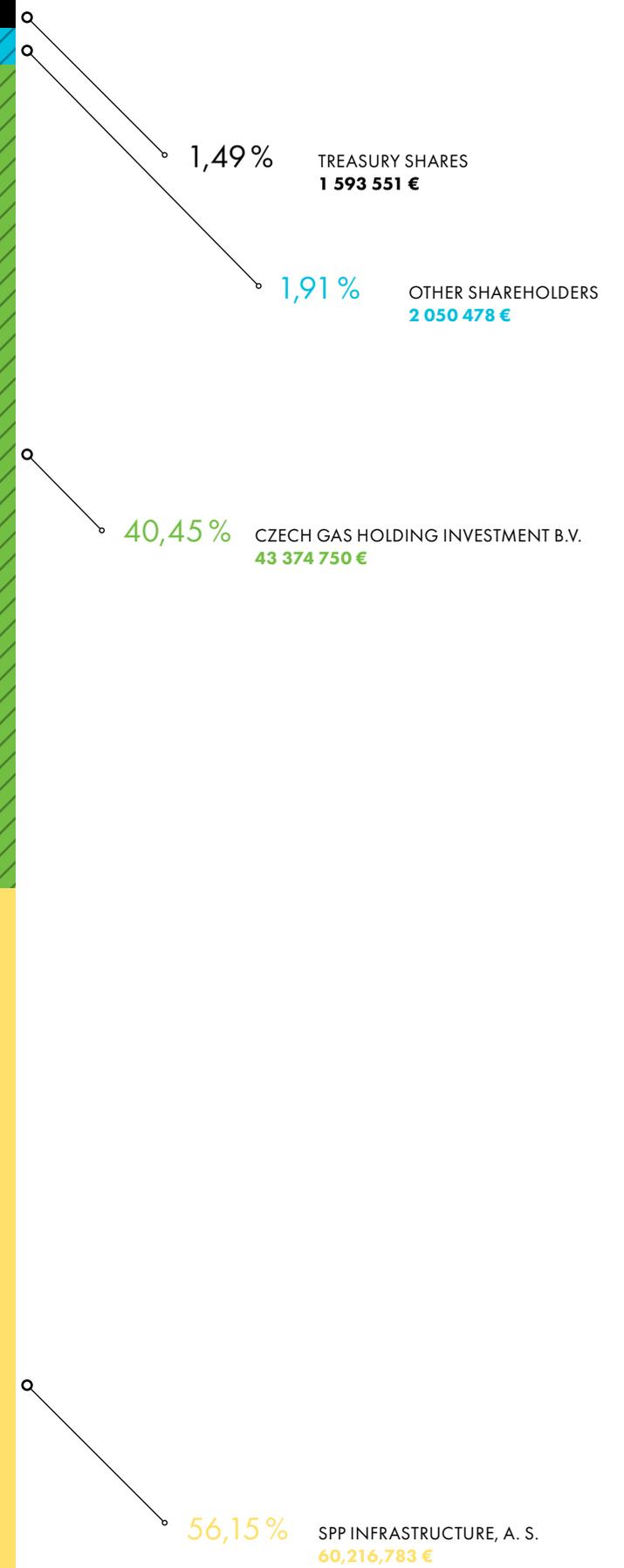
**Bc. Jozef Tittel**  
Member

**Ing. Peter Šefara**  
Member

# SHAREHOLDERS STRUCTURE AND THEIR SHARES IN REGISTERED CAPITAL

100%

TOTAL  
107 235 562 €



● as of 31. december 2020

20

# REPORT ON THE COMPANY'S BUSINESS ACTIVITIES

## UNDERGROUND GAS STORAGE

In 2020, NAFTA's underground gas storage continued operating safely and reliably. Last year, we provided traditional seasonal products and flexible storage services as part of our portfolio. More than 130 storage contracts were signed in 2020 as our portfolio grew.

# 130

**MORE THAN 130 STORAGE  
CONTRACTS WERE SIGNED  
IN 2020**

The typology of storage contracts has been changing for some time and short-term ones are now prevalent. Our innovative storage products are helping us raise the number of contracts, letting customers effectively use differences in summer and winter gas prices and even short-term market fluctuations. Mention can be made of inverse and reverse storage services. The availability of NAFTA's storage services has improved through increased use of its Cross-border point and the introduction of a new Parking point. NAFTA also sought to make its products more attractive through their international setting. Our international business activities included in 2020 the testing of new products such as Translocation inverse storage.

NAFTA's underground storage facilities are part of strategic gas infrastructure. Although our activities are not visible, they are a significant part of the daily life in many households and businesses in Slovakia. The COVID-19 pandemic had an impact on all operations within the company, including gas storage. Strict safety measures, which our employees consistently followed, enabled us throughout the year to stably and securely provide our customers with contracted services.

Especially during the winter, when the significance of gas storage rises along with gas consumption, NAFTA made every effort to keep operations running smoothly. Thanks to a carefully developed operation plan to cover different pandemic scenarios that was successfully followed, NAFTA's storage facilities were filled before the winter season began. The approach NAFTA took to comply with these measures was highly responsible and modifications were made during the year to keep operations at our storage facilities running well and for the health of our employees not to be affected by the pandemic. This included keeping our key dispatching workplaces in an extremely protected environment.

**Significant investments were made in our operations during 2020 to further modernize and upgrade our technology. These were prioritized according to measures put in place to combat the pandemic. Notwithstanding these challenges, NAFTA succeeded in fulfilling its investment plan to a substantial degree.**

Attention was paid to our wells' safety systems and to replacing the "Christmas trees" on our wells and other parts of our equipment. Investment was focused on new pipeline connections to ensure injection and production at different delivery points and to prevent methane emissions. There were likewise extensive repairs made to wellhead protectors, compressor units and storage wells, which are key elements in storage infrastructure. NAFTA continued to develop its predictive diagnostic capabilities, investing into software to assess the condition of gas pipelines and optimize compression, installing both pressure transducers that also transfer data to a control system and devices for identifying and quantifying methane leaks, and purchasing an isotope gas analyzer. These instruments will be operated by specialists at NAFTA's service units and will contribute toward efficient storage management, prioritization and targeting of maintenance activities.

We plan to use our many years of technical experience in underground gas storage for the planned transition to low-carbon energy, particularly to incorporate innovative energy storage methods. In the past year, our innovation department sought to develop potential joint ventures and start up our own projects in this area. Several projects have unfolded both at home and abroad, where we will be intensively endeavouring also to obtain public financing. In 2020, NAFTA expressed its interest in creating synergies in renewable resources with the pilot installation of solar panels at selected operations. Work continued in projects to install additional renewable energy sources at our facilities, using both NAFTA know-how and synergies with existing infrastructure. We believe that our underground gas storage facilities clearly have much to offer for energy storage in the future, as they provide extensive capacity, advanced technology, and expertise. NAFTA's competence will be developed within several Slovakian and European professional organizations including the European Clean Hydrogen Alliance, which NAFTA joined in 2020.

We reached another important milestone in gas storage in 2020, when NAFTA started providing its technical and consultation services at the Humbly Grove underground gas storage facility in the United Kingdom. Humbly Grove is located close to Alton, a city about 50 kilometres away from London. Following the closure of Rough, Humbly Grove is now one of the largest natural gas storage facilities in the UK, whose working capacity accounts for around 14% of its total storage capacity. Therefore, its impact on the security of the UK's gas supply is significant.

Today, NAFTA provides operation, development, technical and maintenance services for facilities with 64 TWh storage capacity in several European countries, contributing significantly toward security of gas supplies. Yet the efforts to export our know-how are far from over and NAFTA is looking at other options for expanding our storage services abroad.

**In 2020 NAFTA joined European Clean Hydrogen Alliance.**

European Clean Hydrogen Alliance



## UNDERGROUND GAS STORAGE - GERMANY

**NAFTA's experience in underground gas storage has been applied in Germany since 2019. In Bavaria, we operate the Inzenham-West, Wolfersberg and Breitbrunn/Eggstätt underground storage facilities through our subsidiary, NAFTA Speicher.**

Even our German subsidiaries had to adapt rapidly during 2020 to the pandemic enveloping Europe and they also put effective measures in place to help protect an important part of Bavaria's gas infrastructure. As the pandemic spread, a detailed internal operational plan was followed, and this was successfully managed throughout 2020. Our staff's responsible approach to compliance with these measures enabled us to fill the storage facilities to their maximum working capacity, thereby confirming the reliability of our services and readiness for the winter season.

Despite the pandemic, our Slovak and German employees continued working together. During 2020, personal interactions were replaced with online exchanging of information and expertise. Remote collaboration took place at the same level of quality as when it was conducted face to face and, notwithstanding these changes, we managed to meet all stated objectives.

### **Audit by an associaton Berufsgenossenschaft Rohstoffe und chemische Industrie (BG RCI)**

NAFTA successfully passed a safety audit conducted at its Inzenham- West, Wolfersberg and Breitbrunn/Eggstätt facilities by Berufsgenossenschaft Rohstoffe und Chemische Industrie (BG RCI), an established professional association. NAFTA Speicher also successfully completed a periodic inspection for the issue of a permit to operate our storage facilities in the coming years. Both of these events confirm the precision of corporate processes and activities that have been set up. Passing both the audit and the inspection provides firm assurance of NAFTA's safe operation of these facilities.

**INZENHAM-WEST  
WOLFERSBERG  
BREITBRUNN/  
EGGSTÄTT**

Investment into the operation continued, such as investments into compressor units or for example the field water treatment at Wolfersberg. As we have been intensively engaged in innovative projects, we looked at energy storage options within NAFTA Speicher facilities. In particular, a feasibility study was launched into combining Power-to-Gas with a photovoltaic power plant at one of its storage facilities in Germany.

As part of systematic support for our operations, several projects carried over from the previous year were finalized. A very important step was the introduction of maintenance management software, which helps us plan in detail for maintenance based on the current condition of technology. This system had been verified in Slovakia and NAFTA can affirm its major contribution to operations at our Bavarian facilities. The functionality of document management system was likewise updated.

Another major step taken was the change in the organizational structure to introduce asset management in order for NAFTA Speicher to operate even more efficiently.

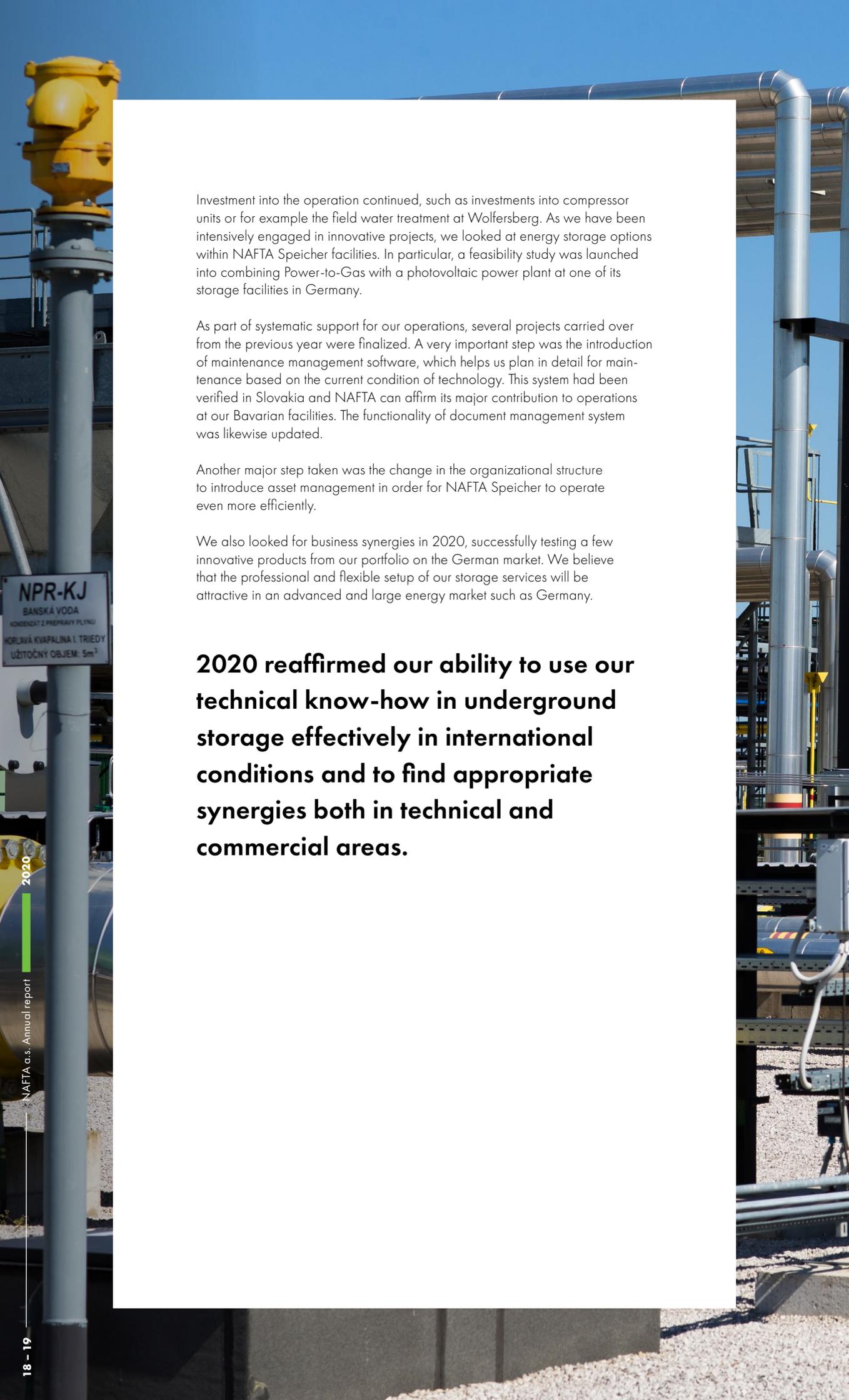
We also looked for business synergies in 2020, successfully testing a few innovative products from our portfolio on the German market. We believe that the professional and flexible setup of our storage services will be attractive in an advanced and large energy market such as Germany.

**2020 reaffirmed our ability to use our technical know-how in underground storage effectively in international conditions and to find appropriate synergies both in technical and commercial areas.**

## EXPLORATION AND PRODUCTION OF HYDROCARBONS

**Slovakia has more than a hundred years of tradition in the exploration and production of hydrocarbons. Ever since crude oil was first discovered in Slovakia's Záhorie region, geological data has been acquired and researched, with much progress made in gaining knowledge and experience. These are the foundations for NAFTA's operations, forming a critical part of its unique know-how and standing behind its success in geological and drilling projects. We see the specific use of acquired geological data, for example, to obtain an understanding of the earth's geological composition and in searching for sources of geothermal energy.**

NAFTA is currently the most important player in Slovakia's oil and gas exploration sector. It has long been active mainly in the Vienna Basin and the Eastern Slovak Lowland, where the country's most important regional hydrocarbons are located. However, the potential of these regions has already been largely explored and used due to long-term activity. In order to continue production and keep this highly specific sector in Slovakia also in the future, NAFTA will be concentrating on exploration in other regions of the country. The company's main priority in everything we do is operational safety and minimizing the impact of these activities on the environment and local communities.



2020 and the pandemic brought many challenges. The imposition of restrictive measures was felt in all sections of the economy and reflected especially in the unprecedented decline in demand for oil and natural gas. One of the economic challenges was the price of natural gas, which reached historic lows due to a mild winter.

In the past year, NAFTA continued working with Vermillion Energy to explore the area around Trnava and Topoľčany. EIA documentation was prepared for exploration wells identified in the Trnava exploration area together with undergoing the land permit process. Meanwhile, geochemical exploration was carried out in the Topoľčany area, which confirmed its hydrocarbon potential.

**The Trnava region has reliably produced hydrocarbons for several decades and NAFTA continued preparations for the Trakovice 14 exploration well. The benefits from these activities could accrue through economically viable hydrocarbon reserves and continuation of Slovakia's long tradition in this specific sector.**

To further explore the Eastern Slovak Lowland's potential, NAFTA and Aspect Holdings established Slovakian Horizon Energy s.r.o. in 2019. The two companies intend together to explore the area around the villages of Beša and Pavlovce nad Uhom, where 3D seismic data has been evaluated. Because of the pandemic and falling commodity market prices, some exploration work in eastern Slovakia planned for last year was temporarily suspended.

During 2020, NAFTA group also expanded its presence in Ukraine, where it has been active since 2016. Through EP Ukraine, (a subsidiary 90% owned by EP Power Europe and 10% owned by NAFTA a.s.), NAFTA successfully won tenders for two PSA projects - Grunivska and Okhtyraska. Both licenses brought additional opportunities for the NAFTA group to explore and produce hydrocarbons at Slovakia's eastern neighbour. In western Ukraine, NAFTA drilled its first exploratory well in the Uzhhorod License, working in cooperation with a partner from Cub Energy Inc. Further exploration potential within this license is currently under review. Last year, available geological data in the Vatazhivska license was interpreted and the environmental impact assessment completed.

Another subsidiary was established by NAFTA in Croatia, this time with a local partner that had already drilled its first exploration well. The well yielded a negative result, based on which NAFTA is evaluating further activity in the country.

# GRUNIVSKA OKHTYRSKA

# 18

**WORKOVERS AT 18  
OF OUR PRODUCTION  
AND STORAGE WELLS**

In the area of technical workovers, we used our experience to develop our own activities with workovers at 18 of our production and storage wells and another 18 workovers at external markets in Slovakia and abroad.

NAFTA also pays attention to the environment, taking a responsible approach toward shutting down centers and wells in Slovakia through clean-ups, technical and biological reclamation of the land and either reincorporating it into the surrounding wilderness or returning it to agricultural use. In eastern Slovakia, NAFTA monitored last year the Moravany mud pit according to conditions that had been imposed. At the same time, we made headway disposing of unused wells and removing their access roads.

NAFTA continued throughout 2020 to seek further foreign activities and joint ventures where it could apply the geological knowledge and expertise it has gained from many years of experience. New tenders that were assessed as suitable opportunities mainly involved licenses and prospects in the Czech Republic, Hungary and Romania.

**In exploration and production,  
NAFTA's objective today is to both  
maximize the potential of exploration  
areas with cutting-edge methods and  
use the production potential of fields  
that have already been opened up.**

Using sophisticated technologies, their production life can be extended by 8-10 years still under economically meaningful conditions.

Natural gas has long been traditionally used in Slovakia and highly developed infrastructure ensures a stable place for gas in it. Although oil and gas production produced from domestic sources has been slowly declining, inherent after more than 100 years of activity, exploration and production in Slovakia continues to be of much significance.



**Natural gas is moving  
toward becoming the  
most widespread fuel in  
the global energy mix,  
is environmentally friendly  
and is contributing to the  
transition to clean energy.**

## EMPLOYMENT, EDUCATION AND CORPORATE CULTURE

**Employees and their professional performance, teamwork, initiative and innovation have been hallmarks of the NAFTA brand for more than 100 years. Their expertise and many years of experience in everyday working life create great potential for innovation, which is crucial for the company's further development and its success in a competitive gas market.**

As the coronavirus put a serious damper on all economic sectors, NAFTA was taking initiatives already in March and putting into practice several measures to protect employee health. Physical presence among staff was limited to the essential minimum and the system was internally adjusted to allow staff to work from home as much as possible, with no significant adverse impact on corporate operations. To protect employee health and ensure NAFTA's gas storage facilities remained fully operational, as they play an important role in Slovakia's energy system, NAFTA also carried out several rounds of employee's testing for the presence of COVID-19. In cooperation with outside partners, we assessed the health of employees in crisis backup teams and our employees were offered the opportunity to take advantage of psychological counselling during this difficult period.

Stability and solid values built on NAFTA's long traditions were key during this unpredictable pandemic. By actively responding to events at several junctures over the past year, NAFTA certified its status as a stable and responsible employer that can be relied upon even in an unexpected emergency as this major pandemic turned out to be.

Our company is based on its people. Their job satisfaction, motivation, personal and professional development are NAFTA's priorities. For this reason, we create a quality working environment for our employees, offering them a wide range of opportunities through training or participation in different development programs. They participate in a number of educational events in Slovakia and other countries and at several of them NAFTA experts have actively attended as speakers. In connection with ongoing projects outside Slovakia, NAFTA has given significant attention in the past year to foreign language

education, particularly English, German and Russian. In all areas of education and staff development, we seamlessly moved to alternative online means using available communication tools and platforms. NAFTA continued working with universities and provided support for staff studying external programs to upgrade skills and improve qualifications. Everything was carried out under strict health and safety measures.

### **NAFTA's philanthropy included organizing for the ninth year "Naftári naftárom, ale nielen im..."**

a long-term charitable event to help people around us who have found themselves in unfavorable life situations. At this difficult time, when the significance of mutual belonging and help is growing, we are working together with our staff to give a hand to those who need it. It was also our pleasure to organize Naftárska kvapka krvi. This regular blood drive took place at the beginning of the year, before the outbreak of COVID-19 and the state of emergency.

# 602

**AS OF 31 DECEMBER 2020, NAFTA A.S. EMPLOYED 602 PEOPLE.**

Even while the application of our key corporate values in daily working life was meeting the developmental aspect of NAFTA's corporate culture, it was yet further buttressed by the relaunching of an internal culture project whose objective is to take further steps toward reinforcing our core values. Teamwork received support through the organization of employee events and activities, although our traditional events were replaced with online meetings or gifts. Responsibility and professional performance were fully reflected in the ability to ensure smooth operations and the adoption of organizational and technical measures, in some areas even beyond the scope of regulations issued by competent institutions. Because the future will be innovations, not necessarily just from the energy sector, a significant part of NAFTA's corporate culture is appreciating innovative ideas and finding solutions through the use of advanced technologies. Combined with more than 100 years of tradition, an experienced team and many years of know-how, our company is creating space where stability and progress, history and the future come together. Our objective is to continue providing support to our employees in fulfilling the company's strategic goals and to assist them in further professional and human development.

## CORPORATE RESPONSIBILITY

**NAFTA's responsible approach to its activities is reflected in several areas where close attention has been paid for a long time. Yet the COVID-19 pandemic even magnified the importance of responsible corporate actions in 2020. Throughout the year, the spread of the coronavirus required regular monitoring and strict compliance with measures put in place to protect the health of employees, people in the communities around us and the company's operations.**

This was done last year mainly through our crisis task force, which was set up in March. It kept a close eye on how the situation was evolving and subsequently took the necessary actions to keep NAFTA's operations flowing. The company has complied with rules laid down by public authorities, complementing them with several internal directives and raising awareness among our employees in communication campaigns. As the first wave of the pandemic broke, NAFTA immediately prepared its own Business Continuity Plan for how it would operate under various scenarios as COVID-19 spread. Later, during the second wave, it was transformed into a comprehensive Pandemic Plan to assist NAFTA in putting together the exact conditions for operating individual centers, administration and engineering based on the situation at different stages of the pandemic. Another important element during 2020 was the testing of key operation staff, which helped us keep our facilities working in safe mode. This was all successfully done mainly due to our employees taking responsibility. They approached all measures and activities with exceptional attention and seriousness and this spirit, not just during the pandemic, is evidence of responsible behaviour rooted in the NAFTA's DNA.

However, the responsible approach taken in 2020 was not confined to pandemic-related actions, but also inherently true in normal operations. Our activities were carried out in compliance with legislative requirements in Slovakia and Europe and taking the environment into major consideration. As a standard procedure, occupational safety and health was put under scrutiny during 2020 and NAFTA continued to work on improving it. Colleagues were

**ISO**  
**9 001:2015**  
**14 001:2015**  
**45 001:2018**  
**SCC** **Certifications**

praised for demonstrating their proactive attitude and initiative in this area. NAFTA was also intensely concerned about cybersecurity.

A major part of our corporate responsibility is the Main Mining Rescue Station, with a team of experienced rescuers kept in readiness for different types of emergency situations. This team of professionals is additionally active in specific maintenance and investment activities to guarantee safety and prevention. They provided their own experience and professional technology for internal needs and external partners this year.

In 2020, NAFTA once again successfully passed a recertification audit, whose attention focused on maintaining and improving standards and management for workover, drilling and slickline services in the company. NAFTA's ISO 9 001:2015, ISO 14001:2015 and ISO 45001:2018 certifications were defended, affirming its professionalism in quality management, environmental protection and occupational health and safety. In this area of our operations, NAFTA received a Safety Certificate for Contractors (SCC), which allows NAFTA to bring workover and drilling experience to other markets, such as Germany, in the future.

In the same year, NAFTA also invested into security at individual operations - a closed-circuit camera system upgrade in Plavecký Štvtok and installation of integrated security systems at several locations. Our commitment to the environment was underscored this year in the responsible shutdown of sites whose activities had ended. In addition, NAFTA focused on methane emissions, an issue currently being actively addressed in the natural gas sector. Power-to-Gas and renewable energy are areas where NAFTA has made an important declaration of its long-term commitment to the environment.

NAFTA confirmed its particular emphasis this past year on acting responsibly and minimizing its environmental footprint and impact on the communities in which it operates.

## COMMUNITY ACTIVITIES

**NAFTA's activities have made the company a long-term part of communities in several regions of Slovakia. Our priority in everything we do is operational safety, minimizing the impact of our activities on the environment and taking a responsible approach toward local communities. NAFTA is a responsible partner for anybody directly or indirectly coming into contact with our activities. That is why the company has long been dedicated to supporting meaningful projects to improve quality of life in these regions and to provide support for people around us who have found themselves in unfavorable life situations.**

Last year NAFTA focused especially on funding community development efforts and education, culture, environmental protection and sports development. NAFTA provided funding for the construction or reconstruction of sports fields, children's playgrounds, community centers, municipal buildings and recreational areas. We also contributed in 2020 toward increasing safety and comfort for residents through reconstruction of local roads and the restoration of hiking and cycling trails.

A significant part of our community activities traditionally involved cultural, community and sporting events, which were extensively curtailed last year and replaced with other activities concentrating on sustainability, such as rejuvenating green areas and restoring a local municipal park with the creation of a leisure area for residents. Instead of sporting events that had to be cancelled because of the pandemic, NAFTA supported the purchase of sports equipment and contributed funds toward the reconstruction of playgrounds in communities.

**Volunteers were able to pick up about 45 cubic meters of waste around the popular Pieskovňa recreation area.**

# 45

We actively support our employees' participation in sporting events. In 2020, some of our colleagues ran in the Od Tatier k Dunaju and Medlenov chodník competitive events. We supported their participation in the Do práce na bicykli initiative. The summer easing of pandemic measures let us participate in our favourite sporting events, where NAFTA staff members turned in excellent performances.

**Environmental protection is an integral part of our corporate social responsibility.**

The traditional spring Earth Day cleaning event in Plavecký Štvrtok was postponed, finally taking place with all safety measures in place. Volunteers were able to pick up about 45 cubic meters of waste around the popular Pieskovňa recreation area. Cleaning and revitalizing recreational, leisure and nature areas not only have a positive environmental impact but also allow their use for active leisure across generations.

NAFTA sees support for community projects to be an important part of business activities. Therefore, we attempt to provide extensive benefits for the community. We support regional development during our operation in the areas, but we also take care about how the area will look once our activities are completed. Therefore, in the future, NAFTA will be focusing mainly on funding and supporting projects that improve quality of life in the communities where it operates, and which bring sustainable benefits to residents and the environment.

**REPORT  
ON THE RESULTS  
OF BUSINESS  
ACTIVITIES AND  
STATUS OF THE  
COMPANY'S  
ASSETS FOR  
THE PRECEDING  
YEAR**



Development of Assets and Results of Operations of NAFTA a. s. for the Year ended 31 December 2020 and 2019 under Separate Financial Statements presented in accordance with International Financial Reporting Standards as adopted by the EU.

## SUMMARISED SEPARATE BALANCE SHEETS

	2020	2019
<b>Total Assets</b>	<b>500 665</b>	<b>490 735</b>
<b>Non-current assets</b>	<b>375 051</b>	<b>434 340</b>
Property, plant and equipment	194 176	197 787
Right-of-use assets	1 677	1 538
Intangible and other assets	8 886	9 138
Investments in subsidiaries and a joint venture and available-for-sale investments	40 328	39 928
Deferred tax asset	7 605	7 464
Long-term loans receivables	122 379	178 485
<b>Current assets</b>	<b>125 614</b>	<b>56 395</b>
Inventories	3 790	2 649
Trade and other receivables	5 199	9 454
Financial receivables	78 296	24 862
Cash and cash equivalents	38 329	19 430
<b>Equity and liabilities</b>	<b>500 665</b>	<b>490 735</b>
<b>Equity</b>	<b>202 976</b>	<b>196 680</b>
Registered capital and treasury shares	102 490	102 490
Other capital funds	21 447	21 447
Hedging derivatives reserve and other reserves	(813)	1 260
Profit from previous years	1 390	1 343
Profit for the current year	78 462	70 140
<b>Liabilities</b>	<b>297 689</b>	<b>294 055</b>
Non-current liabilities	270 652	267 050
Current liabilities	27 037	27 005

● as of 31 December 2020 and 31 December 2019 (Thousands of EUR)

## SUMMARISED SEPARATE STATEMENTS OF PROFIT AND LOSS

	2020	2019
Revenues	186 242	165 413
Operating expenses	(76 119)	(69 988)
<b>Profit before interests and taxes</b>	<b>110 123</b>	<b>95 425</b>
Financial income/(expenses)	(3 062)	(581)
<b>Profit before income taxes</b>	<b>107 061</b>	<b>94 844</b>
Income taxes	28 599	24 704
<b>Net profit</b>	<b>78 462</b>	<b>70 140</b>

● for the year ended 31 December 2020 and 2019 (Thousands of EUR)

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Development of Assets and Results of Operations of NAFTA a. s. for the Year ended 31 December 2020 and 2019 under Consolidated Financial Statements presented in accordance with International Financial Reporting Standards as adopted by the EU.

## SUMMARISED CONSOLIDATED BALANCE SHEETS

	2020	2019
<b>Total Assets</b>	<b>673 316</b>	<b>631 384</b>
<b>Non-current assets</b>	<b>509 506</b>	<b>534 350</b>
Property, plant and equipment	356 967	366 351
Right-of-use assets	6 627	6 662
Intangible and other assets	9 259	9 577
Investments in joint ventures	65 708	53 119
Available-for-sale financial assets	745	745
Deferred tax asset	7 605	7 464
Long-term loans provided	62 595	90 432
<b>Current assets</b>	<b>163 810</b>	<b>97 034</b>
Inventories	5 085	3 640
Trade and other receivables	12 789	18 274
Financial receivables	83 296	24 862
Cash and cash equivalents	62 640	50 258
<b>Equity and liabilities</b>	<b>673 316</b>	<b>631 384</b>
<b>Equity</b>	<b>266 644</b>	<b>224 960</b>
Registered capital and treasury shares	102 490	102 490
Other capital funds	21 447	21 447
Foreign exchange differences	(139)	0
Hedging derivatives reserve and other reserves	(3 376)	(389)
Profit from previous years	31 319	16 745
Profit for the current year	114 903	84 667
<b>Liabilities</b>	<b>406 672</b>	<b>406 424</b>
Non-current liabilities	362 419	357 147
Current liabilities	44 253	49 277

● as of 31 December 2020 and 31 December 2019 (Thousands of EUR)

## SUMMARISED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	2020	2019
Revenues	241 070	209 225
Operating expenses	(105 122)	(95 275)
<b>Profit before interests and taxes</b>	<b>135 948</b>	<b>113 950</b>
Financial income/(expenses)	14 502	529
<b>Profit before income taxes</b>	<b>150 450</b>	<b>114 479</b>
Income taxes	(35 547)	(29 812)
Profit after taxation	114 903	84 667
Attributable to:		
<b>Shareholders of NAFTA</b>	<b>114 903</b>	<b>84 667</b>
Minority interests of other owners of subsidiaries	-	-

● for the year ended 31 December 2020 and 2019 (Thousands of EUR)

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# NAFTA'S PROSPECTS

**Besides the pandemic, the year brought with it restrictive measures and many economic challenges. In this unprecedented situation, NAFTA's priorities were specifically to protect the health of employees and to ensure contractual obligations were fulfilled. Despite the difficult circumstances, we successfully managed to accomplish both in 2020. We firmly believe that the situation is going to improve in 2021 and easing will come both to the company as a whole and for staff members. However, before this happens, we are prepared to continue our responsible approach toward commitments, compliance with all measures and use of all available means to effectively fulfil our tasks even remotely.**

In storage services, NAFTA is ready to respond flexibly in 2021 to both the demands of our clients and changing market conditions. One of our most important attributes in today's dynamic and highly competitive sector is the development of flexible services and innovative products tailored to customers. NAFTA seeks to actively apply its extensive portfolio of storage services both in Slovakia and in international markets, as it continues to make its traditional products and flexible storage services more attractive. We are convinced of our ability in the coming year to fully invest into the upgrading and automation of operations identified by us in the past year as priorities, as a result of the overall pandemic situation and the measures taken to combat it. Permanent priorities remain the safe operation of our facilities in several European countries and the reliability of the services NAFTA provides.

Our many years of expert experience in underground gas storage are going to be capitalized in the transition to low-carbon energy, with the development of several innovative energy storage projects both inside and outside Slovakia. Because NAFTA's underground storage facilities are particularly crucial for smoothing seasonal swings in natural gas consumption, renewable energy storage projects will be concentrating on storage whenever there is a surplus, while drawing upon them from these facilities when these resources are short in supply. The advantage of storing renewables, such as in hydrogen form at existing storage facilities, is their enormous capacity as well as the ability of seasonal storage. No other technology today can retain as much energy as the storage of gas molecules. This creates space not just for gas storage facilities, but also for the entire gas industry to become an important element in the low-carbon transformation of energy sector and economy.

In hydrocarbon exploration and production, NAFTA is looking to explore other parts of Slovakia in order to preserve this specific sector. Exploratory work and permitting processes, a condition for any future drilling of exploration wells, will be continuing around Trnava and Topoľčany. We believe that pandemic development will allow NAFTA to move ahead with its exploration in eastern Slovakia and abroad, which had been for some time suspended. NAFTA plans in 2021 to prepare documentation for 3D seismic measurements for the Vatazhkivska License in Ukraine. Meanwhile in the Uzhhorod License, we will again be evaluating 3D seismic data, taking into account results from the first exploration well - Uzhhorod 101. Safety and minimizing the impact of our activities on the environment and local communities is important in all our activities. For this reason, NAFTA will continue cleaning up and both technically and biologically reclaiming land and incorporating it back into the natural environment when our site's technology, centres and related wells are shut down.

Slovakia achieved exceptional success in storing gas at former production fields that had been converted to underground storage, a feat which would not have been possible without adequate knowledge of them gained during hydrocarbon production. This know-how is expanded with each new project and the specific expert sector likewise supports the construction of an education economy and the development of future technologies.

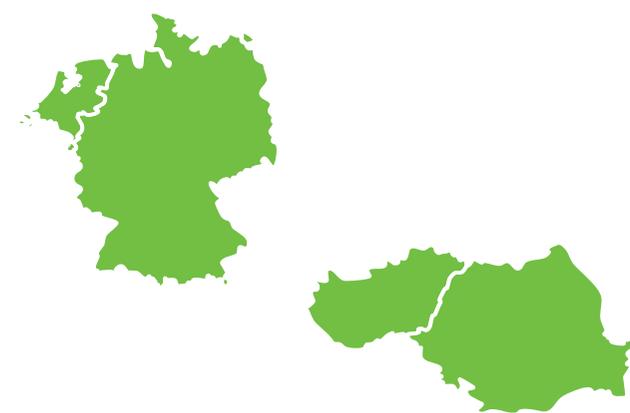
**To export our long-term know-how, we are focusing attention on seeking further foreign cooperation and projects, looking at their geological, technical, legislative and economic aspect.**

We see other opportunities abroad in Germany, the Netherlands, Hungary, and Romania. NAFTA's advantage in activities outside Slovakia is its good knowledge of the environment, which allows us to respond quickly to market requirements. Our core activities are being developed in several European countries and NAFTA engineers and technicians are sharing their experiences and expertise in specific markets within divisions and departments.

NAFTA always applies principles of corporate social responsibility in its activities. Stability and solid values are grounded in the company's long traditions and have proved key even during a pandemic no one had foreseen. We intend to reaffirm our position as a stable and responsible employer in future years, to be relied upon even in an unexpected situation. In 2021, NAFTA wishes to concentrate on supporting community projects to bring lasting benefits for people and the environment, so that our company's contribution to the regions where we operate is noticeable. We see such sustainability for example in projects and volunteer activities aimed at development of municipalities and clean-up of the environment.

**In 2021, NAFTA is targeting the confirmation of its position as a significant pan-European underground storage facility operator with Europe's sixth largest gas storage capacity support.**

Safely operating facilities in several European countries remains our priority, yet we also want to focus on expanding our activities and sharing our know-how. We see an opportunity in innovative energy storage projects that can contribute toward achieving the vision of green energy. Through what we do, NAFTA would like to demonstrate that natural gas plays a critical role in the energy mix and remains irreplaceable in the future, and that it is an ideal partner for promoting the development of renewable resources. Another major challenge for the future is the effort to reduce methane emissions, which is now the main topic of discussion today. NAFTA is constantly introducing new ideas and technological solutions here to help us move closer toward meeting this goal.



**We see other opportunities abroad in Germany, the Netherlands, Hungary, and Romania.**

