

POZAGAS a.s.

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ENDORSED
BY THE EU**

AND

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As at 31 December 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of POZAGAS a.s.:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of POZAGAS a.s. (the "Company"), which comprise the balance sheet as at 31 December 2020, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in the Note 3.c (i), the Company has applied significant estimates in evaluating the risk of impairment loss from property, plant and equipment. There are inherent uncertainties related to the assumptions used in the calculation of the recoverable amount of property, plant and equipment, which may result in significant adjustments of the carrying amounts of property, plant and equipment in the future.

Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

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As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

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

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


We assessed whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2020 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, 24 February 2021


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

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

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Income Statement

For the Year Ended 31 December 2020 and 31 December 2019

<i>In thousands of euro</i>	Note	2020	2019
Revenues	4	39 833	29 913
Depreciation	11, 12	(1 656)	(1 616)
Services		(6 892)	(6 380)
Materials and energies consumed		(580)	(1 304)
Personnel expenses	5	(1 143)	(1 258)
Provision for impairment losses	11, 12	4 840	(2 454)
Other operating expenses, net	6	(8 009)	(7 131)
Profit from operations		26 393	9 770
Finance income		65	46
Finance cost		(233)	(361)
Finance costs, net	7	(168)	(315)
Profit before tax		26 225	9 455
Income tax	8	(6 942)	(2 535)
Net profit for the year		19 283	6 920
Earnings per share (in EUR)	9	996	358

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Statement of Comprehensive Income For the Year Ended 31 December 2020 and 31 December 2019

<i>In thousands of euro</i>	Note	2020	2019
Net profit for the year		19 283	6 920
Other comprehensive income/(loss)		-	-
Tax effects		-	-
Other comprehensive income/(loss) for the year after tax		-	-
Total comprehensive income/(loss) for the year		19 283	6 920

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Balance Sheet

As at 31 December 2020 and 31 December 2019

<i>In thousands of euro</i>	Note	31 December 2020	31 December 2019
Assets			
Property, plant and equipment	11	30 347	26 769
Intangible assets	12	165	188
Trade and other receivables		2 417	2 314
Total non-current assets		32 929	29 271
Materials and spare parts		594	237
Income tax asset		-	-
Trade and other receivables	13	3 672	3 626
Receivables from the controlling entity	13	70 000	60 000
Cash and cash equivalents	14	13 434	6 242
Total current assets		87 700	70 105
Total assets		120 629	99 376
Equity and liabilities			
Equity			
Share capital	15.1	43 008	43 008
Legal reserve fund	15.2	8 602	8 602
Retained earnings		48 870	29 586
Total equity		100 480	81 196
Liabilities			
Deferred tax liabilities	8	2 721	1 782
Provision for liquidation and site restoration	16	11 648	12 003
Trade and other payables		269	262
Deferred income		339	367
Total non-current liabilities		14 977	14 414
Income tax liability		3 412	1 511
Trade and other payables	17	1 732	2 211
Deferred income		28	44
Total current liabilities		5 172	3 766
Total liabilities		20 149	18 180
Total equity and liabilities		120 629	99 376

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Statement of Changes in Equity

For the Year Ended 31 December 2020 and 31 December 2019

<i>In thousands of euro</i>	Share capital	Share premium	Legal reserve fund	Retained earnings	Asset revaluation reserve	Total
Balance as at 1 Jan 2019	43 008	-	8 602	22 666	-	74 276
Net profit for the year	-	-	-	6 920	-	6 920
Allotment to the legal reserve fund	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-	-
Balance as at 31 Dec 2019	43 008	-	8 602	29 586	-	81 196
Balance as at 1 Jan 2020	43 008	-	8 602	29 586	-	81 196
Net profit for the year	-	-	-	19 283	-	19 283
Allotment to the legal reserve fund	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-	-
Balance as at 31 Dec 2020	43 008	-	8 602	48 869	-	100 479

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Statement of Cash Flows

For the Year Ended 31 December 2020 and 31 December 2019

<i>In thousands of euro</i>	2020	2019
Operating activities		
Income before tax	26 225	9 455
Adjustments for:		
Depreciation and amortisation	1 655	1 527
Impairment losses	(4 840)	2 454
Net foreign exchange losses/(gains)	-	-
Interest from unwinding discount	213	348
Net interest expense/(income)	(63)	(46)
Other	(4)	2
Operating profit before changes in working capital	23 186	13 740
Decrease/(increase) in inventories	(357)	433
Decrease/(increase) in receivables	(159)	(512)
Increase/(decrease) in payables	(755)	339
Cash from operating activities	21 915	14 000
Interest received	63	46
Foreign exchange losses	1	-
Income taxes paid	(4 103)	(1 955)
Cash flows from operating activities	17 876	12 091
Investing activities		
Acquisition of property, plant and equipment and intangible assets	(679)	(1 375)
Proceeds from the sale of property, plant and equipment and intangible assets	15	9
Loans and borrowings provided	(10 000)	(8 000)
Cash flows from investing activities	(10 664)	(9 366)
Financing activities		
Dividends paid	-	-
Lease payments – IFRS 16	(20)	(28)
Cash flows from financing activities	(20)	(28)
Net increase/(decrease) in cash and cash equivalents	7 192	2 697
Cash and cash equivalents as at 1 Jan	6 242	3 545
Cash and cash equivalents as at 31 Dec	13 434	6 242

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Notes to the Financial Statements For the Year Ended 31 December 2020

1. General Information

1.1. Description of Business

POZAGAS a.s. (hereinafter “POZAGAS” or the “Company”) is a joint-stock company with its registered office at Malé námestie 1, Malacky, Slovak Republic. The Company was established on 7 April 1993 and registered in the Business Register of the Slovak Republic on 13 May 1993. The Company provides underground gas storage services and services related to underground gas storage.

1.2. Basis for Preparation of the Financial Statements

These financial statements represent the annual separate financial statements of POZAGAS a.s. for the reporting period from 1 January to 31 December 2020.

The financial statements are intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

1.3. Approval of the 2019 Financial Statements

On 23 June 2020, the General Meeting approved the 2019 financial statements of POZAGAS a.s.

1.4. Employees

Number of employees as at 31 December 2020	19
Of which: Managers	3

2. New International Financial Reporting Standards and Changes in Estimates

Initial application of new and amended IFRS standards effective for the current reporting period

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

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 “Business Combinations”** – Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 “Leases”** – Covid-19-Related Rent Concessions – adopted by the EU on 9 October 2020 (effective for annual periods beginning on or after 1 January 2020, no later than on 1 June 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

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

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Notes to the Financial Statements For the Year Ended 31 December 2020

New and amended IFRS standards issued by the IASB and adopted by the EU but not yet effective

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

- **Amendments to IFRS 4 “Insurance Contracts”** – Extension of the Temporary Exemption from Applying IFRS 9 – adopted by the EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021).

New and amended IFRS standards issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at 31 December 2020 (the effective dates stated below are for IFRS as issued by the IASB):

- **IFRS 17 “Insurance Contracts” and Amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 “Property, Plant and Equipment”** – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”** – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to various standards due to “Annual Improvements to IFRS Standards (2018 – 2020 Cycle)”** resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only relates to an illustrative example, so no effective date is stated.),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the balance sheet date.

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 17 "Insurance Contracts"** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at the current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while it is applied. Amendments to IFRS 17 "Insurance Contracts" issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments introduce simplifications and clarifications of some requirements set forth in the standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business issued by the IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the IASB also provided supplementary guidance.
- **Amendments to IFRS 3 "Business Combinations"** – Reference to the Conceptual Framework with amendments to IFRS 3 issued by the IASB on 14 May 2020. The amendments: a) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; b) add to IFRS 3 a requirement that for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and c) add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 issued by the IASB on 25 June 2020. The amendments change the fixed expiry date for the temporary exemption from applying IFRS 9 "Financial Instruments" stated in IFRS 4 "Insurance Contracts" so that entities will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Interest Rate Benchmark Reform issued by the IASB on 26 September 2019. The changes in the Interest Rate Benchmark Reform:
 - a) Modify specific hedge accounting requirements so that entities apply these hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the interest rate benchmark reform;
 - b) Are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
 - c) Are not intended to provide relief from any other consequences arising from the interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
 - d) Require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** – Interest Rate Benchmark Reform – Phase 2, issued by the IASB on 27 August 2020. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7, and accompany the amendments regarding modifications and hedge accounting:
 - a) **Modification of financial assets, financial liabilities and lease liabilities** – the IASB has introduced a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for

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Notes to the Financial Statements For the Year Ended 31 December 2020

- by updating the effective interest rate. All other modifications are accounted for using current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
- b) **Hedge accounting requirements** – under the amendments, hedge accounting is not discontinued solely due to the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all the qualifying criteria which apply to hedge accounting, including effectiveness requirements.
- c) **Disclosures** – in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which an entity is exposed and how the entity manages these risks, and the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses the following information:
- How the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
 - Quantitative information on non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by the significant interest rate benchmark;
 - If the IBOR reform results in changes to an entity's risk management strategy, a description of such changes and how the entity manages such risks.
- d) The IASB also amended IFRS 4 so that insurers that apply the temporary exemption from IFRS 9 must also apply the amendments in their accounting for modifications directly required by the IBOR reform.
- **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 issued by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of the gain or loss recognition depends on whether the assets sold or contributed constitute a business.
 - **Amendments to IFRS 16 “Leases”** – Covid-19-Related Rent Concessions issued by the IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.
 - **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Material issued by the IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including it in the definition guidance.
 - **Amendments to IAS 1 “Presentation of Financial Statements”** – Classification of Liabilities as Current or Non-Current issued by the IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
 - **Amendments to IAS 16 “Property, Plant and Equipment”** – Proceeds Before Intended Use issued by the IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
 - **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – Onerous Contracts — Cost of Fulfilling a Contract issued by the IASB on 14 May 2020. The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

- **Amendments to various standards due to “Annual Improvements to IFRS Standards (2018 – 2020 Cycle)”** issued by the IASB on 14 December 2020. These are amendments to various standards resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16 (a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRS (IFRS 1); (b) clarify which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 when assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf (IFRS 9); (c) remove from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve a potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in this example (Illustrative Example 13 accompanying IFRS 16); and (d) remove the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by the IASB on 29 March 2018. As the Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS applies to a particular transaction.

3. Significant Accounting Policies

a) Statement of Compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU”). IFRS as adopted by 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.

b) Basis of Preparation

The financial statements have been prepared under the going-concern assumption.

The financial statements have been prepared on a historical cost basis.

The accounting policies were applied consistently by the Company and are consistent with the policies applied in the previous reporting period.

c) Significant Accounting Estimates and Key Sources of Estimate Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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Notes to the Financial Statements For the Year Ended 31 December 2020

Estimates and underlying assumptions are reviewed from time to time. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future affected periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts disclosed in the financial statements is provided in the following notes.

(i) Impairment of Property, Plant and Equipment

The Company calculated and recorded significant amounts for impairment loss related to the property, plant and equipment used for storage of natural gas in previous periods. Recoverability of the assets used for storage of natural gas depends on future demand for storage services and current limitations regarding alternative use of the assets. Various assumptions and estimations about future demand for storage services, natural gas prices, discount rates as well as current limitations regarding alternative use of the assets due to valid long-term agreements were made when evaluating the recoverable amount of the property, plant and equipment, which may be subject to change in the future. As a result of the change in these assumptions, there may be significant changes in the amount of impairment losses and in the recoverable amount of property, plant and equipment in the future. Refer to Note 11 for details on impairment of property, plant and equipment.

(ii) Provision for Liquidation and Restoration

The financial statements include significant amounts as a provision for liquidation and restoration of gas storage wells and centres. The provision is based on estimates of the future costs and is also significantly impacted by the estimated timing of cash flows and the Company's estimate of the discount rate used. The provision takes into account costs estimated for liquidating the gas storage wells and centres and for restoring the sites to their original condition based on previous experience and cost estimates. Refer to Note 16 for further details.

d) Property, Plant and Equipment and Intangible Assets

(i) Owned Property, Plant and Equipment

As at 31 December 2020 and 2019, property, plant and equipment are recognised in the balance sheet at cost less subsequent accumulated depreciation and permanent impairment loss provisions. The cost includes costs of contracted work, direct material and labour, overhead and capitalised interest on received loans and borrowings directly attributable to the acquisition, construction, or production of the qualifying assets.

The cost of assets developed internally includes the costs of materials, direct labour and the pro-rata portion of production overheads.

(ii) Intangible Assets

Intangible assets are carried at cost less accumulated amortisation (see below) and impairment losses in line with IAS 36.

(iii) Subsequent Expenditure

Subsequent expenditures related to the maintenance of the existing property, plant and equipment and intangible assets, except for the capitalised future liquidation and site restoration costs (refer to point (v) below), are capitalised only when they increase the future economic benefits of the specific item of assets. All other expenditures are recognised in the income statement when incurred.

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Notes to the Financial Statements For the Year Ended 31 December 2020

(iv) Depreciation and Amortisation

Property, plant and equipment are depreciated and intangible assets are amortised over their estimated useful lives. Depreciation and amortisation charges are recognised in the income statement using the straight-line basis. Land is not depreciated. The estimated useful lives of individual items of assets are as follows:

	Year ended	
	31 December 2020	31 December 2019
Buildings and equipment used for gas storage	12 – 80 years	12 – 80 years
Cushion gas	100 – 1000 years	100 – 1000 years
Machinery and equipment	8 – 20 years	8 – 20 years
Other non-current assets	4 – 8 years	4 – 8 years

(v) Capitalised Future Liquidation and Site Restoration Costs

Capitalised future liquidation and site restoration costs represent future costs for dismantling and liquidation of buildings, underground wells, and equipment related to the underground gas storage facility as well as future costs related to the restoration of the related land.

(vi) Cushion Gas

Cushion gas represents gas needed to operate the underground gas storage facility. The extraction of cushion gas would affect the serviceability of the underground storage facility. Cushion gas is presented as part of the property, plant and equipment of the underground gas storage facility.

e) Non-derivative Financial Instruments

Non-derivative financial instruments comprise:

- (i) Trade and other receivables
- (ii) Cash and cash equivalents
- (iii) Trade and other payables

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

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

Interest income is recognised using the effective interest rate, except for current receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

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Notes to the Financial Statements For the Year Ended 31 December 2020

As at 31 December 2020 and 31 December 2019, the Company assessed the impairment of loan receivables from borrowings provided to the Group (see Note 13) and concluded that the 12-month expected credit losses approximated zero given the low risk of default and expected loss given the method of settling the borrowing by offsetting against the payable from dividends paid.

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

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

(ii) Cash and cash equivalents comprise cash balances and demand deposits recognised in both the balance sheet and the statement of cash flows.

(iii) Financial liabilities are classified as financial liabilities measured at amortised cost or financial liabilities at "fair value through profit or loss" (FVTPL).

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

f) Inventories

Inventories, in particular spare parts and purchased gas, are measured at cost. The measurement of spare parts is based on the first-in, first-out (FIFO) principle. The measurement of purchased gas is based on the weighted arithmetic average principle.

g) Impairment of Assets

In accordance with the requirements of IAS 36 "Impairment of Assets", at each reporting date an assessment is made as to whether there is any indication that the recoverable amount of the property, plant, and equipment is less than the carrying amount. When there is such an indication, the recoverable amount of the asset is estimated as the higher of the asset's net selling price and the present value of its future cash flows. Any resulting estimated impairment loss on property, plant and equipment is recognised in full in the income statement in the year in which the impairment occurs. The discount rates used to calculate the present value of the future cash flows are based on the Company's position and the economic environment in the Slovak Republic at the balance sheet date.

h) Share Capital and Dividends

Ordinary shares are classified as equity. Dividends are recognised as a liability in the period in which they are declared.

i) Employee Benefits

The Company does not manage any pension funds. Mandatory contributions to state-guaranteed pension plans are recognised as an expense in the income statement when incurred.

j) Provisions for Liabilities

A provision for liabilities is recognised in the balance sheet when the Company has a legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are calculated as discounted expected future cash flows before taxation, which reflects the present market value of money and, where appropriate, risks specific to the liability.

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Notes to the Financial Statements For the Year Ended 31 December 2020

k) Revenues from Gas Storage Contracts

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

Revenues from other services primarily include the provision of gas transport from/to Austria, and are recognised during the provision of the service to a customer.

l) Expenses

(i) Net Finance Costs

Net finance costs comprise interest paid on loans and borrowings calculated using an effective interest rate method, interest from unwinding discount on long-term provisions and foreign exchange gains and losses that are recognised in the income statement.

Interest income is recognised in the income statement on an accrual basis, taking into account the effective yield on the asset.

m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement. Current tax is the estimated tax liability on the taxable income for the year, using the tax rate valid as at the reporting date, and any adjustment of the tax liability for previous years.

In addition to the income tax, the Company is required to pay a special corporate levy on business in the regulated industries on a monthly basis with effect from September 2012. The levy rate is 0.545% of the profit per month before taxation calculated pursuant to the Slovak Accounting Procedures. See also Note 8.

Deferred tax is calculated from temporary differences between the carrying amounts of assets and liabilities and their tax base. The amount of recognised deferred tax depends on the expected method of realisation or settlement of the carrying amounts of assets and liabilities, using the tax rate valid in the following reporting period (21%).

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reversed to the extent that it is no longer probable that the related tax benefit will be realised.

Possible additional income tax that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividends.

4. Revenues

In thousands of euro

	2020	2019
Storage of gas and services related to the storage of gas	39 833	29 913

Revenues are recognised based on contracts for gas storage and for the provision of services related to the storage of gas concluded with customers. Prices are denominated in euro and also depend on the development of certain statistical macroeconomic development indices.

In 2020, the Company provided underground gas storage services and services related to underground gas storage to a related company in its shareholders' group and to third parties. .

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Notes to the Financial Statements For the Year Ended 31 December 2020

5. Personnel Expenses

<i>In thousands of euro</i>	2020	2019
Wages and salaries	680	758
Mandatory social security contributions and other social expenses	310	347
Remuneration of members of management bodies	153	153
Total	1 143	1 258

The average number of employees during the year ended 31 December 2020 was 19, of which 3 were managers, and 19 were administrative staff and technicians (2019: 22, of which 3 were managers, and 19 were administrative staff and technicians).

6. Other Operating Expenses, Net

<i>In thousands of euro</i>	2020	2019
Insurance expenses	108	108
Insurance benefits	-	(2)
Administrative and other charges	7 983	7 237
Other	(82)	(212)
Total	8 009	7 131

7. Finance Costs, Net

<i>In thousands of euro</i>	2020	2019
Interest income	(63)	(46)
Foreign exchange gains	(2)	-
Finance income	(65)	(46)
Foreign exchange losses	1	-
Interest from unwinding discount on provisions for liquidation and restoration (see Note 16)	213	348
Other	19	13
Finance costs	233	361
Finance costs, net	168	315

8. Income Tax

8.1. Income Tax Recognised in the Income Statement

<i>In thousands of euro</i>	2020	2019
Current income tax (incl. special levy) – current year	6 003	2 907
Deferred income tax – current year	939	(372)
	6 942	2 535

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Notes to the Financial Statements
For the Year Ended 31 December 2020

8.2. Reconciliation of Statutory and Effective Tax Rates

<i>In thousands of euro</i>		2020		2019
Profit (loss) before tax		26 225		9 455
Income tax at	21.0%	5 507	21.0%	1 986
Effect of permanent differences, net	-0.7%	(190)	-0.8%	(78)
Special levy	6.2%	1 625	6.6%	627
Effect of the change in the tax rate	0.0%	-	0.0%	-
	26.81%	6 942	26.81%	2 535

The statutory income tax rate effective in 2020 and in 2019 was 21%. The special levy is calculated at the rate of 6.54% from profit before tax.

8.3. Deferred Income Tax

The following table shows the major deferred tax liabilities and assets recognised by the Company and their movements during the current and prior reporting periods:

<i>In thousands of euro</i>	As at 1 Jan 2020	Credit (charge) to equity for the current period	Credit (charge) to profit for the current period	As at 31 Dec 2020
Depreciation of and provisions for non-current assets	(3 113)	-	(933)	(4 046)
Provision for liquidation and site restoration	1 322	-	(4)	1 318
Other	9	-	(2)	7
Total	(1 782)	-	(939)	(2 721)

<i>In thousands of euro</i>	As at 1 Jan 2019	Credit (charge) to equity for the current period	Credit (charge) to profit for the current period	As at 31 Dec 2019
Depreciation of and provisions for non-current assets	(3 409)	-	296	(3 113)
Provision for liquidation and site restoration	1 249	-	73	1 322
Other	6	-	3	9
Total	(2 154)	-	372	(1 782)

9. Earnings per Share

Earnings per share are calculated as net profit after tax attributable to the shareholders of POZAGAS divided by the weighted average number of shares in circulation during the reporting period.

10. Costs of Auditor's Services

The costs of the services provided by the audit firm comprised the audit of the financial statements (EUR 17 thousand).

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Notes to the Financial Statements
For the Year Ended 31 December 2020

11. Property, Plant and Equipment

In thousands of euro

<i>Cost</i>	Land	Buildings and structures	Machines and equipment	Capitalised future costs for liquidation and site restoration (see Note 16)	Assets under construction	Total
Balance as at 1 January 2019	703	133 438	50 388	2 558	1 064	188 151
Additions	-	-	-	3 147	1 293	4 440
Placed into service	-	492	587	-	(1 040)	39
Disposals	-	-	-	-	-	-
Balance as at 31 December 2019	703	133 930	50 975	5 705	1 317	192 630
Balance as at 1 January 2020	703	133 930	50 975	5 705	1 317	192 630
Additions	-	-	-	(335)	638	303
Placed into service	4	173	959	-	(1 136)	-
Disposals	-	-	(283)	-	-	(283)
Balance as at 31 December 2020	707	134 103	51 651	5 370	819	192 650
<i>Depreciation and impairment</i>						
Balance as at 1 January 2019	(425)	(111 348)	(47 790)	(1 677)	(707)	(161 947)
Depreciation for the period	-	(696)	(643)	(37)	-	(1 376)
Disposals	-	-	-	-	-	-
Impairment of assets/provisions	(6)	(482)	(39)	(1 853)	(158)	(2 538)
Balance as at 31 December 2019	(431)	(112 526)	(48 472)	(3 567)	(865)	(165 861)
Balance as at 1 January 2020	(431)	(112 526)	(48 472)	(3 567)	(865)	(165 861)
Depreciation for the period	-	(684)	(724)	(93)	-	(1 501)
Disposals	-	-	309	-	-	309
Impairment of assets/provisions	46	3 629	318	407	350	4 750
Balance as at 31 December 2020	(385)	(109 581)	(48 569)	(3 253)	(515)	(162 303)
<i>Net book value</i>						
As at 1 January 2019	278	22 090	2 598	881	357	26 204
As at 31 December 2019	272	21 404	2 503	2 138	452	26 769
As at 1 January 2020	272	21 404	2 503	2 138	452	26 769
As at 31 December 2020	322	24 522	3 082	2 117	304	30 347

The notes are an integral part of the separate financial statements.
This is an English language translation of the original Slovak language document.

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Notes to the Financial Statements For the Year Ended 31 December 2020

Following developments on the gas storage capacities market, the Company concluded that there are still impairment indicators as regards property, plant and equipment due to the continuing decrease of demand and prices for gas storage services. As required by IAS 36 "Impairment of Assets", the Company calculated the recoverable amount of property, plant and equipment used for storage of natural gas, which represent the only cash generating unit. The recoverable amount of property, plant and equipment is calculated as the present value of future cash flows derived from the continued use of the assets over the remaining non-cancellable period of the long-term contract for gas storage and the estimate of the recoverable amount of property less costs of disposal after termination of the gas storage facility operation, which is possible only after obtaining required permits and the termination of the long-term contract for gas storage and the long-term contract for operation of the facility, which the Company has signed with its shareholder. Estimates are based on the long-term plans approved by the management and the discount rate of 6.9% and 11.2% for the termination phase of the storage facility. As a result, the impairment losses of EUR 4 840 thousand were reversed in 2020 (impairment losses of EUR 2 454 thousand were recognised in 2019).

In 2020 and 2019, various assumptions and estimates about future demand for storage capacities, natural gas prices, discount rates and current limitations regarding the alternative use of the assets due to valid long-term contracts were made when estimating impairment and calculating the recoverable amount of property, plant and equipment, which may be subject to changes in the future. As a result of the change in these assumptions, there may be significant changes in the amounts of impairment losses and recoverable amount of property, plant and equipment in the future.

When estimating the gas prices at which cushion gas could be extracted and realised between 2027 and 2030, the Company used its expectations as regards the development of natural gas spot prices (this estimate is in line with World Bank expectations). The future development of spot gas prices is influenced by a number of factors, which are beyond the control of the Company, including geopolitical factors and demand and supply factors.

In 2004, a geological survey in one of the reservoirs of the Company's gas storage facility showed a difference in the volume of cushion gas as compared to its recorded amount. The net book value of the assets of this storage facility is EUR 438 thousand as at 31 December 2020 (31 December 2019: EUR 383 thousand). The operation of this reservoir of the gas storage facility is currently limited and there is uncertainty regarding its potential impairment.

As at 31 December 2020, the total amount of impairment loss provisions is EUR 37 972 thousand (31 December 2019: EUR 42 812 thousand) have been recognised.

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Notes to the Financial Statements
For the Year Ended 31 December 2020

12. Intangible Assets

<i>In thousands of euro</i>	Software	Other intangible assets	Assets under construction	Advance payments made	Total
Cost					
As at 1 Jan 2019	1 760	3 448	5	-	5 213
Acquisitions	-	-	83	-	83
Disposals	-	-	-	-	-
Put into service	16	-	(16)	-	-
As at 31 Dec 2019	1 776	3 448	72	-	5 296
As at 1 Jan 2020	1 776	3 448	72	-	5 296
Acquisitions	-	-	41	-	41
Disposals	(45)	-	-	-	(45)
Put into service	113	-	(113)	-	-
As at 31 Dec 2020	1 844	3 448	-	-	5 292
Amortisation and impairments					
As at 1 Jan 2019	(1 643)	(3 310)	(4)	-	(4 957)
Amortisation charge for the year	(67)	(168)	-	-	(235)
Disposals	27	96	(39)	-	84
Impairment of assets provisions	(1 683)	(3 382)	(43)	-	(5 108)
As at 31 Dec 2019					
As at 1 Jan 2020	(1 683)	(3 382)	(43)	-	(5 108)
Amortisation charge for the year	(80)	(75)	-	-	(155)
Disposals	45	-	-	-	45
Impairment of assets provisions	(2)	50	43	-	91
As at 31 Dec 2020	(1 720)	(3 407)	-	-	(5 127)
Net book value					
As at 1 Jan 2019	117	138	1	-	256
As at 31 Dec 2019	93	66	29	-	188
As at 1 Jan 2020	93	66	29	-	188
As at 31 Dec 2020	124	41	-	-	165

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Notes to the Financial Statements For the Year Ended 31 December 2020

13. Trade and Other Receivables

<i>In thousands of euro</i>	2020	2019
Trade receivables – non-current	2 417	2 314
Total	2 417	2 314
<i>In thousands of euro</i>	2020	2019
Trade receivables – current	3 456	3 440
Receivables from the controlling entity	70 000	60 000
Deferred expenses	4	1
Tax assets	45	125
Other receivables	167	60
Total	73 672	63 626

In 2019, the Company concluded a contract for the efficient use of funds and liquidity optimisation with other Group companies (cash pooling). In accordance with the contract, the Company recorded a receivable of EUR 70 000 thousand as at 31 December 2020 (31 December 2019: EUR 60 000 thousand). Interest income of EUR 63 thousand on the cash pooling was recognised as at 31 December 2020 (31 December 2019 EUR 40 thousand).

14. Cash and Cash Equivalents

<i>In thousands of euro</i>	2020	2019
Bank accounts	13 400	6 201
Cash in hand	34	41
Total	13 434	6 242

15. Equity and Reserves

15.1. Share Capital

As at 31 December 2020, share capital amounts to EUR 43 007 906 (31 December 2019: EUR 43 007 906).

As at 31 December 2020 and 31 December 2019, the share capital was fully paid.

The face values and numbers of individual types of shares are as follows:

Type of shares	31 Dec 2020			31 Dec 2019		
	Number of shares	Face value (EUR)	Total (EUR)	Number of shares	Face value (EUR)	Total (EUR)
Book-entry, registered shares	19 285	2 230	43 005 550	19 285	2 230	43 005 550
Book-entry, registered shares	71	33.19	2 356	71	33.19	2 356
Total	19 356		43 007 906	19 356		43 007 906

All shares have voting rights that correspond to their share in the share capital.

The Company's shares as at 31 December 2020 were held by SPP Infrastructure, a.s. – 35% and NAFTA a.s. – 65% (31 December 2019: SPP Infrastructure, a.s. – 35%, NAFTA a.s. – 65%).

The holders of ordinary shares are entitled to receive dividends when they are declared.

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Notes to the Financial Statements For the Year Ended 31 December 2020

15.2. Legal Reserve Fund

The Company is required to create a legal reserve fund in a minimum amount of 10% of the net profit (annually) up to a minimum amount equalling 20% of the subscribed share capital (cumulative balance). Up to the mandatory amount of the legal reserve fund, the legal reserve fund may only be used to cover losses and may not be distributed to shareholders.

16. Provision for Liquidation and Site Restoration

The Company conducted a study to determine the necessity of restoring wells and other equipment related to the underground gas storage facility and to determine the technical, legal and financial aspects of such restoration commitments, which resulted in significant changes to previously-used estimates. The measurement of future costs of site restoration involves the following estimates:

- Technical estimates of current costs;
- Estimates and assumptions; and
- Payment dates of the expected restoration costs are based on economic assumptions of the useful economic lives of the facilities concerned.

In 2020, the Company reassessed assumptions and estimates used to create the provision for site restoration and liquidation (revised assumptions were used, eg discount rate of 1.00%, inflation of 0.13%) and recognised a decrease in the provision for liabilities by EUR 334 thousand.

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

In thousands of euro

As at 31 Dec 2018	8 508
Interest from unwinding discount	183
Decrease/increase in the provision for liabilities (recognised as a decrease/increase in interest expense)	165
Decrease/increase in the provision for liabilities (recognised in assets as a decrease/increase in capitalised costs of restoration)	3 147
As at 31 Dec 2019	12 003
Interest from unwinding discount	213
Decrease in the provision for liabilities (recognised as a decrease in interest expense)	(234)
Decrease/increase in the provision for liabilities (recognised in assets as a decrease/increase in capitalised costs of restoration)	(334)
As at 31 Dec 2020	11 648

Storage wells are expected to be liquidated after the end of their useful lives (2071 – 2078). The Company is obliged to dismantle the storage wells, decontaminate any contaminated soil, restore the surrounding area, and restore the site to its original condition to the extent as stipulated by law.

Depreciation of the related capitalised future liquidation and site restoration costs in 2020 was recorded in the amount of EUR 93 thousand (2019: EUR 37 thousand) (see Note 11).

Interest from unwinding discount applied when recognising the provision for site restoration and liquidation is being unwound over the life of the provision and is included in the income statement as a financial item in finance costs. In 2020, the interest from unwinding discount was recorded in the amount of EUR 132 thousand (2019: EUR 183 thousand) (see Note 7).

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Notes to the Financial Statements For the Year Ended 31 December 2020

17. Trade and Other Payables

<i>In thousands of euro</i>	2020	2019
Trade payables	1 368	1 713
Tax liabilities	11	10
Short-term provisions for liabilities	210	344
Other payables and accrued expenses	143	144
Total	1 732	2 211

As at 31 December 2020 and 31 December 2019, short-term provisions for liabilities primarily consist of provisions for unbilled supplies.

18. Financial Risk Management and Financial Instruments

Credit risk, liquidity risk and market risk arise in the normal course of the Company's business and from the use of financial instruments.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor risks and adherence to limits. Using training and management standards and procedures, the Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

18.1. Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. Credit risk is primarily associated with the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the gas industry in which all customers operate. Each new customer is analysed individually for creditworthiness. Subsequently, payment terms and conditions are offered in accordance with the Company's rules of operation. Trade and other receivables relate mainly to the storage of gas and the provision of gas storage-related services. The Company does not require collateral in respect of trade and other receivables; however, a bank guarantee in favour of the Company may be required from customers.

Maximum exposure to credit risk

The carrying amount of financial assets disclosed in the financial statements, net of impairment losses, represents the Company's maximum exposure to credit risk without taking into account the value of any collateral received. The credit risk is concentrated mainly in the European Union.

Impairment losses

The majority of customers have been conducting business with the Company for several years and no losses have occurred during this period. As at 31 December 2020, the Company did not recognise any overdue trade receivables. The Company did not record any provisions for trade receivables as at 31 December 2020, except for the adoption of IFRS 9 (see Note 2.1).

Guarantees

The Company does not provide financial guarantees.

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Notes to the Financial Statements For the Year Ended 31 December 2020

18.2. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Company has sufficient cash to cover operating expenses during the year. The potential adverse impact of extraordinary circumstances that cannot reasonably be predicted, such as natural disasters, is covered by the Company's insurance policy.

The following table outlines the contracted maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

31 Dec 2020

In thousands of euro

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	1 732	1 732	1 732	-	-	-	269
Total	1 732	1 732	1 732	-	-	-	269

31 Dec 2019

In thousands of euro

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	2 211	2 211	2 211	-	-	-	262
Total	2 211	2 211	2 211	-	-	-	262

18.3. Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of the financial instruments the Company holds. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return at the given risk. Demand for the Company's products and their price development is mainly affected by the conditions on the gas market in the European Union and in Slovakia. The Company seeks to protect itself against such risks by an appropriate mixture of long- and short-term gas storage contracts and by indexation of the prices of long-term contracts.

18.4. Exposure Risk

The bulk of the revenues is generated by providing services to one customer with whom the Company has concluded a long-term gas storage contract. Company management is not aware of reasons why this contractual relationship should be terminated.

18.5. Interest Rate Risk

The Company's operating revenues and cash flows from operating activities are independent of changes to market interest rates. In 2020, the Company had no significant interest-bearing assets.

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Notes to the Financial Statements For the Year Ended 31 December 2020

18.6. Foreign Exchange Risk

After the change in its functional currency from the Slovak crown to the euro on 1 January 2009, the Company has only been exposed to foreign exchange risk to a minimum extent. This risk is still inherent in purchases of goods and services made in currencies other than the euro. During 2020, such purchases amounted to EUR 182 thousand.

The Company does not hedge against foreign exchange risk.

18.7. Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts due to the short-term nature of such financial instruments. The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss or through equity; therefore, a change in interest rates at the reporting date would not affect the Company's profit and loss or equity.

18.8. Capital Management

The policy of the Company's Board of Directors is to maintain a strong capital base so as to ensure the sustainability of the future business development and to maintain investor, creditor and market confidence.

19. Contingent Liabilities

19.1. Taxation

The tax environment in which the Company operates in the Slovak Republic is dependent on the prevailing tax legislation and practice, which has 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 to the corporate income tax base. Corporate income tax in the Slovak Republic is levied on each legal entity and, as a consequence, there is no concept of group taxation or relief. The tax authorities in the Slovak Republic have broad powers of interpretation of tax laws, which could result in unexpected results of tax reviews. The amount of any potential tax liabilities related to these risks cannot be estimated.

Tax returns remain open and may be subject to review over a period of five years. The fact that a certain period or tax return related to this period has been subject to review does not eliminate the possibility of this period being subject to an additional review during the five-year period. Accordingly, the Company's tax returns for 2015 to 2020 remain open and may be subject to review.

19.2. Capital Expenditures

As at 31 December 2020, the Company had concluded contracts for the acquisition of property, plant and equipment in the amount of EUR 355 thousand.

19.3. Energy Legislation Related to Gas Storage and Regulation

Slovak legislation in the gas sector mainly comprises Act No. 251/2012 Coll. on Energy and on the Amendment to and Supplementation of Certain Acts and Act No. 250/2012 Coll. on Regulation in Network Industries. At the EU level, the legislation mainly includes standards that form part of the 3rd Energy Package.

In connection with the implementation of the 3rd Energy Package in Austria, as of 1 January 2013 the Company has become a part of the Austrian gas market; therefore, it is also required to meet the legal requirements resulting therefrom.

Pursuant to applicable legislation, the Company is required to provide non-discriminatory access to underground gas storage facilities and to the use of gas storage services. Based on the amended legislation, tariffs for access to a storage facility and for gas storage are currently not subject to price regulation by the Regulatory Office for Network Industries (RONI).

POZAGAS a.s.

Notes to the Financial Statements For the Year Ended 31 December 2020

20. Related Parties

The Company's related parties have been identified as companies that have the ability to control or exercise significant influence over the Company in making financial and operating decisions, or members of the Company's Board of Directors, Supervisory Board, and management.

As at 31 December 2020, The Company's related parties mainly represented the Company's shareholders (SPP Infrastructure, a.s. and NAFTA a.s.) and their respective group companies, members of the Company's Board of Directors, Supervisory Board, and management.

NAFTA a.s. is customer to which the Company provided gas underground storage services and services related to the storage of natural gas in 2020 and 2019. NAFTA a.s. provided operating services to the Company.

The related party transactions are made on an arm's length basis.

20.1. Related Party Transactions

Purchases of services, raw materials and investments from related parties amounted to EUR 9 137 thousand in 2020 (2019: EUR 8 198 thousand) and sales to related parties accounted for less than one quarter of the Company's total revenues.

Receivables from related parties amounted to EUR 70 683 thousand as at 31 December 2020, including a receivable from the controlling entity in the amount of EUR 70 000 thousand (31 December 2019: EUR 61 658 thousand, including a receivable from the controlling entity in the amount of EUR 60 000 thousand).

Payables to related parties amounted to EUR 1 052 thousand as at 31 December 2020 (31 December 2019: EUR 1 320 thousand).

20.2. Transactions with the Members of the Board of Directors, Supervisory Board and Management

The Company is not involved in any significant or unusual transactions with the members of its Board of Directors, Supervisory Board and management.

Total wages, bonuses and related social contributions included in "personnel expenses" are (refer to Note 5):

<i>In thousands of euro</i>	2020	2019
Board of Directors and Supervisory Board	204	212
Executive management	281	281
Total	485	493

21. Supplementary Information to the IFRS Separate Financial Statements Based on the Slovak Statutory Requirements

21.1. Members of the Company's Bodies as at 31 December 2020

Body	Function	Name and Surname
Board of Directors	Chairman	Ladislav Goryl
	Member	Martin Bartošovič
	Member	Tomáš Miřacký
	Member	Szilárd Kása
Supervisory Board	Chairman	Ján Ikrényi
	Member	Milan Soták
	Member	Dušan Randuška

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Notes to the Financial Statements For the Year Ended 31 December 2020

Executive Management	Chief executive officer	Ivan Vaškor
	Chief trade and marketing officer	Martin Beňa
	Chief operation and development officer	Tomáš Ferencz

21.2. Unlimited Guarantee

The Company is not a partner with an unlimited guarantee in any business entity.

21.3. Consolidated Financial Statements

The Company provides information for consolidation to the group companies (shareholders). Consolidated financial statements are available at the following addresses:

SPP Infrastructure, a.s., Mlynské Nivy 44/a, 825 11 Bratislava, Slovak Republic

NAFTA a.s., Votrubova 1, 821 09 Bratislava, Slovak Republic

EP Infrastructure a.s., Pařížská 130/26, 11000 Praha, Czech Republic





Energetický a průmyslový holding a.s., Pařížská 130/26, 11000 Praha, Czech Republic

21.4. Type and Amount of Paid Insurance for Property, Plant and Equipment

Insured Item	Type of Insurance	Annual Premium	
		2020	2019
Property, plant and equipment	Insurance against natural disaster and theft, operations interruption insurance	108	108

22. Post Balance Sheet Events

From 31 December 2020 to the approval date of these financial statements there were no significant events that would significantly impact the Company's assets and liabilities.

Prepared on:	Signature of a Member of the Statutory Body of the Reporting Entity or an Individual Acting as a Reporting Entity:	Signature of the Person Responsible for the Preparation of the Financial Statements:	Signature of the Person Responsible for the Bookkeeping:
24 February 2021			
Approved on:			
24 February 2021			
	 Ladislav Goryl	 Jan Smatana	 Libuša Švecová
	 Szilárd Kása		