NAFTA a.s.

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

Year ended 31 December 2014

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

CONTENTS

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NAFTA a.s.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of NAFTA a.s. (the "Company"), which comprise the balance sheet as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NAFTA a.s. as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

As described in Note 20.2, the Company is a party to an arbitration regarding a dispute with a customer whose outcome as well as timing is uncertain as at the date of this report. Our opinion is not modified in respect of this matter.

Bratislava, 30 January 2015

Deloitte

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Licence SKAu No. 014

Ing. Wolda Kidan Grant, FCCA
Responsible Auditor
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SEPARATE BALANCE SHEETS
as of 31 December 2014 and 31 December 2013
(Thousands of EUR)

	Note	31 December 2014	31 December 2013
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	254 227	266 219
Intangible and other assets		10 823	11 179
Investments in subsidiaries and a joint venture and available for sale investments	5	18 044	18 044
Deferred tax asset	16.3	9 636	11 716
Total non-current assets		292 730	307 158
CURRENT ASSETS:			
Inventories	6	5 437	5 415
Trade and other receivables	7	7 245	11 709
Income tax assets		-	3 414
Other financial receivables		-	32
Cash and cash equivalents		62 662	71 512
Total current assets		75 344	92 082
TOTAL ASSETS		**368 074**	**399 240**
EQUITY AND LIABILITIES:			
EQUITY:			
Registered capital	8	107 235	107 235
Treasury shares, at cost	8	(4 745)	(4 745)
Other capital funds	8	21 447	21 447
Hedging derivatives reserve and other reserves	8	(147)	25
Profit/(loss) from previous years		2 158	34 196
Profit/(loss) for the current year		89 122	98 569
Total equity		215 070	256 727
NON-CURRENT LIABILITIES:			
Provision for abandonment and restoration	10	95 673	99 363
Retirement and other long-term employee benefits	11	2 946	1 799
Other non-current liabilities		1 861	2 811
Deferred income		1 892	1 953
Total non-current liabilities		102 372	105 926
CURRENT LIABILITIES:			
Trade and other payables	12	19 599	17 686
Income tax liabilities		2 208	-
Other current provisions	10,13	28 825	18 901
Total current liabilities		50 632	36 587
TOTAL LIABILITIES		153 004	142 513
TOTAL EQUITY AND LIABILITIES		**368 074**	**399 240**

SEPARATE STATEMENTS OF PROFIT AND LOSS
for the year ended 31 December 2014 and 31 December 2013
(Thousands of EUR)

	Note	*Year ended 31 December 2014*	*Year ended 31 December 2013*
REVENUES:			
Natural gas storage revenues and hydrocarbon sales	19.1	185 267	174 778
Other revenues		3 412	5 006
Total revenues		188 679	179 784
OPERATING EXPENSES:			
Own work capitalized		5 876	8 624
Consumables and services		(23 692)	(25 817)
Labour and related costs	14	(21 730)	(20 879)
Depreciation and amortization		(19 665)	(20 427)
Other operating income/(expenses), net	15.1	(3 243)	6 158
Total operating income/(expenses), net		(62 454)	(52 341)
FINANCIAL INCOME/(EXPENSES):			
Interest income		115	149
Interest expense		(3 715)	(2 471)
Other financial income/(expenses), net	15.2	705	3 149
Total financial income/(expenses), net		(2 895)	827
PROFIT BEFORE INCOME TAXES		123 330	128 270
INCOME TAXES	16	(34 208)	(29 701)
NET PROFIT		**89 122**	**98 569**
EARNINGS PER SHARE (in EUR)	17	27,58	30,51

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME AND INCOME TAX NOTE RELATED TO OTHER COMPREHENSIVE INCOME for the year ended 31 December 2014 and 31 December 2013 (Thousands of EUR)

	Note	*Year ended 31 December 2014*	*Year ended 31 December 2013*
PROFIT FOR THE YEAR AFTER INCOME TAXES		89 122	98 569
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to the profit and loss statement:			
Hedging derivatives		(32)	234
Other comprehensive income for the year before income taxes		(32)	234
Tax at the tax rate of 22% (2013: 23%)		7	(54)
Tax related to items of other comprehensive income		7	(54)
Items that will not be subsequently reclassified to the profit and loss statement:			
Actuarial gains/losses		(188)	-
Other comprehensive income for the year before taxes		(188)	-
Tax at the tax rate of 22 % (2013: 23 %)		41	-
Tax related to items of other comprehensive income		41	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**88 950**	**98 749**

	Year ended 31 December 2014			*Year ended 31 December 2013*		
	Before taxation	*Tax*	*After taxation*	*Before taxation*	*Tax*	*After taxation*
Hedging derivatives	(32)	7	(25)	234	(54)	180
Actuarial gains/losses	(188)	41	(147)			
Total other comprehensive income/(loss) for the year	**(220)**	**48**	**(172)**	**234**	**(54)**	**180**

NAFTA a.s.

SEPARATE STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2014 and 31 December 2013
(Thousands of EUR)

	Registered capital	*Treasury shares, at cost*	*Other capital funds*	*Hedging derivates reserve and other reserves*	*Profit / (loss) from previous years*	*Profit / (loss) for the current year*	*Total*
At 1 January 2013	**107 235**	**(4 745)**	**17 768**	**(155)**	**5 764**	**115 491**	**241 358**
Transfer of profit/(loss) for the current year	-	-	3 679	-	111 812	(115 491)	-
Dividends	-	-	-	-	(83 380)	-	(83 380)
Net profit for the year	-	-	-	-	-	98 569	98 569
Other comprehensive income/(loss) for the year	-	-	-	180	-	-	180
At 31 December 2013	**107 235**	**(4 745)**	**21 447**	**25**	**34 196**	**98 569**	**256 727**
Transfer of profit/(loss) for the current year	-	-	-	-	98 569	(98 569)	-
Dividends	-	-	-	-	(130 607)	-	(130 607)
Net profit for the year	-	-	-	-	-	89 122	89 122
Other comprehensive income/(loss) for the year	-	-	-	(172)	-	-	(172)
At 31 December 2014	**107 235**	**(4 745)**	**21 447**	**(147)**	**2 158**	**89 122**	**215 070**

SEPARATE STATEMENTS OF CASH FLOWS
for the year ended 31 December 2014 and 31 December 2013
(Thousands of EUR)

	Year ended 31 December 2014	*Year ended 31 December 2013*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income taxes	123 330	128 270
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:		
Depreciation and amortization	19 665	20 427
Interest expense, net	3 600	2 322
Unrealised exchange rate differences	46	378
Impairment and provisions	8 508	6 654
(Profit)/loss on sale of non-current assets	(1 072)	(8 466)
Income from financial investments	(595)	(3 628)
Retirement and other long-term employee benefits	1 077	249
Other non-cash items	1 436	(511)
Changes in assets and liabilities:		
Inventories	(86)	(792)
Trade and other receivables	4 422	(1 621)
Trade and other payables	1 310	3 138
Abandonment and restoration	(1 604)	(799)
Employee benefits	(118)	(89)
Other assets and liabilities	(1 071)	1 569
Operating cash flows, net	158 848	147 101
Interest received	116	149
Interest paid	(10)	-
Income tax	(26 457)	(32 535)
Net cash flows from operating activities	132 497	114 715
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to tangible and intangible non-current assets	(13 145)	(26 887)
Proceeds from sale of non-current assets	1 120	8 838
Dividends received	595	3 610
Net cash flows from investing activities	(11 430)	(14 439)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(129 869)	(83 374)
Net cash flows from financing activities	(129 869)	(83 374)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8 802)	16 902
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	71 512	54 980
EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(48)	(370)
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**62 662**	**71 512**

1. GENERAL

1.1. Description of Business

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

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

As at 31 December 2014, the Company's shares were held by SPP Infrastructure, a.s. (56.2%, EUR 60 217 thousand), Czech Gas Holding Investment B.V. (40.4%, EUR 43 375 thousand), other minority shareholders (1.9%, EUR 2 050 thousand), and NAFTA (treasury shares 1.5%, EUR 1 593 thousand). The share of voting rights of the aforementioned shareholders equalled their shares in the registered capital of NAFTA. The shareholders of SPP Infrastructure, a.s. are Energetický a průmyslový holding, a.s. ("EPH") holding a 49% share and management control, and Slovenský plynárenský priemysel, a.s. ("SPP") holding a 51% share. Czech Gas Holding Investment B.V. is controlled by EPH, which is also an ultimate consolidating reporting entity of NAFTA a.s.

1.2. Legal Basis for Preparing the Financial Statements

These financial statements have been prepared as the ordinary separate financial statements of NAFTA for the accounting period from 1 January until 31 December 2014 pursuant to Article 17a Paragraph 2 of Act No. 431/2002 Coll. on Accounting, as amended.

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

1.3. Approval of the 2013 Financial Statements

The financial statements of NAFTA for 2013 according to International Financial Reporting Standards were approved by the Annual General Meeting held on 15 April 2014.

1.4. Comparative Information for Previous Reporting Periods

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the European Union (hereinafter the "EU"), and that are relevant to its operations and effective for annual periods beginning on 1 January 2014. The following standards, amendments and interpretations to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current reporting period:

- **IFRS 10 "Consolidated Financial Statements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 "Joint Arrangements",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 "Disclosures of Interests in Other Entities",** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements"** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 "Financial Instruments: presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 "Impairment of Assets"** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014), and
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these standards and amendments to the existing standards has not led to any changes in the Company's accounting policies.

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

- **Amendments to various standards "Improvements to IFRSs (cycle 2011 – 2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015), and
- **IFRIC 21 "Levies",** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Company has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates.

The Company anticipates that the adoption of these standards, revisions, and interpretations will have no material impact on the financial statements of the Company in the period of initial application.
At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the reporting date (the effective dates stated below apply to IFRS in full wording):

- **IFRS 9 "Financial Instruments" and subsequent amendments** (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017),
- **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 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, the principles of which have not been adopted by the EU, is still unregulated. Based on the Company's estimates, the application of hedge accounting for the 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 reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

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

NAFTA has prepared and issued consolidated financial statements for the year ended 31 December 2014 that comply with IFRS. Such consolidated financial statements were issued separately and do not accompany these separate financial statements. For a better understanding of the Company's consolidated financial position and results of operations, reference should be made to the consolidated financial statements for the year ended 31 December 2014, which were issued on 30 January 2015. These IFRS consolidated financial statements are obtainable at the registered corporate address of NAFTA.

IFRS as adopted for use in the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Company has determined that portfolio hedge accounting under IAS 39 would not impact the separate financial statements had it been approved by the EU at the balance sheet date.

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 Note 3, 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 recognized in the financial statements.

Energy legislation related to natural gas storage and price regulation

Primary energy legislation in the gas industry is represented by Act No. 251/2012 Coll. on Energy and Act No. 250/2012 Coll. on Regulation in Network Industries, which have been effective since 1 September 2012 and superseded previous energy legislation. The purpose of these laws was the transposition of the so-called 3rd Energy Package of the EU including the requirements of Directive 2009/73/EC concerning common rules for the internal market on natural gas. In accordance with the current energy legislation, the Company is required, amongst other obligations, to provide non-discriminatory access to underground gas storage facilities and the use of natural gas storage services. Natural gas storage was not subject to price regulation in 2014.

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

The Company is involved in various legal proceedings for which management has assessed the probability of loss that may result in a cash outflow. In making this assessment, the Company has relied 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 20.2.

(Thousands of EUR)

Provision for Abandonment and Restoration

These financial statements include significant amounts as a provision for the abandonment and restoration of production and storage wells and centres. The provision is based on estimates of the future costs and is also significantly impacted by the estimate of the timing of cash flows and the Company's estimate of the discount rate used. The provision takes into account the costs estimated for the abandonment of production and storage wells and centres and for the restoration of sites to their original condition based on previous experience and estimates of costs. In 2008, the Company prepared a detailed estimate of abandonment and restoration which is updated yearly. Refer to Note 10 for further details.

c. Property, Plant and Equipment and Intangible Assets

As at 31 December 2014 and 2013, property, plant, and equipment are stated in the balance sheet at cost less any subsequent accumulated depreciation and total provisions due to the permanent and temporary impairment of assets. Cost includes the costs of contracted work, direct material, wages and salaries, overheads and capitalised interest on received loans and borrowings directly attributable to the acquisition, construction or production of the relevant asset.

For wells and sites, the estimated cost of dismantling and removing the asset and restoring the site ("dismantling asset") are stated at the initial recognition at the present value based on discounted future cash flows. Dismantling assets related to production wells are depreciated over the life of the proved producible reserves on a unit-of-production basis. Changes in the provision for abandonment and restoration as a result of changes in the estimated timing of cash flows and discount rates are credited or debited, with a counter-entry, to the dismantling asset.

Production wells and related centres are depreciated over the life of the proved producible reserves on a unit-of-production basis. Other items of property, plant and equipment are depreciated on the straight-line basis over estimated useful lives.

The estimated useful lives for the major classifications of property, plant, and equipment and intangible non-current assets are as follows:

	Year ended	
	31 December 2014	***31 December 2013***
Buildings, halls and structures used in natural gas storage	40 – 80 years	40 – 80 years
Cushion gas	1 000 years	1 000 years
Other buildings, halls and structures	25 – 40 years	25 – 40 years
Machines and equipment used in natural gas storage	4 – 40 years	4 – 40 years
Other machines, equipment and vehicles	4 – 30 years	4 – 30 years
Intangible assets	4 – 30 years	4 – 30 years

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

Gains and losses on the disposal of property, plant, and equipment are fully recognized 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 recognized 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 include a connection fee to the transmission system related to the project Gajary–Baden.

d. Cushion Gas

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

e. Investments in the Subsidiaries, Joint Venture and Associates

Investments are recognized and derecognized on the transaction date when the purchase or sale of an investment is under a contract the terms of which require delivery of the investment within the timeframe established by the market concerned.

Investments in the subsidiaries, joint venture and associates that are not held for sale are recognized at cost less impairment losses in these separate financial statements.

f. Financial Assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of using the financial assets and is determined at the time of initial recognition.

As at the date of the preparation of the financial statements, held-to-maturity' investments (debt securities NAFTA intends to hold up to their maturity) are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Investments other than held-to-maturity debt securities are classified either as financial assets "at fair value through profit or loss" (investments held for trading) or as investments available for sale, which are measured as at the dates of the preparation of the following financial statements at fair value based on quoted market prices at the balance sheet date. Where securities are held for trading purposes, unrealised gains and losses are included in the statement of profit and loss. For available for sale investments, unrealised gains and losses are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized is included in the statement of profit and loss. If the fair value of investments available for sale cannot be determine reliably (e.g. investments in unlisted companies), such investments are measured at cost less impairment losses.

Trade receivables, loans, and other receivables that have fixed or variable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

g. Cash and Cash Equivalents

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

h. Inventories

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

i. Accruals

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

j. Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' (FVTPL) or 'other financial liabilities'. Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated as at FVTPL.

A financial liability is classified as 'held for trading':

- If it has been incurred principally for the purpose of repurchasing in the near future; or
- If it is part of an identified portfolio of financial instruments that the Company manages and has a pattern of a short-term profit-taking portfolio; or
- If it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

k. Provisions

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

The Company accrues costs relating to the abandonment of its production, exploration, and storage wells (including related centres and pipelines) and any related restoration costs. Additionally, the Company accrues costs relating to the abandonment and restoration of waste dump sites. Estimated abandonment and restoration costs are based on current legislation, technology, and price levels. In respect of production wells and related centres, the estimated cost is provided over the life of the proved producible reserves on a unit-of-production basis. The provision for abandonment and restoration is measured in an amount that includes all anticipated future costs related to abandonment and restoration discounted to their present value and reflecting the inflation. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

l. Revenue Recognition

NAFTA records revenue from the underground storage of natural gas, hydrocarbon sales and other activities on the accrual basis. Revenue is measured at the fair value of the consideration received or receivables and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

m. Income Taxes

Income taxes are provided on accounting profit as determined under the applicable legislation at a rate of 22 % (2013: 23%), after adjustments for certain items for taxation purposes.

In line with the currently applicable law, in addition to income taxes, the company is obliged to pay a monthly special levy from September 2012 for business in regulated services. The levy rate is 0.00363 per month calculated from the profit/ loss determined in accordance with Slovak accounting regulations. Refer also to Note 16.1.

n. Deferred Income Taxes

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 realized or the liability is settled. Deferred tax is charged or credited to 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 income tax rate for 2014 is 22% (2013: 22%). Refer also to Note 16.

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 recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

o. 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 recognized 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 ECB on the balance sheet date. Unrealized gains and losses due to fluctuations in exchange rates are fully recognized in the profit and loss statement.

p. 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. These borrowing costs are included in the cost of the qualifying asset until such time that the asset is put into use.

q. Financial Instruments

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

r. Derivative Financial Instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognized directly in equity. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. Amounts deferred in equity are recognized in the statement of profit and loss in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the statement of profit and loss as they arise.

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. Finance Lease

Assets acquired under finance lease are recognized as assets at their fair value as at the acquisition date. The related payable to the lessor is recognized as obligations under finance leases in the balance sheet. Financial expenses representing the difference between total obligations under finance leases and fair value of acquired assets are recognized in the statement of profit and loss over the lease term using the internal rate of return.

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 recognized 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 recognized 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 2013	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2013	**133 055**	**74 500**	**41 022**	**10 046**	**258 623**
Additions	-	-	-	30 354	30 354
Transfers	10 720	5 365	-	(16 085)	-
Disposals	(426)	(16)	(3)	(27)	(472)
Depreciation	(6 581)	(6 562)	(2 610)	-	(15 753)
Change in provision recorded to assets	-	-	(3 266)	-	(3 266)
(Additions)/Release of provision	(373)	(30)	-	(2 864)	(3 267)
Net Book Value as at 31 December 2013	**136 395**	**73 257**	**35 143**	**21 424**	**266 219**
Cost as at 31 December 2013	306 129	183 143	79 382	58 830	627 484
Accumulated depreciation and provisions as at 31 December 2013	(169 734)	(109 886)	(44 239)	(37 406)	(361 265)
Net Book Value as at 31 December 2013	**136 395**	**73 257**	**35 143**	**21 424**	**266 219**

Year ended 31 December 2014	***Land, buildings & structures***	***Plant, machinery & equipment***	***Dismantling assets***	***Assets in course of construction***	***Total***
Net Book Value as at 1 January 2014	**136 395**	**73 257**	**35 143**	**21 424**	**266 219**
Additions	-	-	-	10 891	10 891
Transfers	5 942	16 558	-	(22 500)	-
Disposals	(332)	(25)	(962)	(86)	(1 405)
Depreciation	(6 611)	(6 708)	(160)	-	(13 479)
Change in provision recorded to assets	-	-	(3 747)	-	(3 747)
(Additions)/Release of provision	(166)	(152)	-	(3 934)	(4 252)
Net Book Value as at 31 December 2014	**135 228**	**82 930**	**30 274**	**5 795**	**254 227**
Cost as at 31 December 2014	309 701	196 511	73 799	43 809	623 820
Accumulated depreciation and provisions as at 31 December 2014	(174 473)	(113 581)	(43 525)	(38 014)	(369 593)
Net Book Value as at 31 December 2014	**135 228**	**82 930**	**30 274**	**5 795**	**254 227**

(Thousands of EUR)

As at 31 December 2014 and 31 December 2013, 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 2013: 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 2014 represents EUR 4 838 thousand (31 December 2013: EUR 6 692 thousand).

Assets in the course of construction include:

	31 December 2014			***31 December 2013***		
	Cost	***Provision***	***Net***	***Cost***	***Provision***	***Net***
Exploration wells	31 698	(31 698)	-	30 832	(30 832)	-
Facilities with suspended completion	5 962	(5 707)	255	5 962	(5 707)	255
Other	6 149	(609)	5 540	22 036	(867)	21 169
Total	**43 809**	**(38 014)**	**5 795**	**58 830**	**(37 406)**	**21 424**

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 2014, the Company capitalised EUR 5 429 thousand referring to cost of hydrocarbon reserves exploration (31 December 2013: EUR 4 534 thousand).

The cost of fully depreciated items of property, plant and equipment that were still in use as at 31 December 2014 amounts to EUR 84 219 thousand (31 December 2013: EUR 84 592 thousand).

The net book value of property, plant and equipment that are temporarily unused amounts to EUR 2 307 thousand (31 December 2013: EUR 2 418 thousand) and the related provision of EUR 2 307 thousand (31 December 2013: EUR 2 418 thousand) was recorded; thus, such items are stated at a zero net book value as at 31 December 2014 and 31 December 2013.

NAFTA's non-current tangible assets are insured against all significant risks through the "ALLRISK" insurance policy. The insured amount is EUR 625 735 thousand.

As at 31 December 2014 and 31 December 2013, NAFTA had no limited right to handle non-current tangible assets.

(Thousands of EUR)

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

Investments in the subsidiaries, joint venture, and available for sale investments as at 31 December 2014 and 2013 are comprised of the following:

	Subsidiaries	*Joint venture*	*Available for sale investments*	*Total*
Cost	751	17 293	6 473	24 517
Diminution in value	-	-	(6 473)	(6 473)
Closing net book value	**751**	**17 293**	**-**	**18 044**

Information on the subsidiaries can be summarised as follows:

Name of Company	*Seat*	*Effective ownership*	*Principal activity*
Karotáž a cementace, s. r. o.	Velkomoravská 2606/83, Hodonín, Czech Republic	51%	Logging and cementing
Nafta Exploration, s. r. o.	Plavecký Štvrtok 900, Slovak Republic	100%	Exploration

Information on the joint venture can be summarised as follows:

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

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

Name of Company	*Equity*		*Profit / (loss)*	
	2014	*2013*	*2014*	*2013*
Karotáž a cementace, s. r. o.	4 252	4 548	909	1 326
Nafta Exploration, s. r. o.	4	4	(1)	-
POZAGAS a. s.	59 763	53 856	7 781	(3 328)

Available for sale investments include the following other equity investments:

Name of Company	*Seat*	*Effective ownership*	*Principal activity*
AG Banka, a. s. v konkurze	Coboriho 2, Nitra, Slovak Republic	39%	Dormant, in bankruptcy

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

6. INVENTORIES

Inventories, net are comprised of the following:

	31 December 2014	*31 December 2013*
Materials and supplies	5 861	5 693
Work in progress	-	198
Finished goods	476	401
Less: provision for old and obsolete items	(900)	(877)
Total inventories, net	**5 437**	**5 415**

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

(Thousands of EUR)

7. TRADE AND OTHER RECEIVABLES

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

	31 December 2014	*31 December 2013*
Trade receivables		
Domestic customers	4 626	5 931
Foreign customers	1 374	4 390
Total trade receivables	6 000	10 321
Less: provisions for doubtful amounts	(392)	(396)
Total trade receivables, net	5 608	9 925
Receivables from subsidiaries		3
Other receivables	19 966	20 110
Less: provisions for doubtful amounts	(18 329)	(18 329)
Trade and other receivables, net	**7 245**	**11 709**

Included in other receivables as at 31 December 2014 is the amount of EUR 18 297 thousand (31 December 2013: EUR 18 297 thousand) outstanding from SPX Trading, a. s., company in liquidation. The receivable was fully provided for.

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

The average credit period on sales of goods and services is 14 days (2013: 25 days). The Company has provided fully for all receivables over 365 days because previous experience is such that receivables that are past due beyond 365 days are generally not recoverable. Trade receivables between 60 days to 365 days are provided for based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to previous default experience.

Movement in the provision for doubtful debts:

	Year ended	
	31 December 2014	*31 December 2013*
Balance at beginning of the year	(18 725)	(19 375)
Additions to and release of provisions and transfer	4	(344)
Amounts written off as uncollectible		994
Balance at end of the year	**(18 721)**	**(18 725)**

8. EQUITY

Registered capital includes certificate-form registered shares. As at 31 December 2014, the total number of issued and fully paid shares was 3 230 960, with nominal value of EUR 33.19 per share (31 December 2013: EUR 33.19).

As at 31 December 2014 and 31 December 2013, 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 2014 (31 December 2013: 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 2014 are relevant. The amount of retained earnings under the Company's financial statements prepared as at 31 December 2014, distributable to shareholders is EUR 91 280 thousand. In 2014, the dividend payment to shareholders from profit for 2013 was approved in the amount of EUR 41.04 per share.

The hedging reserve represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized 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.

(Thousands of EUR)

Hedging reserve and other reserves:	*Year ended* 31 December 2014	*Year ended* 31 December 2013
Balance at beginning of the year	**25**	**(155)**
Profit/(loss) recognized on cash flow hedges – commodity swap contracts	134	(41)
Actuarial gains/losses	(188)	-
Income tax related to profit/loss recognized in equity	12	10
Transferred to profit or loss – commodity swap contracts	(166)	275
Income tax related to profit/loss recognized in profit or loss	36	(64)
Balance at end of the year	**(147)**	**25**

9. BORROWINGS

The Company has opened unused credit lines amounting to EUR 15 000 thousand. See also Note 21.2 (e).

10. PROVISION FOR ABANDONMENT AND RESTORATION

The Company estimates the costs of abandonment of production, exploration, and storage wells (including the related centres and pipes) and other related costs of restoration.

Movements in the provision for abandonment and restoration are summarised as follows:

Balance as at 1 January 2013	**106 252**
Additions/(Release) to provision to assets	(3 266)
Additions/(Release) through profit or loss	(2 775)
Interest on discounting	2 471
Utilization of provision	(799)
Balance as at 31 December 2013	**101 883**
Additions/(Release) to provision to assets	(3 747)
Additions/(Release) through profit or loss	(999)
Interest on discounting	3 704
Utilization of provision	(1 604)
Balance as at 31 December 2014	**99 237**

NAFTA currently has 173 production wells in addition to 245 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area and restore the site to its original condition to the extent as stipulated by the law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money and risks specific to the liability (3.5 %). The provision takes into account the costs estimated for the abandonment of production and storage wells and centres, and for the restoration of the site to its original condition. These costs are expected to be incurred between 2015 and 2093.

(Thousands of EUR)

11. 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 2014 there were 703 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 2014	***31 December 2013***
Liabilities as at 1 January, net	**1 799**	**1 639**
Net change in provision (actuarial estimate), included in labour and related expenses	1 077	249
Actuarial gains/losses included in other comprehensive income	188	-
Employee benefits paid	(118)	(89)
Liabilities as at 31 December, net	**2 946**	**1 799**

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

	31 December 2014	***31 December 2013***
Discount rate	1,3 %	2.6%
Future expected annual rate of salary increases	1,9 %	2.2%
Expected fluctuation	5,0 %	5.0%
Retirement age	62 years	62 years

12. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	31 December 2014	***31 December 2013***
Trade payables	11 145	10 448
Payables to employees	3 552	3 075
Social security liabilities	1 312	1 256
Other tax liabilities	2 932	2 212
Other payables	658	695
Total trade and other payables	**19 599**	**17 686**

The average credit period is 29 days (2013: 27 days). The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Company records no payables overdue as at 31 December 2014 (2013: EUR 0 thousand overdue).

The change on Social Fund liabilities disclosed in the balance sheet as at 31 December 2014 and 31 December 2013 is analysed as follows:

	Year ended	
	31 December 2014	***31 December 2013***
Payables as at 1 January	**60**	**61**
Total creation:	340	395
from expenses	*176*	*157*
from profit	*164*	*238*
Total drawing:	(353)	(396)
catering services	*(163)*	*(100)*
recreation	-	*(70)*
other	*(190)*	*(226)*
Payables as at 31 December	**47**	**60**

(Thousands of EUR)

13. OTHER CURRENT PROVISIONS

Other current provisions consist of provisions for liabilities and charges and include provision for abandonment and restoration, refer to Note 10 and litigation and other, refer to Note 20.2.

14. LABOUR AND RELATED EXPENSES

Labour and related expenses are comprised of the following:

	Year ended	
	31 December 2014	***31 December 2013***
Wages and salaries	(14 239)	(14 027)
Social security costs and other social expenses	(7 491)	(6 852)
Total labour and related expenses	**(21 730)**	**(20 879)**

Labour and related expenses also include changes in the provision for retirement and other long-term employee benefits recognised in the statement of profit and loss statement. See also Note 11. The average number of employees for the year ended 31 December 2014 was 703, thereof 8 managers (year ended 31 December 2013: 719, thereof 8 managers).

15. OTHER OPERATING AND FINANCIAL INCOME/(EXPENSES)

15.1. Other Operating Income/(Expenses), net

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

	Year ended	
	31 December 2014	***31 December 2013***
Taxes and charges	(3 167)	(2 982)
Profit/(loss) on sale of non-current assets and inventories	1 072	8 538
Provisions for receivables, net	4	(344)
Provisions for inventories, net	(23)	(167)
Provision for abandonment and restoration costs	999	2 775
Provision for potential losses from litigations and other provisions	(117)	(107)
Insurance charges	(579)	(816)
Other income/(expenses), net	(1 432)	(739)
Total other operating income/(expenses), net	**(3 243)**	**6 158**

15.2. Other Financial Income/(Expenses), net

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

	Year ended	
	31 December 2014	***31 December 2013***
Income on investments in subsidiaries and joint venture	595	3 628
Exchange rate differences, net	116	(460)
Other financial income/(expenses), net	(6)	(19)
Total other financial income/(expenses), net	**705**	**3 149**

16. INCOME TAXES

16.1. Income Taxes Reconciliation

Reconciliation between the income tax calculated at the statutory tax rate of 22% (2013: tax rate 23%) to income tax expenses is as follows:

	Year ended	
	31 December 2014	***31 December 2013***
Profit before income taxes	123 330	128 270
Tax at domestic income tax rate of 22% (2013: 23%)	(27 133)	(29 502)
Special levy for business in regulated services	(4 848)	-
Tax effect of expenses not deductible, tax effect of non-taxable income, tax related to previous periods	(2 227)	334
Tax effect due to change in the tax rate (2013: from 23% to 22%)	-	(533)
Total income tax charges	**(34 208)**	**(29 701)**

(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.

16.2. Income Taxes

Income tax expenses comprise the following:

	Year ended	
	31 December 2014	***31 December 2013***
Current income tax	(32 080)	(29 940)
Deferred income tax	(2 128)	239
Related to the current year	(2 128)	772
Deferred tax adjustment due to change in tax rate	-	(533)
Total income taxes	**(34 208)**	**(29 701)**

16.3. Deferred Income Taxes

The following are the major deferred tax liabilities and assets recognized by the Company, and the movements thereon, during the current and prior reporting periods:

	1 January 2013	***Transfer***	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2013***
Property, plant and equipment	(5 804)	-	-	(1 588)	(7 392)
Provision for abandonment and restoration costs	15 003	-	-	(320)	14 683
Retirement and other long-term employee benefits	377	-	-	19	396
Inventories	496	-	-	(242)	254
Derivatives	47	-	(54)	-	(7)
Other	1 412	-	-	2 370	3 782
Total	**11 531**	**-**	**(54)**	**239**	**11 716**

	1 January 2014	***Transfer***	***Charge (credit) to equity***	***Charge (credit) to profit***	***31 December 2014***
Property, plant and equipment	(7 392)	(7 731)	-	(702)	(15 825)
Provision for abandonment and restoration costs	14 683	7 731	-	(582)	21 832
Retirement and other long-term employee benefits	396	-	41	211	648
Inventories	254	-	-	(56)	198
Derivatives	(7)	-	7	-	-
Other	3 782	-	-	(999)	2 783
Total	**11 716**	**-**	**48**	**(2 128)**	**9 636**

(Thousands of EUR)

17. 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.

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

The costs of services of an audit firm comprised EUR 44 thousand for the audit of the financial statements (2013: EUR 35 thousand), and EUR 13 thousand for accounting or tax advisory services (2013: EUR 8 thousand).

19. SIGNIFICANT TRANSACTIONS WITH THIRD PARTIES AND RELATED PARTIES

19.1. 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).

19.2. Related Parties

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

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

As at 31 December 2014, receivables from related parties amounted to EUR 2 508 thousand (31 December 2013: EUR 4 442 thousand).

As at 31 December 2014, payables to related parties amounted to EUR 1 252 thousand (31 December 2013: EUR 793 thousand).

Revenues and other considerations from transactions with related parties for the year ended 31 December 2014 amounted to EUR 115 066 thousand (year ended 31 December 2013: EUR 123 124 thousand).

Expenses and other deliveries from transactions with related parties for the year ended 31 December 2014 amounted to EUR 7 352 thousand (year ended 31 December 2013: EUR 7 737 thousand).

Transactions with related parties mainly represent services related to the underground storage, sale and purchase of natural gas mainly to the direct or indirect owners of the Company (SPP) and POZAGAS a.s.

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

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

19.3. Board Members' and Directors' Remuneration

Remuneration to board members and directors recorded during the year ended 31 December 2014 and 31 December 2013 was as follows:

	Year ended	
	31 December 2014	***31 December 2013***
Salaries	1 342	1 282
Discretionary bonuses	-	-
Total	**1 342**	**1 282**

Salaries and bonuses are included in labour and related expenses.

(Thousands of EUR)

20. COMMITMENTS AND CONTINGENCIES

20.1. Capital Expenditures

As at 31 December 2014, capital expenditures in the amount of EUR 2 167 thousand (31 December 2013: EUR 1 433 thousand) have been committed under contractual arrangements that are not recognized 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.

20.2. Litigation

The Company has entered into long-term storage contracts with various customers operating in Europe. The prices and other contractual conditions in these contracts are subject to change due to various contractually defined factors. In this regard, in 2012 NAFTA entered into price arbitration, the effect of which is adequately reflected in these financial statements. The final outcome as well as timing of the price arbitration is uncertain. It was decided not to disclose additional data on this matter since the management of the Company believes that this would breach confidentiality and/or trade secrets and/or may cause damage to the Company.

In addition to the legal cases described above, the Company is also involved in other litigations arising in the normal course of business and it is not expected, either individually or in aggregate, that such litigations would have a significant adverse impact on the accompanying financial statements.

20.3. Taxes

The tax environment under which the NAFTA Group operates in the Slovak Republic is dependent on the prevailing tax legislation and practice with relatively little existing precedent. As the tax authorities are reluctant to provide official interpretations with respect to the tax legislation, there is an inherent risk that the tax authorities may require adjustments of the corporate income tax base. The Tax Authorities in the Slovak Republic have broad powers of interpretation of tax laws, which could result in unexpected results of tax examinations. The amount of any potential tax liabilities related to these risks cannot be estimated. The Company applies a multi-level control during the preparation of tax returns. Tax declarations remain open and subject to inspection for at least a five-year period. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review during the next five-year period. Consequently, the Company's tax declarations for the years 2009 through 2014 are open and subject to review.

20.4. Bank Guarantees

As at 31 December 2014, the Company provided bank guarantees amounting to EUR 255 thousand (31 December 2013: EUR 0).

21. FINANCIAL INSTRUMENTS

21.1. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern with the aim to achieve an optimum debt and equity balance. The Company's overall strategy remains unchanged from 2013.

The gearing ratio at year-end was as follows:

	31 December 2014	*31 December 2013*
Debt (i)	-	-
Cash and cash equivalents	62 662	71 512
Net debt	**62 662**	**71 512**
Equity (ii)	(215 070)	(256 727)
Net debt to equity ratio	**N/A**	**N/A**

(i) Debt is defined as long-term and short-term borrowings.
(ii) Note 8.

(Thousands of EUR)

21.2. Categories of Financial Instruments

	31 December 2014	31 December 2013
Financial derivatives recognized as hedging	-	32
Loans and receivables (including cash and cash equivalents)	69 907	83 221
Financial assets	**69 907**	**83 253**
Financial derivatives recognized as hedging	-	-
Interest free liabilities	(21 460)	(20 497)
Financial liabilities	**(21 460)**	**(20 497)**

(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.

The carrying amounts of the Company´s foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	Liabilities		Assets	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
USD	181	146	464	3 771
CZK	135	83	262	1 789

The following table details the Company's sensitivity to a 16 % increase and decrease of EUR against USD (in 2013: 16%) and a 12 % increase and decrease of EUR against CZK (2013: 13%). The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the period end for the aforementioned change in foreign currency rates. A positive number below indicates an increase in profit in the case of a decrease in EUR against the relevant currency. Where EUR strengthens against the relevant currency, there would be an opposite impact on the profit, and the balances below would be negative.

	USD		CZK	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Profit or loss (i)	45	508	15	222

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

As at 31 December 2014 and 31 December 2013, the Company had no open currency contracts.

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:

Outstanding swap commodity contracts	***Contract value (EUR '000)***		***Fair value (EUR '000)***	
	2014	***2013***	***2014***	***2013***
Cash flow hedges				
Sell crude oil				
Less than 3 months	-	570	-	8
3 to 12 months	-	1 709	-	24
Total	**-**	**2 279**	**-**	**32**

As at 31 December 2014, the Company had no open swap commodity contracts to hedge the market risk arising from price changes. As at 31 December 2013, the aggregate amount of unrealised gains under swap commodity contracts accrued in the hedging derivative reserves was EUR 32 thousand.

c. Interest Rate Risk

The Company's operating income and operating cash flows are independent of changes in market interest rates. The Company has no significant interest-bearing assets other than cash and cash equivalents. As at 31 December 2014 and 31 December 2013, the Company had no open interest rate derivatives.

d. Credit Risk

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

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

e. Liquidity Risk

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

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

	Weighted average effective interest rate	***Less than 1 month***	***1 – 3 months***	***3 months to 1 year***	***1 – 5 years***	***Total***
2014						
Non-interest bearing	-	17 777	1 276	546	1 861	21 460
Variable interest rate instruments	-	-	-	-	-	-
2013						
Non-interest bearing	-	16 860	392	434	2 811	20 497
Variable interest rate instruments	-	-	-	-	-	-

The Company has access to financing facilities. The total unused amount of such facilities is EUR 15 000 thousand at the balance sheet date (2013: EUR 15 000 thousand). The Company expects to meet its other obligations from operating cash flows, maturing financial assets and funds from cash pooling.

(2) Fair Value Estimation

The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on forward interest rates as at the balance sheet date and agreed forward rates reflecting the credit risk of various parties. The fair value of interest rate-currency swap contracts is determined using forward currency exchange rates at the balance sheet date and agreed forward exchange rates discounted using interest rates, which reflect the credit risk of various parties.

In assessing the fair value of non-traded derivatives and other financial instruments, the Company uses a variety of methods and market assumptions that are based on market conditions existing at the balance sheet date. Other techniques, mainly estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

According to the Company's management, the carrying amounts of financial assets and liabilities disclosed in the financial statements at amortised cost approximate their fair value.

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

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

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

22.2. Unlimited Guarantee

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

22.3. Members of the Company's Bodies as at 31 December 2014

Board of Directors:	Chairman	Ing. Jan Špringl
	Vice-Chairman	RNDr. Pavol Kaločaj, PhD.
	Member	Ing. Bohumil Kratochvíl
	Member	Ing. Robert Bundil
Supervisory Board:	Chairman	JUDr. Daniel Křetínský
	Member	Ing. Peter Čulen
	Member	Peter Dubaj
	Member	Mgr. Pavel Horský
	Member	Mgr. Jan Stříteský
	Member	Ing. Peter Šefara
	Member	Ing. Matúš Tisovský
Top Management:	General Director	Ing. Martin Bartošovič
	Director for Strategy and Development	Ing. Bohumil Kratochvíl
	Director of Underground Gas Storage Division	Ing. Ladislav Goryl
	Director of Exploration and Production Division	Ing. Jozef Levoča, MBA
	Authorised Director of Workover and Drilling Division	Ing. Gabriel Macejka
	Director of Service Division	Ing. Michal Ševera
	Director of Economic Section	Ing. Szilárd Kása
	Director of Sales and Marketing Section	Mgr. Peter Kučera

Nine members of the Supervisory Board of NAFTA are registered in the Commercial Register as at 31 December 2014; seven members discharged the office of a member of the Supervisory Board of NAFTA as at that date.

23. EVENTS AFTER THE BALANCE SHEET DATE

From 31 December 2014 up to the date of the approval of these separate financial statements there were no significant events that would significantly impact the assets and liabilities of the Company.

24. PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements on pages 3 to 31 were signed on 30 January 2015 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