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nafta

**ANNUAL
REPORT**





→ 2021

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OPENING ADDRESS TO SHAREHOLDERS

Dear Shareholders,

another unprecedented year during which we faced numerous challenges has come to an end. The continuing COVID-19 pandemic has affected all areas of our lives. In addition to its negative impacts on the economy, the pandemic also affected company operations and they had to rapidly adjust to the current situation. This extraordinary situation once again confirmed the importance and irreplaceability of the role of strategic energy company employees. They were one of the fundamental pillars of the NAFTA Group's success in the previous year.

For the second consecutive year, our crisis committee continued to regularly monitor and evaluate the epidemiological situation, primarily in countries where the NAFTA Group operates. Thanks to the rapid and efficient adoption of measures and significant efforts of our employees, we were able to successfully manage the challenges of 2021 and provide our customers with all contracted services in a reliable, stable and safe manner throughout the year.

Last year's adverse price development on the natural gas market also resulted in extremely low gas levels in underground storage facilities in Slovakia and across Europe, which together with other factors, led to a record increase in gas prices. Despite this, thanks to the great flexibility of storage facilities, we reliably met our customers' needs and were

able to respond to new market requirements. Our portfolio comprised standard seasonal products in addition to flexible storage services. Our innovative storage products were also successfully sold both in Slovakia and abroad. We worked intensively to provide our customers abroad with the same high-quality services and products they enjoy in Slovakia. We see that there is potential for increased synergy between our storage facility in Slovakia and our foreign acquisitions.

As regards investments, we primarily focused on modernising equipment, increasing the safety and reliability of storage facilities, and implementing systems to increase work efficiency. We successfully passed a process safety audit, which confirms our priorities in all operational activities.

As regards exploration and the production of hydrocarbons, the NAFTA Group actively continued its exploration activities in Slovakia and Ukraine in cooperation with foreign partners and on its own. In the Trnava region, we continued preparations for the Trakovice 14 exploration well and conducted surface geochemical exploration at Brodské and Dúbrava in the Vienna basin exploration area. Exploration activities continued under the Beša and Pavlovce nad Uhom licences. Under the Uzhhorod licence in western Ukraine, we purchased a 50% share of our partner and became the sole shareholder of the exploration licence. The acquisition of a 100% share of the licence will allow us to develop activities under this licence more flexibly and make further investments in Ukraine. The NAFTA Group's exploration activities also continued under the Vatazhivska, Grunivska and Okhtyrka licences.

Another success that we are proud of this year is the submission of a winning bid for the VNG Gasspeicher tender, under which we plugged 4 wells located at the Kirchheilingen underground natural gas storage facility in Germany. This is an important step for the extension of our portfolio by adding customers requiring underground workovers on the German market.

As the operator of the largest underground storage facility complex in Slovakia, we developed several innovative projects which require our unique gas know-how and synergy within the existing gas

infrastructure in 2021. The majority of innovative projects of NAFTA Group companies dealt with storage of energy from renewable sources or use and storage of hydrogen. This year, we entered the photovoltaics industry for the first time, and we connected 142 solar panels at the central stations at Gajary and Plavecký Štvrtok in April 2021. After a successful inspection, we will be able to use solar energy for everyday consumption directly at these sites in the future.

Environmental and climate protection is one of our top priorities during all NAFTA Group's activities. In 2021, we continued to responsibly decommission structures after the discontinuation of our activities. For a long time, we have been addressing the reduction of methane emissions and last year, we set specific targets in this area, performed several measurements of fugitive emissions and prepared investment projects for their reduction. In addition, we supported several community projects which contribute to the improvement of the quality of life in municipalities and to environmental protection. In all our activities, the NAFTA Group strives to deliver as many benefits as possible for the community and to have a long-term impact for people and the environment.

In 2021, the NAFTA Group demonstrated its stability, which is a result of its long history and strong foundations. In addition to the responsible fulfilment of our obligations, we continued to be a reliable employer, even during the current extraordinary situation.

We continued to implement measures which contributed to maximum protection of our employees' health. We supported their professional development via training and conferences, which primarily took place online.

Despite the numerous challenges we faced on the energy market and

elsewhere, we are pleased that NAFTA maintained its position as a major European player and a strategic energy partner. The success we achieved in 2021 is due to the professional work of our employees, effective use of long-term know-how and advanced technology, all of which are essential for the continuation of our success in the future.



Ing. Jan Špringl
Chairman of NAFTA a.s.
Board of Directors



Ing. Robert Bundil
Member of NAFTA a.s.
Board of Directors



Ing. Martin Bartošovič
General Director
of NAFTA a.s.



COMPANY PROFILE

NAFTA is an international group of energy companies with extensive experience in underground natural gas storage. It is also Slovakia's leader in exploration and production of hydrocarbons. In Europe, the Group operates underground gas storage facilities, carries out exploration and production activities and participates in renewable energy storage projects. NAFTA provides development, engineering and consultation services for facilities with overall storage capacity of approximately 64 TWh. In addition to Slovakia, NAFTA is present in the Czech Republic, Germany, United Kingdom, Austria, and Ukraine.

GB



CZ



SK



AU



UA



DE



Business name

NAFTA a.s.

Registered office

**Votrubova 1
821 09 Bratislava
Slovak Republic**

Company Reg. No.

36 286 192

Corporate Form

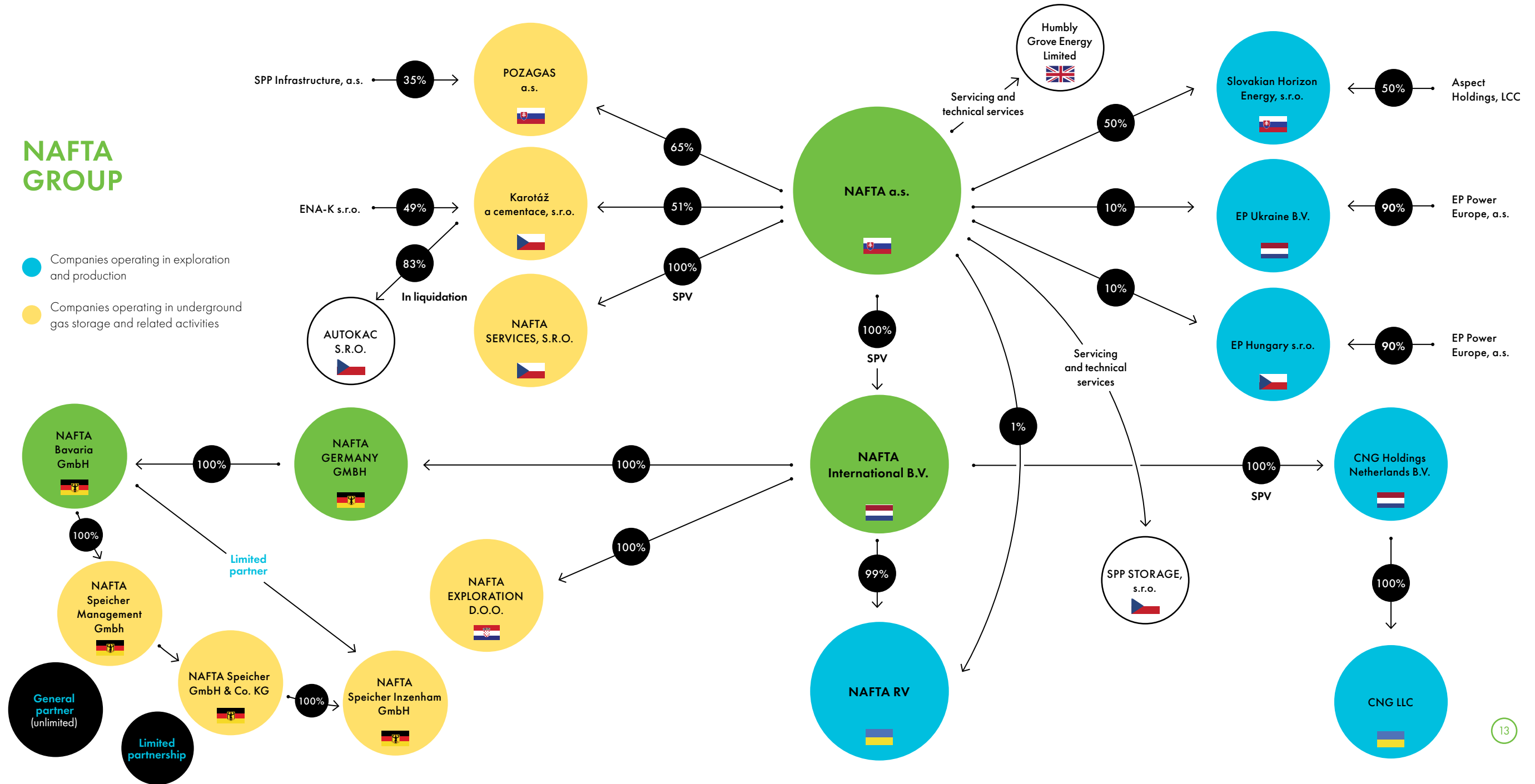
Joint stock company

Commercial Register

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

NAFTA GROUP

- Companies operating in exploration and production
- Companies operating in underground gas storage and related activities



ORGANIZATIONAL STRUCTURE



TOP MANAGEMENT OF NAFTA A.S.

as at 31 December 2021



Ing. Martin Bartošovič
General Director



Ing. Szilárd Kása
Director of Economic Section



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



Ing. Ladislav Goryl
Director of Underground Gas Storage Division



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

BOARD OF DIRECTORS OF NAFTA A.S.

as at 31 December 2021



Ing. Jan Špringl
Chairman



Ing. Jozef Pagáč
Vice-Chairman



Ing. Robert Bundil
Member



Ing. Bohumil Kratochvíl
Member



Ing. Dušan Halgaš
Member

SUPERVISORY BOARD OF NAFTA A.S.

as at 31 December 2021



Ing. Lucia Ondrušová, PhD.
Chairman



Gary Wheatley Mazzotti
Vice-Chairman



doc. JUDr. Boris Balog, PhD.
Member



Ing. Daniel Kujan
Member



Bc. Jozef Tittel
Member



Ing. Peter Šefara
Member

SHAREHOLDER STRUCTURE AND THEIR SHARES IN REGISTERED CAPITAL AS OF 31 DECEMBER 2021

	EUR	%	
SPP Infrastructure, a. s.	60 216 783	56,15	
Czech Gas Holding Investment B.V.	43 374 750	40,45	
Other shareholders	2 050 478	1,91	
Treasury shares	1 593 551	1,49	
Total	107 235 562	100,00	



REPORT ON THE COMPANY'S BUSINESS ACTIVITIES

UNDERGROUND GAS STORAGE

NAFTA has been developing underground storage in Slovakia for 48 years. Rock structures are used for gas storage and are essential to the creation of an underground storage facility. The first natural gas storage facilities were created in Slovakia in 1973, when the first cubic meters of natural gas were injected into the original depleted gas fields. Storage facilities are used for gas storage during periods of lower natural gas consumption. Conversely, when there is a gas shortage in the gas network, or increased demand on the market, gas can be withdrawn from the storage facility.

The main task of NAFTA as regards the gas chain is to store natural gas for our clients. They include gas suppliers supplying gas to end-consumers as well as natural gas traders. In accordance with agreements with customers, NAFTA takes over, stores and delivers gas to customers as requested. Our key activity – natural gas storage – is an invisible, but essential part of the day-to-day life of Slovak households and businesses.

In 2021, we continued to use storage facilities and interconnected networks safely, reliably and efficiently. Our main

advantage is the operation of a system of storage facilities in Slovakia that are connected to other gas networks (distribution, transport), and to a virtual trading point in Austria. This system of storage facilities is located near the borders of three countries, and so is able to serve all of Central Europe through connections.

Last year, due to the COVID-19 pandemic, we continued to comply with strict security measures in accordance with the internal operational plan developed for the different stages of the pandemic.



During the year, we modified our operational activities so that the operation of our storage facilities and the health of our employees would not be affected.

This included keeping our key dispatching workplaces in an extremely protected environment. Our effective measures allowed us to provide our customers with stable and secure contracted services throughout the year.

In the winter months, when the importance of storage facilities increases due to higher consumption of natural gas, we made every effort to ensure the smooth running of all operations. Shutdown work on individual storage facilities was carried out according to the schedule and without unplanned restrictions for our customers. In 2021, important investment activities were undertaken in our operations, which we prioritised according to the measures in force at the time and the pandemic situation. In addition to technology modernization, we focused on increasing the safety and reliability of storage facilities and reequipped our Main Mining Rescue Station. We underwent a successful process security audit, which earned the praise of our auditor, which further confirms our priorities in all operational activities.

In Germany, where NAFTA operates underground storage facilities at Inzenham-West, Wolfersberg and Breitbrunn/Eggstätt,

investments in chimney remediation continued at the Wolfersberg underground natural gas storage facility along with work on preparation of the integrated model of the Inzenham-West underground natural gas storage facility and the introduction of new document management software, M-files. New maintenance management software, INFOR EAM, was implemented at the German operations. This uniform system of recording all work on storage facilities will allow us to monitor the development of costs per order and increase maintenance planning efficiency.

We continued to provide our technical and maintenance services at the Humbly Grove storage facility **in the United Kingdom**, primarily as regards predictions of achievable storage facility performance. Other activities included engineering consultancy, land management and workover plans.

Overall, NAFTA Group companies currently provide operations, development and technical and maintenance services for storage facilities with a storage capacity of more than 64 TWh in a number of European countries, which significantly contributes to the security of gas supply.



In addition, we seek to export our extensive know-how and find other opportunities for expanding our storage services abroad.

Trade, storage products and services

In the gas chain, NAFTA Group provides its clients with an extensive portfolio of natural gas storage services. In 2021, our portfolio included traditional seasonal products, flexible storage services and the sale of innovative storage products.

The price development in the natural gas market in the past year also affected underground storage facilities. The high gas price and low spreads (the difference between natural gas prices in the summer and winter) contributed to a lower injection of gas into storage facilities. This resulted in their extremely low level both in Slovakia and across Europe which, together with other factors, caused gas prices to reach record highs.

Despite the unfavourable market situation, thanks to the high flexibility of the storage facilities, we reliably met the requirements of our clients, while also responding to new market requirements. Over the last year, we concluded almost 100 storage contracts for the sale of our storage services. We mostly entered into short-term contracts that take advantage of month-on-month gas price fluctuations. We applied our innovative products to trade

in short-term capacities, and our flexible storage capacity allowed clients to inject and withdraw natural gas year-round, regardless of the season and is our most used product. In the previous year, we also provided innovative products for small volumes and on a very short-term basis. For example, our portfolio includes contracts under which injection took a single day, with an withdrawal spread over one month, which took place six months later.

We also provided our innovative products in Germany. As part of operations, we optimised flows between the Inzenham-West and Wolfersberg storage facilities. We worked intensively to ensure our clients received the same high standard of services and products abroad that they are accustomed to in Slovakia. We see potential in exploiting synergies between our domestic storage facility in Slovakia and our foreign acquisitions, therefore, we are seeking business opportunities on and also between the individual markets on which we have been gradually establishing ourselves. In the future, we intend to offer our clients pan-European storage products.



→ WE ARE SEEKING BUSINESS OPPORTUNITIES ON AND ALSO BETWEEN THE INDIVIDUAL MARKETS ON WHICH WE HAVE BEEN GRADUALLY ESTABLISHING OURSELVES. IN THE FUTURE, WE INTEND TO OFFER OUR CLIENTS PAN-EUROPEAN STORAGE PRODUCTS.

Green Energy Innovations

NAFTA also has the opportunity to develop its expertise in innovative storage of renewable energy sources via its underground storage facilities. Today, green energy can only be stored to a limited extent, and therefore often remains unused. NAFTA is an innovator in the testing of the storage of renewable energy sources in underground natural gas storage facilities.

In 2021, our Innovation Department continued to work on a number of innovative and development projects to leverage our unique know-how and synergies within the existing gas infrastructure. This includes our involvement in the photovoltaic industry. In April, we successfully connected 142 solar panels at the central stations at Gajary and Plavecký Štvrtok with a total output of 41.18 kWp. Subject to a successful inspection, we will be able to use solar energy for normal consumption at these locations. The installation of solar panels also permitted us to become a member of another professional organisation – the Slovak Photovoltaic Industry Association (SAPI).

However, most innovative projects of the NAFTA Group concern the storage of renewable energy sources and the use and storage of hydrogen. We developed an internal project to assess the impact of hydrogen mixed with natural gas (up to 2%



of the mixture volume) on our storage facilities.

Based on our previous experience, we identified four key areas where the potential impact of hydrogen needs to be assessed – the impact on the deposit, wells, surface technology and commercial and regulatory area.

Over the past year, we also participated in calls from The Fuel Cells and Hydrogen Joint Undertaking (FCH JU) and Important Projects of Common European Interest (IPCEI). Under the FCH JU call, we became a partner of a big consortium on two European projects (HyUsPRe and HYSTORIES). The projects are aimed at exploring hydrogen impact on porous deposits. Under an IPCEI call, we succeeded in the national selection process for research, development and innovation projects. The aim of the project is to find suitable structures for hydrogen storage and to identify the maximum possible concentration at which it can be stored in a porous deposit.

In addition to these projects, in 2021 we defined six projects that were included in the Ten-Year Network Development Plan for gas infrastructure (TYNDP). They include the following activities:

10 Year Network Development Plan for gas infrastructure (TYNDP)

- UGS Velké Kapušany – building a natural gas storage facility at Velké Kapušany/Ptrukša, complemented by the storage of renewable gases;
- P2G Velké Kapušany – explores the possibilities of building a photovoltaic power plant at Ptrukša
- UGS Láb H2 – addresses the options of adapting the existing technology to facilitate natural gas operation from 2025;
- G2F – Gas to Future project – examines the options of installing a photovoltaic power plant at the central site of Gajary with subsequent electrolytic hydrogen production;
- The production of biomethane that can be used as fuel gas for compressor turbines, which would result in a reduction of CO₂ emissions produced in the operations and greener natural gas storage;
- The project of reducing methane emissions from the operation of underground natural gas storage facilities.

In Germany, we continued our study of installation of the Power to Gas technology and photovoltaics at one of our German storage facilities. The aim of the study is to design the optimal size of the technology for the construction of a photovoltaic power plant. The BIO – UGS project focused on storage options for biomethane and other synthetic gases. Hydrogen and carbon dioxide would be injected into the deposit, and bacteria in the ground would then convert these gases into methane.

The latest innovative project of the past year concerns blue hydrogen production at the Velké Kapušany compressor station and we cooperated on this project with RWE, EP Infrastructure and Eustream. The concept is the same as current standard production of hydrogen from natural gas, only the produced carbon dioxide is stored in underground structures instead of release into the atmosphere.

Underground natural gas storage facilities with their extensive capacity and advanced technology combined with our expertise offer great prospects for future energy storage.

➔ WE COOPERATED WITH
**RWE, EP INFRASTRUCTURE
AND EUSTREAM ON BLUE
HYDROGEN PRODUCTION
AT THE VEĽKÉ KAPUŠANY
COMPRESSOR STATION**



EXPLORATION AND PRODUCTION OF HYDROCARBONS

In Slovakia, hydrocarbon exploration and production has a more than century-old history. The first crude oil was discovered in Záhorie in 1913. Today, NAFTA is a Slovak leader in oil and natural gas exploration and production.

With the expertise and many years of experience of our employees, the use of state-of-the-art methods and continual innovation, we are able to extend the life of exploited fields in Slovakia. More than 50 years ago, we started converting depleted gas fields into underground natural gas storage facilities, thus continuing to make efficient use of these natural resources.

1913

The first crude oil was discovered in Záhorie

Hydrocarbon exploration is a two-phase process. The first is exploratory work, which primarily involves geophysical seismic measurements. The results of these measurements provide insight on the geological properties of rocks, which can subsequently be used for other purposes (eg search for geothermal energy sources or drinking water).

In the second phase, based on the interpretation of seismic measurements, exploratory wells are drilled. If a gas field is discovered by an exploration well, permits for withdrawal from this gas field are obtained. Unless sufficient gas reserves are discovered, or the well can be used for other purposes (eg geothermal water extraction, drinking water extraction, heat pump), the well is safely plugged and the original condition of the land is restored.



Our main priorities during all activities is the safety of operations, and a minimal impact of our activities on the environment and on the local community.

Slovakia

NAFTA has long been active particularly in the Vienna Basin, the Danube Lowland and the Eastern Slovak Lowland, where the most important regional hydrocarbons are located. In these areas, we have already carried out 15 blocks of 3D seismic measurements.

In the Trnava region which has seen continuous hydrocarbon extraction for several decades, we continued the preparation of the Trakovice 14 exploration well. Surface geochemical exploration was carried out in the exploration area of the Vienna Basin, at Brodské and Dúbrava.

Exploration projects in Slovakia also provide an opportunity for international cooperation and investments. In the Trnava and Topoľčany exploration areas, we cooperate with an international partner from the Vermilion Energy Group and in the Eastern Slovak Lowland with US Aspect Energy. In partnership with Vermilion Energy, in the Trnava exploration area we continued to procure permits and prepare documents for an environmental impact assessment (EIA). The Topoľčany exploration area was abandoned at the end of the year due to the anticipated occurrence of gas with a high content of non-flammable CO₂ and nitrogen gases. We cooperated with Aspect Energy in the Eastern Slovak Lowland in the exploration areas of Beša and Pavlovce nad Uhom, where preparations for exploration projects and the implementation of a 3D seismic measurement took place.

Ukraine

Our many years of hydrocarbon exploration and production experience and know-how are also put to use abroad. A successful start of our foreign activities was entry into the Ukrainian market, where we have been present since 2016.

In 2021, we bought 50% of the shares from our partner under a Uzhhorod licence, and became the sole licensee. Acquiring a 100% licence share gives us an additional opportunity for a more flexible development of activities and further investments in western Ukraine. Together with our partner, under the Uzhhorod licence we conducted a 3D seismic survey on an area of 118 km², identified several perspective prospects and drilled the first exploratory well. In the last year, we undertook the Environmental Impact Assessment (EIA) process and preparations for the implementation of further exploratory wells in the area. An analysis and evaluation of 2D seismic data was carried out in the town of Poltava under the Vatazhivska licence. Production Sharing Agreements were signed in east Ukraine, under the Grunivska and Okhtyrka licences.

→ **Throughout 2021, NAFTA continued to look for additional international activities and partnerships, in which it could apply its geological expertise gained during its many years of operation. Suitable exploration projects were evaluated in Hungary and Romania.**



DRILLING AND WORKOVER

In 2021, we carried out 19 workovers with DWO equipment for our production and storage wells and we continued to offer drilling and workover services to clients in Slovakia and abroad.

We also launched these services on the German market. Our MR 4000 drilling rig was successfully certified, and we obtained approval for its use in Germany. Our bid was successful in a tender held by VNG Gasspeicher and we successfully plugged 4 wells on the Kirchheilingen underground natural gas storage facility. This marked a significant milestone that expanded our customer base in drilling and workover services. In the Czech Republic, we replugged 4 wells and will continue with further wells in 2022.

We have a broad portfolio of wells in the Group, and we intend to expand our internal know-how so we can ensure the maintenance, workover or plugging of these wells, thereby increasing the flexibility of the work performed.

4

wells were successfully plugged on the UGS Kirchheilingen

EMPLOYMENT, EDUCATION AND CORPORATE CULTURE

Professional performance, teamwork, initiative, innovation and unique know-how of our employees are behind the success of the NAFTA Group on the competitive gas market. As at 31 December 2021, a total of 595 employees worked at NAFTA Group companies.

Employment

NAFTA offers its employees a secure and stable working environment, which is a result of its long history. In HR management, we place particular emphasis on satisfaction, motivation, and personal and professional development of employees. We also strive to create a high-quality working environment in a friendly team for our employees. We focus on striking a balance between the personal and professional lives of our employees, as they play a key role in the development of NAFTA.

During the ongoing COVID-19 pandemic, NAFTA once again confirmed its position as a stable and responsible employer, which can be relied on even in an emergency. We continued to take measures that contributed to maximum the protection of the health of our employees, while ensuring the smooth running of our operations. The physical presence of operational staff was limited to the absolute minimum required and administrative staff were allowed to work from home.

We conducted several rounds of COVID-19 testing of key operational employees and provided them with self-tests for home testing before work. Additionally, we boosted the health of our employees with vitamin packs to improve their immunity. We also carried out regular communication and awareness-raising activities on hygiene and preventive measures to protect health. We started the summer with our own vaccination lottery, in which employees could win attractive prizes.

Education

We offer our employees a unique opportunity to grow and realise their potential in a company with an international presence and a long-standing tradition. The specificity of the industry in which NAFTA operates encourages us to develop long-term training programmes for our employees to assist them in maintaining their unique knowledge and expanding their experience in every field. We focus on continuous improvement of skills as part of regular training courses as well as maintaining and increasing the required



We offer them the opportunity to attend professional conferences and participate in domestic and international projects within the NAFTA Group. In addition to traditional professional educational events, we attended several conferences focusing on innovative energy solutions, such as hydrogen storage and CO₂ capture and storage.

As at 31 December 2021, a total of

595

employees worked at NAFTA Group companies.

qualifications. Since NAFTA Group companies are also active on foreign markets, we also pay attention to the development of the language skills of our employees.

During the last year, we organised several gas pressure reduction training courses, which significantly increased the number of our colleagues that are holders of the globally recognized IWCF certificate. This certificate is issued by the International Well Control Forum, an independent international authority on training, accreditation and certification in exploration and production well control in the oil and gas industry. Another important activity was the implementation of a number of cycles of SCC (Safety Certificate Contractor) training. This safety certificate recognises our compliance with the most stringent OHS and environmental requirements and certifies that specific work is carried out by qualified personnel with professional safety management.

We continued to cooperate with universities in Slovakia and supported a number of our employees in their external study alongside work to increase their qualifications. We supported the personal development of selected key employees

by coaching and mentoring in cooperation with international partners and we also organised communication skills development training courses.

The implementation of e-learning and online training played an important role last year. We implemented computer skills development, GDPR, OHS and fire protection training in this form. We also prepared cybersecurity training for all employees, which teaches information technology users how to prevent risks and threats in cyberspace.

Corporate Culture

We supported corporate culture development by applying our key corporate values in our everyday working lives. We are pleased that the responsibility and professional performance of our employees were fully reflected in the successful fulfilment of all their duties necessary to ensure smooth operation.

Popular employee events and activities are a traditional and integral part of our corporate life, but last year they had to be replaced with online meetings and themed gifts due to the pandemic. The NAFTA Summer Challenge was a new recreational event to help boost immunity through summer sports activities.

Innovation is the key to the future, which is why the recognition of innovative ideas is

an important part of our corporate culture. We greatly appreciate the initiative and commitment of our employees at work, which is why we recognised more than 20 colleagues for their innovative solutions in 2021.

We also introduced new topics in our corporate communication, where we focused on raising awareness among employees about the current and planned activities of NAFTA Group companies. We support internal communication by regularly publishing a newsletter on current events - the employee magazine, Naftár, by posting announcements and videos on the company intranet and by installing large electronic information boards in some workplaces.

NAFTA's philanthropy included organizing the tenth year of Naftári naftárom, ale nielen im..., a long-term charitable event to help people who find themselves in difficult life situations.

➔ **During these difficult times, when the significance of solidarity continues to grow, we worked together with our staff to lend a helping hand to those who need it most.**



CORPORATE RESPONSIBILITY

Corporate social responsibility is an important part of all NAFTA Group activities. We pay special attention to the protection of the health of our employees, suppliers and other local communities, where NAFTA operates. We are also constantly working to improve the safety of our facilities and place great emphasis on protecting the environment and climate.

Corporate Social Responsibility

The COVID-19 pandemic increased the importance of corporate social responsibility. For the second year in a row, our crisis team continued to regularly monitor and evaluate the epidemiological situation, particularly in countries where NAFTA operates. Based on this data and the measures in force, we designed and implemented measures at our operations to protect the health of employees, while responsibly fulfilling our operational activities and business commitments. The internal Pandemic Plan assisted us in defining the conditions for the operation of individual centres or administrative and engineering activities at various scenarios of the pandemic development.

We further confirmed our approach by issuing new responsible business policies.

The policies primarily concern the minimisation of the environmental impact of our activities, our contribution to sustainable development, procurement and governance and social policy. At the end of the year, the Inclusive Employment Policy was added to responsible business policies, governing the maintenance of a stimulating working environment and diversity as an important condition for the development of innovative ideas and the creation of new outlooks. Therefore, we focus on equal opportunities and inclusion when hiring and evaluating the performance of our employees.

Under our Integrated Management System (IMS), we passed a recertification audit in 2021, on maintaining and raising standards and levels in the Workover, drilling and slickline services. We retained our international certificates ISO 9001:2015, ISO 14001:2015

and ISO 45001:2018, which certify the professionalism of our experts in quality management, environmental protection and health and safety. The certification and audit recommendations obtained give us additional impetus to continuously raise standards in these areas. In order to improve the level of environmental and quality management, we successfully completed the first round of audit in Germany to obtain certification in accordance with ISO 9001 and ISO 14001.

Environmental Protection

As a dependable partner in the energy market, we are sensitive to our responsibility to the environment and future generations. For this reason, we carry out our activities with the highest professional standards, with a strong focus on ecological and social sustainability.

we set specific emission reduction targets, implemented several fugitive emission measurements and prepared investment solutions to minimise them. Additionally, for the purpose of designing measures, we also provided information on measures and values of methane emissions in our operations. NAFTA's activities in the field of Power-to-Gas and renewable energy sources are an important declaration of our long-term commitment to the environment and climate protection.

Occupational Health and Safety (OHS)

NAFTA primarily focuses on prevention in work safety. We have implemented a system of measures, including training and informing employees, equipment maintenance management, exams and workplace inspections. In addition to prevention, we also addressed emergency preparedness in the past year. Our Main Mining Rescue Station staffed with a team of experienced rescuers for various different emergencies was an important part of these activities. The team undergoes regular exercises to deal with various kinds of emergencies, in cooperation with other emergency services. As a guarantee of prevention and safety, a team of professionals is actively involved in specific maintenance and investment activities. In 2021, the expert team continued to provide its experience and professional technology for internal needs and for external partners. All the security objectives set by the NAFTA Group were met in 2021.



Environmental and climate protection is one of the highest priorities of all Group activities.

In 2021, we continued to take a responsible approach to the decommissioning of facilities after terminating our activities, by clean-ups, biological reclamation and by reincorporating them into the environment. For many years, we have also worked on reducing methane emissions. NAFTA belongs to a number of international working groups and studies aimed at reducing methane emissions. In the previous year,

Community Activities

NAFTA is a long-term part of communities in a number of regions of Slovakia. We actively build and cultivate public relations, especially around our operations, building on open and transparent communication and explanation of our activities. Every year, we support a number of projects aimed at developing the locations in which we operate.

In 2021, NAFTA Group supported 74 projects that contributed to improving people's quality of life and to ensuring sustainable development of the region. The projects were mainly supported as part of two new initiatives – Green Regions and Interactive Education, which accounted for a significant part of the supported community projects.

Environmental protection projects included projects for municipality revitalisation by planting greenery and trees. A large part of the supported projects also concerned the modernisation and replacement of public lighting with greener and more economical options, including solar energy.

We contributed to increasing the convenience of the public by creating new rest zones and revitalising the existing ones by landscaping, installing benches, bike racks and waste separation bins. We enthusiastically supported a creative

project of installing a solar bench featuring SMART green technologies facilitating shared and secure internet access and phone charging using solar energy.

We consider high-quality education as being key to the future. In order to increase learning efficiency, improve and make the learning process more attractive, we supported educational institutions by purchasing modern technology and teaching aids as part of the Interactive Education initiative. We also sought to spark increased interest in sports activities by supporting projects for the construction or renovation of playgrounds, sports grounds, cycling routes and community centres in municipalities.

Every year, we motivate and encourage our employees to participate in sports events and volunteer activities. The traditional Earth Day spring cleaning event in Plavecký Štvrtok was carried out with the financial support of NAFTA, but due to the pandemic and to protect the health of our employees, we did not participate in person in rubbish collection in 2021. At least in the summer, the measures in place allowed us to participate in our popular sports events, such as the nationwide run Od Tatier k Dunaju, Medlenov chodník and the Do práce na bicykli cycling initiative. →

In the summer we were part of our favorite sporting events



→ NAFTA VIEWS COMMUNITY PROJECT SUPPORT AS AN IMPORTANT PART OF ITS BUSINESS ACTIVITIES. THEREFORE, WE STRIVE TO ENSURE THAT COMMUNITIES BENEFIT FROM OUR OPERATIONS AS MUCH AS POSSIBLE, WHILE ALSO BRINGING LASTING BENEFITS FOR PEOPLE AND THE ENVIRONMENT.

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

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**Development of Assets and Results
of Operations of NAFTA a. s. for
the Year ended 31 December
2021 and 2020 under Separate
Financial Statements presented
in accordance with International
Financial Reporting Standards as
adopted by the EU. →**



SUMMARISED SEPARATE BALANCE SHEETS AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020 (THOUSANDS OF EUR):

	2021	2020
Total Assets	381 042	500 665
Non-current assets	289 534	375 051
Property, plant and equipment	189 059	194 176
Right-of-use assets	940	1 677
Intangible and other assets	8 891	8 886
Investments in subsidiaries and a joint venture and available-for-sale investments	39 928	40 328
Deferred tax asset	8 515	7 605
Long-term loans receivables	42 201	122 379
Current assets	91 508	125 614
Inventories	4 643	3 790
Trade and other receivables	10 749	5 199
Tax assets	1 779	-
Financial receivables	64 458	78 296
Cash and cash equivalents	9 879	38 329
Equity and Liabilities	381 042	500 665
Equity	205 459	202 976
Share capital and treasury shares	102 490	102 490
Other capital funds	21 447	21 447
Hedging derivatives reserve and other reserves	(1 267)	(813)
Profit from previous years	1 493	1 390
Profit for the current year	81 296	78 462
Liabilities	175 583	297 689
Non-current liabilities	144 741	270 652
Current liabilities	30 842	27 037

SUMMARISED SEPARATE STATEMENTS OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020 (THOUSANDS OF EUR):

	2021	2020
Revenues	170 764	186 242
Operating expenses	(77 878)	(76 119)
Profit before interest and tax	92 886	110 123
Financial income/(expenses)	11 046	(3 062)
Profit before income tax	103 932	107 061
Income tax	(22 636)	(28 599)
Net profit	81 296	78 462

Development of Assets and Results of Operations of NAFTA a. s. for the Year ended 31 December 2021 and 2020 under Consolidated Financial Statements presented in accordance with International Financial Reporting Standards as adopted by the EU: →

SUMMARISED CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020 (THOUSANDS OF EUR):

	2021	2020
Total Assets	567 420	673 316
Non-current assets	445 598	509 506
Property, plant and equipment	351 439	356 967
Right-of-use assets	5 724	6 627
Intangible and other assets	10 637	9 259
Investments in joint ventures	62 072	65 708
Available-for-sale financial assets	745	745
Deferred tax asset	8 515	7 605
Long-term loans provided	6 466	62 595
Current assets	121 822	163 810
Inventories	5 806	5 085
Trade and other receivables	14 929	12 789
Tax assets	1 779	-
Financial receivables	64 458	83 296
Cash and cash equivalents	34 850	62 640
Equity and Liabilities	567 420	673 316
Equity	276 249	266 644
Share capital and treasury shares	102 490	102 490
Other capital funds	21 447	21 447
Foreign exchange differences	(43)	(139)
Hedging derivatives reserve and other reserves	(2 828)	(3 376)
Profit from previous years	67 863	31 319
Profit for the current year	87 320	114 903
Liabilities	291 171	406 672
Non-current liabilities	243 971	362 419
Current liabilities	47 200	44 253

SUMMARISED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020 (THOUSANDS OF EUR):

	2021	2020
Revenues	211 857	241 070
Operating expenses	(104 228)	(105 122)
Profit before interest and tax	107 629	135 948
Financial income/(expenses/Finance costs)	7 859	14 502
Profit before income tax/Profit before tax	115 488	150 450
Income tax	(28 168)	(35 547)
Profit after taxation/Profit after tax	87 320	114 903
Attributable to:		
Shareholders of NAFTA	87 320	114 903
Minority interests of other owners of subsidiaries	-	-

PROSPECTS OF THE NAFTA GROUP

We successfully coped with 2021, which was again significantly impacted by the pandemic. The NAFTA Group confirmed its strong position as a reliable and flexible European energy market participant. Despite numerous challenges, we remain a major international player as regards underground natural gas storage and exploration and production of hydrocarbons.

We will continue to provide our extensive portfolio of storage services on domestic and foreign markets. We are ready to continue to adapt our services to our customers' requirements and flexibly respond to the current market situation. We plan to continue to increase the attractiveness of our standard products and flexible storage services. The safe operation of our facilities in a number of European countries and the reliability of provided services continues to be our top priority.

NAFTA considers the promotion of the use and storage of energy from renewable sources to be key part in the future. We plan to leverage our unique know-how and modern technologies in the transition to low-carbon energy. As regards innovative projects for the storage of energy from renewable sources, we plan to focus on storing energy during periods of energy surpluses, ie to transform generated electricity into hydrogen

and store it in its pure form or as a mixture with natural gas in underground facilities to be used when needed in the future. Renewable energy can be stored as hydrogen in existing natural gas storage facilities, as their extensive capacity and storage seasonality permits such storage. No other technology can currently store such extensive energy volumes for long periods.

To maintain production in Slovakia, we will continue exploration work and the licencing processes that are required for drilling exploration wells under our exploration licences. As to our foreign activities, after the evaluation of the 2D seismic data results, we will take additional steps to continue work under the Vatazhkivska licence in Ukraine. As regards the Uzhhorod licence in western Ukraine, we plan to drill additional exploration wells. We will carry out all activities while ensuring absolutely reliable and safe operations and reducing



The NAFTA Group plans to continue to export its extensive know-how under new foreign cooperations and projects.

the impact of our activities on the environment, society and areas where we operate.



We focus on to utilize our know-how on suitable markets in Germany, Netherlands, Hungary and Romania.

We have already developed our key activities in a number of European countries and there is an efficient sharing of skills and knowledge about market specifics among colleagues. This gives us an advantage, thanks to our extensive knowledge of the environment, which we plan to apply on suitable markets in Germany, Netherlands, Hungary and Romania.

In 2022, we will continue to comply with corporate responsibility principles during our activities and support community projects with a long-term impact for the public and the environment. In addition, we will focus on meeting the set targets for reducing methane emissions to protect the environment and climate.

We will continue to behave professionally and responsibly in all our business activities to maintain our position as a major pan-European operator of underground storage facilities and the sixth largest gas storage company in Europe. We believe that the future of the NAFTA Group lies in being a universal energy storage operator with an important contribution to make as regards the energy market as a whole.

