NAFTA a.s.

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

Year ended 31 December 2021

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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 CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of NAFTA a.s. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of profit and loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Emphasis of Matter

We draw attention to Note 27 to the consolidated financial statements which describes uncertainty resulting from subsequent event – military conflict of Russian Federation in Ukraine and related sanctions, which might have a material impact on valuation of gas assets of the entity and its future cash flows. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance about, inter alia, the planned scope and time schedule of the audit and significant audit findings, including all material deficiencies of internal control identified during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Consolidated Annual Report

The statutory body is responsible for information disclosed in the consolidated annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the consolidated financial statements stated above does not apply to other information in the consolidated annual report.

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

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

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

- Information disclosed in the consolidated annual report prepared for 2021 is consistent with the consolidated financial statements for the relevant year; and
- The consolidated annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 4 March 2022

Ing. Ján Bobocký, FCCA
Responsible Auditor
Licence UDVA No. 1043

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

(Thousands of EUR)

	Note	*31 December 2021*	*31 December 2020*
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	351 439	356 967
Right-of-use assets	13	5 724	6 627
Intangible and other assets		10 637	9 259
Investments in joint ventures	5	62 072	65 708
Available-for-sale investments	6	745	745
Deferred tax asset	20.3	8 515	7 605
Long-term loans provided	9	6 466	62 595
Total non-current assets		445 598	509 506
CURRENT ASSETS:			
Inventories	7	5 806	5 085
Trade and other receivables	8	14 929	12 789
Tax receivables		1 779	-
Financial receivables from group companies	9,12	64 458	82 958
Other financial receivables		-	338
Cash and cash equivalents		34 850	62 640
Total current assets		121 822	163 810
TOTAL ASSETS		**567 420**	**673 316**
EQUITY AND LIABILITIES:			
EQUITY:			
Registered capital	10	107 235	107 235
Treasury shares, at cost	10	(4 745)	(4 745)
Other capital funds	10	21 447	21 447
Translation reserve	10	(43)	(139)
Hedging derivatives reserve and other reserves	10	(2 828)	(3 376)
Profit from previous years		67 863	31 319
Profit for the current year		87 320	114 903
Equity attributable to shareholders of NAFTA		276 249	266 644
TOTAL EQUITY		276 249	266 644
NON-CURRENT LIABILITIES:			
Long-term loans received	11	43 500	175 000
Provision for abandonment and restoration and other provisions	14	175 103	160 101
Retirement and other long-term employee benefits	15	17 884	18 685
Deferred tax liability	20.3	827	1 119
Financial liabilities	13	5 059	5 838
Deferred income		1 478	1 531
Other non-current liabilities	16	120	145
Total non-current liabilities		243 971	362 419
CURRENT LIABILITIES:			
Trade and other payables	16	24 809	22 954
Current provisions	14	4 399	5 106
Income tax liabilities		10 587	15 144
Short-term loans received	11	6 500	162
Financial liabilities to group companies	12	-	-
Other financial liabilities	13	905	887
Total current liabilities		47 200	44 253
TOTAL LIABILITIES		291 171	406 672
TOTAL EQUITY AND LIABILITIES		**567 420**	**673 316**

(Thousands of EUR)

	Note	***Year ended 31 December 2021***	***Year ended 31 December 2020***
REVENUES:			
Natural gas storage revenues and hydrocarbon sales	23.1	203 588	233 411
Other revenues		8 269	7 659
Total revenues		211 857	241 070
OPERATING EXPENSES:			
Own work capitalised		345	137
Consumables and services		(43 142)	(45 616)
Labour and related costs	18	(30 969)	(29 372)
Depreciation and amortisation		(31 018)	(26 798)
Other operating income/(expenses), net	19.1	556	(3 473)
Total operating income/(expenses), net		(104 228)	(105 122)
FINANCIAL INCOME/(EXPENSES):			
Interest income		922	1 422
Interest expenses		(2 804)	(3 697)
Income/(loss) from joint venture	5	11 633	17 120
Other financial income/(expenses), net	19.2	(1 892)	(343)
Total financial income/(expenses), net		7 859	14 502
PROFIT BEFORE INCOME TAXES		115 488	150 450
INCOME TAXES	20	(28 168)	(35 547)
NET PROFIT		**87 320**	**114 903**
Attributable to:			
Shareholders of NAFTA		87 320	114 903
Minority interests of other owners of subsidiaries	3c	-	-
EARNINGS PER SHARE (in EUR)	21	27.03	35.56

(Thousands of EUR)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
PROFIT FOR THE YEAR AFTER INCOME TAXES		87 320	114 903
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the profit and loss statement:			
Translation reserve		96	(139)
Other comprehensive income/(loss) for the year before income taxes		96	(139)
Hedging derivatives		(448)	(2 496)
Other comprehensive income/(loss) for the year before income taxes		(448)	(2 496)
Tax		94	524
Tax related to items of other comprehensive income/(loss)		94	524
Items that will not be subsequently reclassified to the profit and loss statement:			
Actuarial losses		1 242	(1 379)
Other comprehensive loss for the year before income taxes		1 242	(1 379)
Tax		(340)	364
Tax related to items of other comprehensive loss		(340)	364
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87 964**	**111 777**
Total comprehensive income for the year attributable to:			
Equity shareholders of NAFTA		87 964	111 777
Minority interests of other owners of subsidiaries		-	-
		87 964	**111 777**

	Year ended 31 December 2021			Year ended 31 December 2020		
	Before taxation	Tax	After taxation	Before taxation	Tax	After taxation
Hedging derivatives	(448)	94	(354)	(2 496)	524	(1 972)
Actuarial gains/(losses)	1 242	(340)	902	(1 379)	364	(1 015)
Translation reserve	96	-	96	(139)	-	(139)
Total other comprehensive income/(loss) for the year	**890**	**(246)**	**644**	**(4 014)**	**888**	**(3 126)**

(Thousands of EUR)

	Registered capital	***Treasury shares, at cost***	***Other capital funds***	***Translation reserve***	***Hedging derivatives reserve and other reserves***	***Profit from previous years***	***Profit for the current year***	***Attributable to shareholders of NAFTA***	***Non-controlling interests***	***Total equity***
At 1 January 2020	**107 235**	**(4 745)**	**21 447**	**-**	**(389)**	**16 745**	**84 667**	**224 960**	**-**	**224 960**
Transfer of profit for the current year	-	-	-	-	-	84 667	(84 667)	-	-	-
Dividends	-	-	-	-	-	(70 093)	-	(70 093)	-	(70 093)
Net profit for the year	-	-	-	-	-	-	114 903	114 903	-	114 903
Other comprehensive income/(loss) for the year	-	-	-	(139)	(2 987)	-	-	(3 126)	-	(3 126)
At 31 December 2020	**107 235**	**(4 745)**	**21 447**	**(139)**	**(3 376)**	**31 319**	**114 903**	**266 644**	**-**	**266 644**
Transfer of profit for the current year	-	-	-	-	-	114 903	(114 903)	-	-	-
Dividends	-	-	-	-	-	(78 359)	-	(78 359)	-	(78 359)
Net profit for the year	-	-	-	-	-	-	87 320	87 320	-	87 320
Other comprehensive income/(loss) for the year	-	-	-	96	548	-	-	644	-	644
At 31 December 2021	**107 235**	**(4 745)**	**21 447**	**(43)**	**(2 828)**	**67 863**	**87 320**	**276 249**	**-**	**276 249**

(Thousands of EUR)

	Year ended 31 December 2021	*Year ended 31 December 2020*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income taxes and minority interests	115 488	150 450
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:		
Depreciation and amortisation	31 018	26 798
Interest expense, net	1 882	2 275
Unrealised exchange rate differences	(85)	14
Impairment and provisions	3 280	4 721
Profit from the sale of non-current assets	-	-
Income from financial investments	-	-
Income/(loss) from joint venture	(11 633)	(17 120)
Retirement and other long-term employee benefits	990	984
Other non-cash items	(8)	(650)
Changes in assets and liabilities:		
Inventories	(757)	(1 670)
Trade and other receivables	(2 197)	4 623
Trade and other payables	(3 703)	(2 955)
Provision for abandonment and restoration and other provisions	(1 487)	(3 244)
Employee benefits	(650)	(224)
Operating cash flows, net	132 138	164 002
Interest received	-	-
Interest paid	(1 473)	(1 731)
Income tax	(33 215)	(39 772)
Net cash flows from operating activities	97 450	122 499
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to tangible and intangible non-current assets	(7 814)	(6 852)
Proceeds from sale of non-current assets	-	8
Acquisition of financial investments	(192)	-
Dividends received	12 531	-
Net cash flows from investing activities	4 525	(6 844)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in loans and borrowings received	(125 000)	-
Net change in loans and borrowings provided	(761)	(122)
Net change in cash pooling	18 500	(101 000)
Dividends paid	(21 724)	(1 226)
Leasing payment	(870)	(862)
Net cash flows from financing activities	(129 855)	(103 210)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(27 880)	12 445
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	62 640	50 258
EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	90	(63)
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**34 850**	**62 640**

1. GENERAL

1.1. Description of Business

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

NAFTA, as described in Note 3 d. below (hereinafter "NAFTA" or the "Company"), 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 2021, 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). Because the Company holds its own shares the share of voting rights is as following: SPP Infrastructure, a.s. 57.0 %, Czech Gas Holding Investment B.V. 41.1 % and minority shareholders 1.9 %. The ultimate shareholders of SPP Infrastructure, a.s. are Energetický a průmyslový holding, a.s. ("EPH") holding a 34 % share and management control, Slovenský plynárenský priemysel, a.s. ("SPP") holding a 51 % share and a consortium of global institutional investors represented by Macquarie Infrastructure and Real Assets holding a 15 % share. Czech Gas Holding Investment B.V. is controlled by EPH (through its subsidiary EP Infrastructure, a.s.). An ultimate consolidating reporting entity of NAFTA a.s. is company EP Investment S.à r.l.

1.2. Legal Basis for Preparing the Financial Statements

These consolidated financial statements have been prepared as the ordinary consolidated financial statements for the accounting period from 1 January until 31 December 2021 pursuant to Article 22 of Act No. 431/2002 Coll. on Accounting, as amended.

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

1.3. 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

Initial application of new amendments to the existing standards effective for current reporting period

The following amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for the current reporting period:

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** – Interest Rate Benchmark Reform – Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 16 "Leases"** – Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for annual periods starting, at the latest, on or after 1 January 2021),

- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023)

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

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

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

- **Amendments to IAS 16 "Property, Plant and Equipment"** – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to various standards due to "Annual Improvements to IFRS Standards (2018 – 2020 Cycle)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 only relate to an illustrative example, so no effective date is stated.).

The Company has elected not to adopt this new standard and amendments to the existing standard in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU

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

- **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,

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- **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 other amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IFRS 17 "Insurance Contracts"** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

Hedge accounting for a portfolio of financial assets and liabilities whose principle 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 new standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

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

Energy legislation in gas industry is primarily represented by Act No. 251/2012 Coll. on Energy and Act No. 250/2012 Coll. on Regulation in Network Industries. The purpose of these laws is among other things to ensure 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 within NAFTA group in 2021.

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 24.2.

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 sites. 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 sites and for the restoration of sites to their original condition based on previous experience and estimates of costs. In 2021, the Company prepared a new detailed estimate of abandonment and restoration. Refer to Note 14 for further details.

Unaudited Subsidiaries and Associate Undertakings

Certain subsidiaries and associate undertakings included in these consolidated financial statements were not audited. Unaudited subsidiaries represent less than 1 % of the total consolidated assets, liabilities, income and expenses.

c. Basis of Consolidation

NAFTA consolidates the financial statements of all significant subsidiaries.

Business undertakings in which NAFTA, directly or indirectly, has an interest of usually more than one-half of the voting rights or otherwise has the power to exercise control over the operations, are defined as subsidiary undertakings ("subsidiaries") and their financial statements have been consolidated using full consolidation method. Subsidiaries are consolidated from the date on which effective control is transferred to NAFTA and are no longer consolidated from the date when such control ceases.

All transactions, balances, and unrealised surpluses and deficits on transactions within the NAFTA Group have been eliminated upon consolidation.

Minority interests of other investors in the net assets of consolidated subsidiaries are identified as a separate item in the equity in accordance with IFRS 3. Minority interests represent the other investors' proportionate share of the fair value at the acquisition date of the assets and liabilities of the relevant subsidiary, amended for the minority's share of subsequent profits and losses. Losses arising on minority interest exceeding the amount of the minority interest in the equity of the subsidiary are incorporated in NAFTA's equity.

d. Subsidiaries and Business Combinations

Business undertakings in which NAFTA, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has the power to exercise control over their operations, are defined as subsidiary undertakings ("subsidiaries").

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

Goodwill arising on consolidation is recognised as an asset and represents the positive difference between acquisition cost of a business combination and the share of the NAFTA Group's interest in the net realisable value of the identifiable assets, liabilities, and contingent liabilities recognised. The negative difference between the acquisition cost of a business combination and the share of the NAFTA Group's interest in the net realisable value of the identifiable assets, liabilities, and contingent liabilities is recognised immediately in the profit and loss.

Goodwill is initially recorded at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if there is an indication that it may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(Thousands of EUR)

The following subsidiaries have been consolidated:

Name of Company	***Seat***	***Principal activity***	***Effective ownership***	***Ownership status***
NAFTA Services, s.r.o.	No. 891,696 17 Dolní Bojanovice Czech Republic	service work	100 %	subsidiary of NAFTA a.s.
NAFTA International B.V.	Schiphol Boulevard 477, Toren C-4, 1118 BK Schiphol, Netherlands	holding company	100 %	subsidiary of NAFTA a.s.
NAFTA RV	04116, Kyiv, Starokyivska, 10-G, Ukraine	exploration and production	100 %	subsidiary of NAFTA International B.V.
NAFTA Germany GmbH	Moos 7, 83135 Schechen, Germany	holding company	100 %	subsidiary of NAFTA International B.V.
NAFTA Bavaria GmbH	Moos 7, 83135 Schechen, Germany	holding company	100 %	subsidiary of NAFTA Germany GmbH
NAFTA Speicher Management GmbH	Moos 7, 83135 Schechen, Germany	general partner	100 %	subsidiary of NAFTA Bavaria GmbH
NAFTA Speicher GmbH & Co. KG	Moos 7, 83135 Schechen, Germany	natural gas storage	100 %	subsidiary of NAFTA Bavaria GmbH
NAFTA Speicher Inzenham GmbH	Moos 7, 83135 Schechen, Germany	natural gas storage	100 %	subsidiary of NAFTA Speicher GmbH & Co. KG
NAFTA Exploration d.o.o.	Zagreb (Grad Zagreb) Trg Republike Hrvatske 8	exploration and production	100 %	subsidiary of NAFTA International B.V.

In January 2020 the subsidiary NAFTA International B.V. established the company NAFTA Exploration d.o.o. with 100 % ownership of this company.

In December 2021 the Company acquired 50 % share of the company CNG Holdings Netherlands B.V. and indirectly 100 % share in CNG LLC.

Consolidation of CNG Holdings Netherlands B.V and CNG LLC using the full method of consolidation would not have had a significant impact on the consolidated financial statements and therefore, as at 31 December 2021, the Company deconsolidated the joint ventures CNG Holdings Netherlands B.V and CNG LLC and recognized them at acquisition cost. The Company in accordance with Note. 3 f. created a 100 % provision for this financial investment.

The deconsolidation of those companies did not have impact on these financial statements.

(Thousands of EUR)

e. Investments in Associated Undertakings and Joint Ventures

Associated undertakings and joint ventures are companies where NAFTA has, directly or indirectly, a substantial, but not controlling influence.

Investments in associated undertakings and joint ventures are accounted for using the equity method.

Associated undertakings are such entities over which NAFTA has between 20 % and 50 % of the voting rights, and over which NAFTA has the power to exercise significant influence, but which it does not control. Joint ventures are entities in which NAFTA has jointly controlled interest. Provisions are recorded for long-term impairment in value.

The equity method of accounting involves recognising in the statement of profit and loss NAFTA Group's share of its associates' and joint venture's profit or loss and the tax charge for the year. The interest of NAFTA Group in associated undertakings and joint ventures is carried in the balance sheet at an amount that reflects its share of the net assets of the associates and joint ventures and includes goodwill on acquisition.

The following joint ventures have been recognised using the equity method:

Name of Company	***Seat***	***Principal activity***	***Effective ownership***
POZAGAS a.s.	Malé námestie 1, 901 01 Malacky, Slovak Republic	natural gas storage	65 %
Slovakian Horizon Energy, s.r.o.	Mlynské Nivy 44/c, Bratislava, Slovak Republic	exploration and production	50 %

f. Property, Plant and Equipment and Intangible Assets

As at 31 December 2021 and 2020, 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 sites 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 2021***	***31 December 2020***
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 effort 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. Provision in full amount is created to exploration wells.

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.

g. Cushion Gas

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

h. Financial Assets

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

Financial assets are classified in the following categories: financial assets subsequently measured at amortised cost, financial assets subsequently measured at fair value through other comprehensive income (FVOCI) and financial assets subsequently measured at fair value through profit or loss (FVTPL).

The Company only recognises financial assets subsequently measured at amortised cost. Financial assets are subsequently measured at amortised cost using the effective interest rate method less any impairment and include trade receivables and loan receivables with fixed or variable payments.

Interest income is recognised by applying the effective interest rate, except for current receivables when the recognition of interest would be immaterial.

<u>Impairment of Financial Assets</u>

For the impairment of loan receivables, the Company applies a three-stage model of excepted credit losses (ECL). Under this model, an immediate impairment loss in an amount equal to a 12-month expected credit loss is recognised upon the initial recognition of the financial assets. If there is a significant increase in the credit risk, a provision is estimated based on expected credit losses for the full lifetime of financial assets, not only based on the 12-month expected loss.

As at 31 December 2021 and 31 December 2020, the Company assessed the impairment of loan receivables from borrowings provided to the Group (refer to Note 9) and except for receivables in accordance with Note 3.f concluded that the 12-month expected credit losses approximated zero given the low risk of default and expected loss, and given the method of settling the borrowing by offsetting against the payable from dividends paid.

For trade receivables and current receivables, the Company applies a simplified model for the assessment and recognition of impairment losses on financial assets under which a provision is recognised in the amount of expected credit losses over the full lifetime of trade receivables at the moment of their initial recognition. Such estimates are revised as at the reporting date.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through a provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of written-off receivables are credited against the provision account. Changes in the carrying amount of the provision account are recognised in profit or loss.

Derecognition of Financial Assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially the material risks and rewards of ownership of the asset to another entity.

i. Derivative Financial Instruments

The Company enters into a number of derivative contracts in order to manage the risk of changes in commodity prices and interest rates.

Derivative financial instruments are contracts: (i) whose value changes in response to a change in one or more identifiable variables; (ii) that require no significant net initial investment; and (iii) that are settled at a certain future date.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge Accounting

The Company designates hedging instruments that include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are recognised as follows:

- If an expected hedged transaction subsequently leads to the recognition of a non-financial asset or a non-financial liability, or if a forecast hedged transaction with a non-financial asset or a non-financial liability becomes a firm commitment, the amounts accumulated in other comprehensive income are derecognised and directly included in the initial measurement of such an asset or a liability.
- For other instances, amounts accumulated in other comprehensive income are reclassified from the hedging reserve to profit or loss in the periods when the hedged item is recognised in profit or loss in the same income statement line as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

j. 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.

k. 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.

l. Accruals

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

m. Financial Liabilities

Financial liabilities are classified as either financial liabilities at amortised costs or financial liabilities 'at fair value through profit or loss' (FVTPL).

The Company only recognises financial liabilities in category "Financial liabilities at amortised costs". Financial liabilities at amortised costs (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

n. 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 sites 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 sites, 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.

o. Revenue Recognition

NAFTA records revenues from the underground storage of natural gas, revenues from the sale of hydrocarbons 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. The Company recognises revenues from the underground gas storage and revenues from the sale of natural hydrocarbons in one segment due to the relatively low share of revenues from sales of natural hydrocarbons in this segment and total operating revenues.

Revenues from the underground storage of natural gas are recognised over an agreed period for which the storage capacity was reserved for a customer. Variable fees for additional storage-related services are recognised over the provision of the service to a customer.

Revenues from the sale of hydrocarbons are recognised when the commodity is transferred to the customer at the fair value of the consideration received or receivable.

Revenues from other services include, in particular, revenues from operator services related to the storage of natural gas that are recognised in the course of providing the service to the customer and revenues related to drilling and workover that are recognised as revenue during the service delivery according to the level of completion.

p. Current and Deferred Income Taxes

Income taxes are provided on accounting profit as determined under the applicable legislation at a rate of 21 %, after adjustments for certain items for taxation purposes. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions Refer also to Note 20.

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 2021 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. The deferred tax balance as at 31 December 2021 was recalculated using the tax rate of 21 % applied in Slovak Republic respectively 27 % applied in Germany (31 December 2020: 21 % respectively 27 %).

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

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 deferred 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.

q. Transactions in Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate in effect on the day of the transaction. Resulting exchange differences are 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.

On consolidation, the assets and liabilities of the Company's foreign subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and transferred to the Company's exchange differences reserve. Such exchange differences are recognised as income or as expenses in the period in which the subsidiary is disposed of.

r. Borrowing Costs

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

s. 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.

t. 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.

u. Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease or another systematic basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

v. 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.

w. 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 2020	*Land, buildings & structures*	*Plant, machinery & equipment*	*Dismantling assets*	*Assets in course of construction*	*Total*
Net Book Value as at 1 January 2020	**142 882**	**177 817**	**38 591**	**7 061**	**366 351**
Additions	-	-	-	6 042	6 042
Transfers	883	6 444	-	(7 327)	-
Disposals	(139)	(8)	(573)	(241)	(961)
Depreciation	(6 963)	(14 149)	(3 623)	-	(24 735)
Exchange rate differences	-	(4)	-	-	(4)
Change in provisions recorded to assets	-	-	9 620	-	9 620
(Additions)/Release of provisions	1 015	504	507	(1 372)	654
Net Book Value as at 31 December 2020	**137 678**	**170 604**	**44 522**	**4 163**	**356 967**
Cost as at 31 December 2020	320 863	324 578	97 004	32 112	774 557
Accumulated depreciation and provisions as at 31 December 2020	(183 185)	(153 974)	(52 482)	(27 949)	(417 590)
Net Book Value as at 31 December 2020	**137 678**	**170 604**	**44 522**	**4 163**	**356 967**

Year ended 31 December 2021	*Land, buildings & structures*	*Plant, machinery & equipment*	*Dismantling assets*	*Assets in course of construction*	*Total*
Net Book Value as at 1 January 2021	**137 678**	**170 604**	**44 522**	**4 163**	**356 967**
Additions	-	-	-	5 004	5 004
Transfers	278	4 230	-	(4 508)	-
Disposals	(828)	(2)	(815)	-	(1 645)
Depreciation	(5 604)	(12 085)	(7 711)	-	(25 400)
Exchange rate differences	-	1	-	38	39
Change in provisions recorded to assets	-	-	18 741	-	18 741
(Additions)/Release of provisions	1 671	386	(4 732)	408	(2 267)
Net Book Value as at 31 December 2021	**133 195**	**163 134**	**50 005**	**5 105**	**351 439**
Cost as at 31 December 2021	315 674	328 098	114 112	20 853	778 737
Accumulated depreciation and provisions as at 31 December 2021	(182 479)	(164 964)	(64 107)	(15 748)	(427 298)
Net Book Value as at 31 December 2021	**133 195**	**163 134**	**50 005**	**5 105**	**351 439**

(Thousands of EUR)

As at 31 December 2021 and 31 December 2020, 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 2020: 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 2021 represents EUR 237 thousand (31 December 2020: EUR 293 thousand).

Assets in the course of construction include:

	31 December 2021			***31 December 2020***		
	Cost	***Provision***	***Net***	***Cost***	***Provision***	***Net***
Exploration wells	12 862	(12 862)	-	22 726	(22 726)	-
Facilities with suspended completion	2 233	(2 233)	-	4 550	(4 550)	-
Other	5 758	(653)	5 105	4 835	(672)	4 163
Total	**20 853**	**(15 748)**	**5 105**	**32 111**	**(27 948)**	**4 163**

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 2021 and 2020 the Company did not capitalise the costs of hydrocarbon reserves exploration.

The cost of fully depreciated items of property, plant and equipment that were still in use as at 31 December 2021 amounts to EUR 82 397 thousand (31 December 2020: EUR 87 221 thousand).

The net book value of property, plant and equipment that are temporarily unused amounts to EUR 2 889 thousand (31 December 2020: EUR 2 904 thousand) and the related provision of EUR 2 889 thousand (31 December 2020: EUR 2 904 thousand) was recorded; thus, such items are stated at a zero net book value as at 31 December 2021 and 31 December 2020.

NAFTA's non-current tangible assets are insured against all significant risks through the "ALLRISK" insurance policy. The insured amount is EUR 849 774 thousand.

As at 31 December 2021 and 31 December 2020, NAFTA had no limited right to handle non-current tangible assets.

5. INVESTMENTS IN JOINT VENTURES

NAFTA has a substantial influence in the following companies. Also refer to Note 3 e.:

Name of Company	***Seat***	***Effective interest***	***Principal activity***
POZAGAS a.s.	Malé námestie 1, Malacky, Slovak republic	65 %	natural gas storage
Slovakian Horizon Energy, s.r.o.	Mlynské Nivy 44/c, 821 09 Bratislava, Slovak republic	50 %	exploration and production

POZAGAS a.s. is controlled by SPP Infrastructure, a.s., and thus, NAFTA recognises the investment using the equity method.

(Thousands of EUR)

Investments in joint ventures are recognised at cost net of impairment, if any:

	31 December 2021	***31 December 2020***
Cost of acquisition including goodwill:	22 036	23 586
Impairment of investments including goodwill:	(3)	(1 498)
Share of post-acquisition profit, net of dividends received:	40 039	43 620
Net book value	**62 072**	**65 708**

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

	Year ended	
	31 December 2021	***31 December 2020***
Non-current assets	29 010	22 308
Current assets	50 021	57 005
	79 031	79 313
Non-current liabilities	(13 909)	(10 316)
Current liabilities	(3 050)	(3 289)
	(16 959)	(13 605)
Net assets	**62 072**	**65 708**
Revenues	20 154	25 891
Profit before tax	11 633	17 120
Income tax including deferred tax	(2 738)	(4 531)
Profit /(loss) after tax	**8 895**	**12 589**

The following amounts represent NAFTA's share of the assets, liabilities, revenues, and expenses of CNG Holdings Netherlands, CNG LLC and Slovakian Horizon Energy s.r.o., which are involved in hydrocarbon reserves exploration:

	Year ended	
	31 December 2021	***31 December 2020 (1)***
Non-current assets	1	221
Current assets	81	227
	82	448
Non-current liabilities	(577)	(3 662)
Current liabilities	(1)	(251)
	(578)	(3 913)
Net assets	**(496)**	**(3 465)**
Revenues	-	1
Profit before tax	(155)	(725)
Income tax including deferred tax	-	(16)
Profit /(loss) after tax	**(155)**	**(741)**

(1) information as at 31. December 2020 includes values of CNG Holdings Netherlands B.V. and CNG LLC. Refer to Note 3 f.

(Thousands of EUR)

6. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2021	***31 December 2020***
Cost	3 023	751
Diminution in value	(2 278)	(6)
Closing net book value	**745**	**745**

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

Name of Company	***Seat***	***Effective ownership***	***Principal activity***
Karotáž a cementace, s.r.o.	Velkomoravská 2606/83, 695 01 Hodonín, Czech Republic	51 %	logging and cementation
AUTOKAC s.r.o. – v likvidaci	Velkomoravská 2606/83, 695 00 Hodonín, Czech Republic	42 %	dormant, in liquidation
EP Ukraine B.V.	Schiphol Boulevard 477, Toren C-4, 1118 BK Schiphol, Netherlands	10 %	exploration and production
EP Hungary s.r.o.	Biskupský dvůr 2095/8, Nové Město, 110 00 Praha 1, Czech republic	10 %	holding company
CNG Holdings Netherlands B.V.	Strawinskylaan 613, 1077XX Amsterdam, Netherlands	100 %	holding company
CNG LLC	5th km, Taynya street, Vovkove, Uzgorod, 89452 Ukraine	100 %	exploration and production

In December 2021 the Company acquired 10 % share of the company EP Hungary s.r.o. The Company created 100 % provision for this investment in accordance with the Note 3 f.

The Company presents its share in companies CNG Holdings Netherlands B.V. and CNG LLC as financial assets for sales in accordance with Note 3f.

7. INVENTORIES

Inventories, net are comprised of the following:

	31 December 2021	***31 December 2020***
Materials and supplies	5 527	5 704
Finished goods	2 385	1 487
Less: provision for old and obsolete items	(2 106)	(2 106)
Total inventories, net	**5 806**	**5 085**

NAFTA’s inventories are insured against all significant risks under the “ALLRISK” insurance policy.

(Thousands of EUR)

8. TRADE AND OTHER RECEIVABLES

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

	31 December 2021	***31 December 2020***
Trade receivables		
Domestic customers	3 268	2 072
Foreign customers	9 972	6 221
Total trade receivables	13 240	8 293
Less: provisions for doubtful amounts	(266)	(224)
Total trade receivables, net	12 974	8 069
Other receivables	1 955	6 006
Less: provisions for doubtful amounts	-	(1 286)
Trade and other receivables, net	**14 929**	**12 789**

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 (2020: 16 days).

For trade and other receivables the Company applies so-called simplified model for accounting for impairment losses. Provisions for trade receivables with low credit risk are recognised on the basis of an estimate of total expected credit losses resulting from previous experience of defaults and future developments.

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.

Movement in the provision for doubtful debts:

	Year ended	
	31 December 2021	***31 December 2020***
Balance at beginning of the year	**(1 510)**	**(283)**
Creation, reversal	(42)	(1 227)
Use	1 286	-
Balance at end of the year	**(266)**	**(1 510)**

(Thousands of EUR)

9. LOANS PROVIDED

As at 31 December 2021 the Company recognised the following loans provided to:

Company	Currency	Interest method	Effective interest rate %	Final maturity	Receivable (brutto)	Provision	Receivable (netto)	Note
SPP Infrastructure, a.s.	EUR	variable	1.0	2023	6 466	-	6 466	Note A
CNG Holdings Netherlands B.V.	EUR	fixed	6.5	2023	7 432	(7 432)	-	Note B
Slovakian Horizon Energy s.r.o.	EUR	fixed	6.0	2026	275	(275)	-	Note B
HHE DRÁVAP KONCESSZIÓS KFT. AND DARANY ENERGY KFT.	USD	-	0.0	2022	169	(169)	-	Note B
Total					**14 342**	**(7 876)**	**6 466**	

Note A: Loan is secured by option of offsetting with future possible dividends.

Note B: The purpose of providing the loan is to finance a hydrocarbon reserves exploration, to which a 100 % provision was made in accordance with Note 3 f.

(Thousands of EUR)

10. EQUITY

Registered capital includes certificate-form registered shares. As at 31 December 2021, the total number of issued and fully paid shares was 3 230 960, with nominal value of EUR 33.19 per share (31 December 2020: 3 230 960 shares with nominal value of EUR 33.19 per share).

As at 31 December 2021 and 31 December 2020, 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 2021 (31 December 2020: 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 2021 are relevant. The amount of retained earnings under the Company's separate financial statements prepared as at 31 December 2021, distributable to shareholders is EUR 82 789 thousand. In 2021, the dividend payment to shareholders from profit for 2020 was approved in the amount of EUR 24.65 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 derivatives reserve and other reserves can be summarised as follows:

	Year ended	
	31 December 2021	***31 December 2020***
Balance at beginning of the year	**(3 515)**	**(389)**
Profit/(loss) recognised on cash flow hedges:		
Commodity swap contracts	(2 509)	1 657
Forward currency contracts	-	-
Actuarial losses	1 242	(1 379)
Translation reserve	96	(139)
Income tax related to profit/loss recognised in equity	187	16
Transfer to profit or loss:		
Commodity swap contracts	2 061	(4 153)
Forward currency contracts	-	-
Income tax related to profit/loss recognised in profit or loss	(433)	872
Balance at end of the year	**(2 871)**	**(3 515)**

11. LOANS RECEIVED

During 2021, the Company repaid a long-term bank loan in the amount of EUR 175 000 thousand before its maturity date.

As at 31 December 2021, a bank loan was drawn in the amount of EUR 43 500 thousand with an interest rate of 3M Euribor + 0.7 % with the maturity date in 2024 and a short-term revolving loan in the amount of EUR 6 500 thousand with an interest rate of 3M Euribor + 0.7 % of the total framework of EUR 15 000 thousand, the maturity of which is renewed every three months and its final maturity date is not set. In addition to drawn loans, the Company has an open framework of EUR 75 000 thousand with an interest rate of 3M Euribor + 0.9 % the maturity of which is renewed according to the needs of the Company and its final maturity date is in 2024.

The Company has open unused credit lines, including the revolving loan stated above amounting to EUR 83 000 thousand. Also refer to Note 25.2 (e).

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 2021.

(Thousands of EUR)

12. FINANCIAL RECEIVABLES FROM AND FINANCIAL LIABILITIES TO GROUP COMPANIES

The Company has concluded a cash pooling contract with other Group companies. In accordance with the contract, the Company recorded receivable of EUR 64 458 thousand as at 31 December 2021 (31 December 2020: EUR 82 958 thousand).

13. LEASES

As at 31 December 2021, the Company recognises the right to use the leased assets with a residual value of EUR 5 724 thousand (31 December 2020: EUR 6 627 thousand). The Company leases lands, office space and cars. The average rental period is 26 years (2020: 26 years).

As at 31 December 2021 and 31 December 2020, the Company recognises the following lease payables:

	31 December 2021	**31 December 2020**
Non-current (due by 2051)	5 059	5 838
Current	796	887
Total	**5 855**	**6 725**

The Company does not face a significant liquidity risk with regard to its lease liabilities.

Short-term rental costs where the Company applied an exception to IFRS 16 - Leases were immaterial as at 31 December 2021 and 31 December 2020.

14. PROVISION FOR ABANDONMENT AND RESTORATION

The Company estimates the costs of abandonment of production, exploration, and storage wells (including the related sites 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 2020	**154 542**
Creation/(Reversal) of the provision to assets	9 620
Reversal of the provision through profit or loss	(415)
Unwinding of discount	1 816
Utilisation of provision	(1 995)
Balance as at 31 December 2020	**163 568**
Creation/(Reversal) of the provision to assets	18 741
Reversal of the provision through profit or loss	(4 101)
Unwinding of discount	1 330
Utilisation of provision	(1 487)
Balance as at 31 December 2021	**178 051**

NAFTA currently has 115 production wells in addition to 284 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 (1.08 % respectively 1.16 %). The provision takes into account the costs estimated for the abandonment of production and storage wells and sites, and for the restoration of the site to its original condition. These costs are expected to be incurred between 2022 and 2093 as follows:

Costs incurred	Within 1 Year	1 – 5 Years	5 – 20 Years	More than 20 Years	Total
Present value	4 399	35 965	51 408	86 279	178 051

(Thousands of EUR)

15. 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 2021 there were 676 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 2021	***31 December 2020***
Liabilities as at 1 January, net	**18 685**	**16 393**
Net change in provision (actuarial estimate), included in statement of profit and loss	991	984
Unwinding of discount	100	153
Actuarial losses included in other comprehensive income	(1 242)	1 379
Employee benefits paid	(650)	(224)
Liabilities as at 31 December, net	**17 884**	**18 685**

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

	31 December 2021	***31 December 2020***
Discount rate	0.0 resp. 1.2 %	0.0 resp. 0.8 %
Future expected annual rate of salary increases	2.2 resp. 1.6 %	1.9 resp. 1.6 %
Expected fluctuation	5.0 resp. 2.4 %	5.0 resp.2.4 %
Retirement age in years	64 resp. 63	64 resp. 63

16. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	31 December 2021	***31 December 2020***
Trade payables	12 027	12 087
Payables to employees	6 665	5 747
Other tax liabilities	1 900	1 817
Social security liabilities	959	1 775
Other payables	3 378	1 528
Total trade and other payables	**24 929**	**22 954**

The average credit period is 31 days (2020: 26 days). The Group 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 2021 and 31 December 2020.

The change on Social Fund liabilities recognised in the balance sheet as at 31 December 2021 and 31 December 2020 is analysed as follows:

	Year ended	
	31 December 2021	***31 December 2020***
Payables as at 1 January	**398**	**356**
Total creation:	389	355
from expenses	*207*	*193*
from profit	*182*	*162*
Total drawing:	(315)	(313)
catering services	*(102)*	*(102)*
other	*(213)*	*(211)*
Payables as at 31 December	**472**	**398**

17. CURRENT PROVISIONS

Current provisions consist of provisions for liabilities and charges, especially provision for abandonment and restoration, refer to Note 14 and litigation and other, refer to Note 24.2.

(Thousands of EUR)

18. LABOUR AND RELATED EXPENSES

Labour and related expenses are comprised of the following:

	Year ended	
	31 December 2021	31 December 2020
Wages and salaries	(21 737)	(20 587)
Social security costs and other social expenses	(9 232)	(8 785)
Total labour and related expenses	**(30 969)**	**(29 372)**

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. Also refer to Note 15. The average number of employees for the year ended 31 December 2021 was 667, thereof 8 managers (year ended 31 December 2020: 676, thereof 8 managers).

19. OTHER OPERATING AND FINANCIAL INCOME/(EXPENSES)

19.1. Other Operating Income/(Expenses), Net

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

	Year ended	
	31 December 2021	31 December 2020
Profit/(loss) from the sale of non-current assets and inventories	52	95
Provision for abandonment and restoration costs and other provisions	4 101	415
Provisions for receivables, net	(42)	(1 227)
Insurance charges	(624)	(612)
Taxes and charges	(1 563)	(1 689)
Other income/(expenses), net	(1 368)	(455)
Total other operating income/(expenses), net	**556**	**(3 473)**

19.2. Other Financial Income/(Expenses), Net

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

	Year ended	
	31 December 2021	31 December 2020
Provision for Available-for-sale investments	(722)	-
Provision for borrowings	(1 210)	(528)
Exchange rate differences, net	110	(12)
Other financial income/(expenses), net	(70)	197
Total other financial income/(expenses), net	**(1 892)**	**(343)**

20. INCOME TAXES

20.1. Income Taxes Reconciliation

Reconciliation between the income tax calculated at the statutory tax rate of 21 % (2020: 21 %) and income tax expenses is as follows:

	Year ended	
	31 December 2021	31 December 2020
Profit before income taxes	115 488	150 450
Tax at a domestic income tax rate of 21 %	(24 252)	(31 595)
Special levy on business in regulated services	(3 710)	(6 539)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(775)	(1 521)
Tax effect of tax non-deductible expenses, non-taxable income and tax related to previous periods: 0.49 % (2020: 2.73 %)	569	4 108
Total income tax charges	**(28 168)**	**(35 547)**

(Thousands of EUR)

The overall effective tax rate differs from the statutory tax rate primarily due to differences in the classification of certain expense and revenue items for accounting and tax purposes and tax rules for group of companies compiling the consolidated financial statements.

Currently, companies must submit tax returns separately and it is not possible to prepare a consolidated tax return for a group of companies.

20.2. Income Taxes

Income tax expenses comprise the following:

	Year ended	
	31 December 2021	***31 December 2020***
Current income tax	(23 019)	(28 989)
Share of taxation attributable to the joint venture	(2 738)	(4 531)
Deferred income tax	1 299	4 512
Current special levy on business	(3 859)	(6 837)
Deferred special levy on business	149	298
Total income taxes	**(28 168)**	**(35 547)**

20.3. Deferred Income Taxes

The following is an analysis of the deferred tax receivable and deferred tax liability for balance sheet purposes:

	31 December 2021	***31 December 2020***
Deferred tax asset	8 515	7 605
Deferred tax liability	(827)	(1 119)
Total	**7 688**	**6 486**

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 2020	***Transfer***	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2020***
Property, plant and equipment	(21 603)	-	-	(2 265)	(23 868)
Provision for abandonment and restoration costs	32 560	(305)	-	2 160	34 415
Retirement and other long-term employee benefits	2 955	-	364	388	3 707
Inventories	399	-	-	43	442
Derivatives	(595)	-	524	-	(71)
Other	(12 928)	305	-	4 484	(8 139)
Total	**788**	**-**	**888**	**4 810**	**6 486**

	1 January 2021	***Transfer***	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2021***
Property, plant and equipment	(23 868)	-	-	(2 703)	(26 571)
Provision for abandonment and restoration costs	34 415	-	-	3 438	37 853
Retirement and other long-term employee benefits	3 707	-	(340)	44	3 411
Inventories	442	-	-	-	442
Derivatives	(71)	-	94	-	23
Other	(8 139)	-	-	669	(7 470)
Total	**6 486**	**-**	**(246)**	**1 448**	**7 688**

21. 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.

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

The costs of services of an audit firm comprised EUR 119 thousand for the audit of the financial statements (2020: EUR 110 thousand), and EUR 2 thousand for accounting or tax advisory services and other services (2020: EUR 17 thousand).

23. SIGNIFICANT TRANSACTIONS WITH THIRD PARTIES AND RELATED PARTIES

23.1. 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).

NAFTA is in a joint project of exploration and production of hydrocarbon reserves with the corporation from the Vermillion Energy Inc.

23.2. Related Parties

Related parties of the Company have been identified as unconsolidated subsidiaries and associates (refer to Notes 5 and 6), 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 2021, receivables and loans from related parties amounted to EUR 83 632 thousand (31 December 2020: EUR 155 511 thousand).

As at 31 December 2021, payables to related parties amounted to EUR 1 921 thousand (31 December 2020: EUR 1 799 thousand).

Revenues and other considerations from transactions with related parties for the year ended 31 December 2021 amounted to EUR 79 168 thousand (year ended 31 December 2020: EUR 84 699 thousand).

Expenses and other deliveries from transactions with related parties for the year ended 31 December 2021 amounted to EUR 15 953 thousand (year ended 31 December 2020: EUR 21 945 thousand).

Transactions with related parties mainly represent activities related to the underground storage, sale and purchase of natural gas especially with companies in the group of direct and indirect shareholders and POZAGAS a.s. (joint venture).

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, its subsidiaries, joint ventures and associates are not involved in any transactions with the Company´s management and members of their statutory bodies, except for employment relationship transactions.

(Thousands of EUR)

23.3. Board Members' and Directors' Remuneration

Remuneration to board members and directors recorded during the year ended 31 December 2021 and 31 December 2020 was as follows:

	Year ended	
	31 December 2021	***31 December 2020***
Salaries	1 401	1 376
Discretionary bonuses	-	-
Total	**1 401**	**1 376**

Salaries and bonuses are included in labour and related expenses.

24. COMMITMENTS AND CONTINGENCIES

24.1. Capital Expenditures

As at 31 December 2020, capital expenditures in the amount of EUR 1 315 thousand (31 December 2020: EUR 494 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.

24.2. Litigation

The Company is involved in 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.

24.3. Taxes

The tax environment under which the NAFTA Group operates in the Slovak Republic is dependent on the prevailing tax legislation and practice with relatively little existing precedent. As the tax authorities are reluctant to provide official interpretations with respect to the tax legislation, there is an inherent risk that the tax authorities may require adjustments of the corporate income tax base. Corporate income tax in the Slovak Republic is levied on each individual legal entity and, as a consequence, there is no concept of group taxation or relief. The Tax Authorities in the Slovak Republic have broad powers of interpretation of tax laws, which could result in unexpected results of tax examinations. The amount of any potential tax liabilities related to these risks cannot be estimated. The Company applies a multi-level control during the preparation of tax returns. Tax declarations remain open and subject to inspection for at least a five-year period. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review during the next five-year period. Consequently, the Company's tax declarations for the years 2016 through 2020 are open and subject to review.

24.4. Bank Guarantees

As at 31 December 2021 and 31 December 2020 the Company provided of CZK 11 763 thousand of bank guarantees.

25. FINANCIAL INSTRUMENTS

25.1. Capital Risk Management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern with the aim to achieve an optimum debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The gearing ratio at year-end was as follows:

	31 December 2021	***31 December 2020***
Debt (i)	50 000	175 162
Cash and cash equivalents	(34 850)	(62 640)
Net debt	**15 150**	**112 522**
Equity (ii)	276 249	266 644
Net debt to equity ratio	**5.48 %**	**42.20 %**

(i) Debt is defined as long-term and short-term borrowings.
(ii) Note 10.

25.2. Categories of Financial Instruments

	31 December 2021	***31 December 2020***
Cash and cash equivalents (at amortised costs)	34 850	62 640
Loan receivables (at amortised costs)	70 924	145 553
Trade receivables and other receivables (at amortised costs)	14 929	12 789
Financial derivatives recognised as hedging (at fair value)	-	338
Financial assets	**120 703**	**221 320**
Loans (at amortised costs)	(50 000)	(175 162)
Lease liabilities (at amortised costs)	(5 855)	(6 725)
Interest free liabilities (at amortised costs)	(24 929)	(23 099)
Financial derivatives recognised as hedging (at fair value)	(109)	-
Financial liabilities	**(80 893)**	**(204 986)**

(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 thousands of EUR) denominated in a foreign currency at the balance sheet date are as follows:

	Assets		***Liabilities***	
	31 December 2021	***31 December 2020***	***31 December 2021***	***31 December 2020***
CZK	1 585	1 803	221	31
USD	1 030	490	13	14
HRK	596	300	-	2 046

The following table shows the Company's sensitivity to a 5 % increase or decrease of EUR against CZK (2020: 3 %), a 8 % increase or decrease of EUR against USD (2020: 9 %) and a 1 % increase or decrease of EUR against HRK (2020: 1 %). 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.

	CZK		***USD***		***HRK***	
	31 December 2021	***31 December 2020***	***31 December 2021***	***31 December 2020***	***31 December 2021***	***31 December 2020***
Profit or loss (i)	68	53	81	43	6	17

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

As at 31 December 2021 and 31 December 2020, the Company has no open forward currency contracts designated and evaluated as effective hedging instruments.

(Thousands of EUR)

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		***Fair value***	
	2021	***2020***	***2021***	***2020***
Less than 3 months	530	449	(50)	69
3 to 12 months	462	1 347	(59)	269
Over 12 months	73	-	-	-
Total	**1 065**	**1 796**	**(109)**	**338**

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 2021 and 31 December 2020, 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 Group. The Group has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

A significant part of trade receivables and loan receivables are concentrated against the shareholders of the Company operating in the energy industry in the Slovak Republic and Czech Republic and companies within the group.

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.

(Thousands of EUR)

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

	Weighted average effective interest rate	***Less than 1 month***	***1 – 3 months***	***3 months to 1 year***	***1 – 5 years***	***More than 5 years***	***Total***
2021							
Variable interest rate instruments	0.70 %	29	6 558	228	43 826	-	50 641
Fixed interest rate instruments	1.82 %	78	144	576	1 324	5 139	7 261
Non-interest bearing		12 241	8 122	4 574	120	-	25 057
2020							
Variable interest rate instruments	0.90 %	162	394	1 181	178 258	-	179 995
Fixed interest rate instruments	1.82 %	73	148	665	1 517	4 322	6 725
Non-interest bearing		8 351	13 579	1 024	133	12	23 099

The Company has access to credit facilities. The total unused amount of such facilities is EUR 83 000 thousand at the balance sheet date (2020: EUR 90 000 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 recognised in the financial statements at amortised cost approximate their fair value.

(Thousands of EUR)

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

26.1. 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 Infrastructure a.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 EP Investment S.à.r.l., after being approved by the Company's bodies and General Meeting, will be available at its registered office (39, Avenue John F. Kennedy, L - 1855 Luxembourg, Luxembourg) and at the Luxembourg Business Registers G.I.E. , Luxembourg.

26.2. Unlimited Guarantee

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

26.3. Members of the Company's Bodies as at 31 December 2021

Board of Directors:	
Chairman	Ing. Jan Špringl
Vice-Chairman	Ing. Jozef Pagáč
Member	Ing. Robert Bundil
Member	Ing. Dušan Halgaš
Member	Ing. Bohumil Kratochvíl
Supervisory Board:	
Chairman	Ing. Lucia Ondrušová, PhD.
Vice-Chairman	Gary Wheatley Mazzotti
Member	Doc. JUDr. Boris Balog, PhD.
Member	Ing. Daniel Kujan
Member	Bc. Jozef Tittel
Member	Ing. Peter Šefara
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 Economic Section	Ing. Szilárd Kása
Director of Sales and Marketing Section	Ing. Mgr. Ladislav Barkoci

27. EVENTS AFTER THE BALANCE SHEET DATE

In relation to the ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation, the Company has identified risks and adopted appropriate measures to mitigate the impact on its business. Based on available information and current developments, the Company is continuously analysing the situation and assessing its direct impact on the Company as well as on its subsidiaries. The Company's management has considered the potential impacts of this situation on its operations and business and has concluded that currently, they do not have a material impact on the consolidated financial statements for the year ended 31 December 2021 or on the going concern assumption in 2022. However, it cannot be ruled out that further negative developments might occur in this situation, which may subsequently have a material impact on the Company, its business, financial condition, results, cash flows and prospects in general.

28. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements on pages 4 to 38 were signed on 4 March 2022 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