Slovnaft
MEMBER OF MOL GROUP

Slovnaft, a. s.

Separate Financial Statements prepared
in accordance with International Financial Reporting
Standards (IFRS) as adopted by the EU
and Independent Auditor's Report

for the year ended 31 December 2016

Building a better working world

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Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of SLOVNAFT, a.s. and to the Audit Committee:

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of SLOVNAFT, a.s. ("the Company"), which comprise the separate statement of financial position as at 31 December 2016, separate statement of comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Revenue recognition

The Company's net revenue for 2016 amounted to EUR 2,906 million. The Company has two significant revenue streams: Refining and marketing and Retail. It supplies various refining products to external customers as well as related parties in different countries based on various delivery conditions. Revenue is recognized when the risks and rewards of the underlying products have been transferred to the customer. In accordance with ISAs and also based on the diversity in revenue categories considering the differences between retail and wholesale sales, we have identified the occurrence, completeness and cut-off of revenue recognition as key audit matter.

Our audit procedures included consideration of the appropriateness of the Company's revenue recognition accounting policies and assessment of compliance with the policies in terms of IFRS EU. We tested the design and the effective operation of key controls within the sales processes. We also used the assistance of our IT specialists for testing of SAP application controls which cover the initiation, authorization and recording of sales transactions.

We performed an analysis of revenue based on our industry knowledge, forming separate expectations of revenue from different segments based on external market indicators such as development of quoted prices of Brent crude oil, FX rates, quoted prices of fuels and petrochemical products as well as internal information in respect of crude oil processing, sales volumes and production shutdown periods.

For transactions close to the balance sheet date, we tested that revenue cut-off was appropriately determined. We selected a sample of transactions, including larger sale invoices near the balance sheet date. We agreed the details of these transactions to the underlying contractual information or other supporting documents which demonstrated when the obligations had been fulfilled by the parties towards the transaction.

On a sample of credit notes in significant amount issued after the balance sheet date we tested whether they were recorded in the correct period.

We obtained debtors confirmations from selected customers as of 31 December 2016 and agreed the amounts to the Company's accounting records.

We also assessed the adequacy of the Company's disclosures in respect of the accounting policies on revenue recognition set out in note 2.3 xxv) of notes to the separate financial statements and whether they are compliant with IFRS EU.

Inventories net realizable value

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2016, management recorded write-downs to the cost of inventories. Bearing in mind the short-lived nature of the Company's inventories, sales prices of refinery products are directly exposed to fluctuation of crude oil prices. When evaluating the net realizable value of inventories in accordance with IAS 2, the Company should take into account actually achieved margins subsequent to the balance sheet date. We consider this as key audit matter as the assessment of the net realizable value of inventories is quite complex and judgmental especially in periods of changing external business environment.

We tested the design and the effective operation of key controls around valuation of inventories including controls related to calculation of inventory provision. We assessed the process, methods and assumptions used to develop the provision for slow moving, excess or obsolete items. This included audit procedures to establish whether the correct source data have been used in the determination of the valuation and procedures to obtain insight into the calculation model used to determine the net realizable value. We have obtained the source data, discussed the assumptions used with the management and have tested whether these are adequately recognized in the net recoverable value.

We obtained the cumulative sales report for the post balance sheet period with actual sales prices of refinery finished goods. On a sample basis we assessed that the information regarding quantity and selling price agree to the physically issued invoices. In order to assess whether the finished goods are not valued above their net realizable value we compared the selling prices of finished goods to particular prices per inventory sub-ledger as at 31 December 2016 and assessed whether positive sales margins were achieved.

We also assessed the adequacy of the Company's disclosures in respect of the accounting policies on inventories set out in note 2.3 xi) of notes to the separate financial statements and whether they are compliant with IFRS EU.

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

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

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 ISAs 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements including the presented information as well as whether the separate financial statements captures the underlying transactions and events in a manner that leads to their fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the separate financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the separate financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited separate financial statements or our knowledge obtained in the audit of the separate financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

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

- Information disclosed in the annual report prepared for 2016 is consistent with the separate financial statements for the relevant year.

- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the separate financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

3 March 2017
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

SLOVNAFT, a.s.

Separate financial statements
prepared in accordance with International Financial Reporting Standards
as adopted by EU

for the year ended 31 December 2016

Bratislava, 3 March 2017

Oszkár Világi
Chairman of the Board of Directors

Gabriel Szabó
Member of the Board of Directors

in € thousands	Notes	31 December 2016	31 December 2015	1 January 2015
			Restated	*Restated*
ASSETS				
Non-current assets				
Intangible assets	4	20,804	26,237	19,776
Property, plant and equipment	5	1,423,806	1,427,339	1,428,562
Investments in subsidiaries	6	137,154	72,703	57,531
Investments in associated companies	7	71,918	71,918	3,568
Available-for-sale financial assets	8	76	120	120
Other non-current assets	9	3,456	24,613	9,535
Total non-current assets		**1,657,214**	**1,622,930**	**1,519,092**
Current assets				
Inventories	10	245,088	193,001	219,649
Trade receivables	11	316,058	214,767	229,775
Income tax receivable		9,388	-	-
Other current assets	12	103,249	98,833	187,324
Cash and cash equivalents	13	75,222	142,510	30,615
Total current assets		**749,005**	**649,111**	**667,363**
TOTAL ASSETS		**2,406,219**	**2,272,041**	**2,186,455**
EQUITY AND LIABILITIES				
Equity				
Share capital	14	684,758	684,758	684,758
Share premium		121,119	121,119	121,119
Retained earnings	15	730,438	597,095	451,284
Other components of equity		-	77	(1,514)
Total equity		**1,536,315**	**1,403,049**	**1,255,647**
Non-current liabilities				
Long-term debt, net of current portion	16	232,034	260,557	277,816
Provisions for liabilities and charges	17	47,980	46,821	49,277
Deferred tax liabilities	26	43,893	32,257	21,937
Other non-current liabilities	18	13,649	14,204	14,408
Total non-current liabilities		**337,556**	**353,839**	**363,438**
Current liabilities				
Trade payables and other current liabilities	19	491,754	427,644	527,582
Provisions for liabilities and charges	17	5,273	10,619	4,822
Current portion of long-term debt	16	35,321	34,346	34,966
Income tax payable		-	42,544	-
Total current liabilities		**532,348**	**515,153**	**567,370**
TOTAL EQUITY AND LIABILITIES		**2,406,219**	**2,272,041**	**2,186,455**

in € thousands	Notes	2016	2015
Net revenue	20	2,906,029	3,416,063
Other operating income	21	8,880	14,862
Total operating income		**2,914,909**	**3,430,925**
Raw materials and consumables used		(2,239,706)	(2,691,207)
Personnel expenses	22	(92,149)	(92,121)
Depreciation, depletion, amortization and impairment	3	(132,615)	(113,088)
Value of services used	23	(153,055)	(143,805)
Other operating expenses	24	(105,653)	(101,365)
Change in inventories of finished goods and work in progress		32,928	(12,058)
Total operating expenses		**(2,690,250)**	**(3,153,644)**
Profit/(loss) from operations	**3**	**224,659**	**277,281**
Finance revenues	25	5,905	10,648
Finance expenses	25	(29,582)	(48,495)
Finance revenues/(expenses), net		**(23,677)**	**(37,847)**
Profit/(loss) before tax		**200,982**	**239,434**
Income tax expense	26	(41,913)	(52,429)
Profit/(loss) for the period		**159,069**	**187,005**
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit pension plans	17	(745)	82
Income tax relating to items that will not be reclassified to profit/(loss)	26	156	(18)
Total items that will not be reclassified to profit/(loss)		**(589)**	**64**
Cash flow hedges			
Fair value changes		189	(392)
Transferred to profit/(loss)		(288)	2,432
Income tax relating to items that may be reclassified subsequently to profit/(loss)	26	22	(449)
Total items that may be reclassified subsequently to profit/(loss)		**(77)**	**1,591**
Other comprehensive income for the period		**(666)**	**1,655**
Total comprehensive income for the period		**158,403**	**188,660**
Basic/diluted earnings per share (€)	**27**	**7.71**	**9.07**

Separate statement of changes in equity for the year ended 31 December 2016

in € thousands	Share capital	Share premium	Retained earnings	Other components of equity	**Total equity**
1 January 2015	**684,758**	**121,119**	**451,284**	**(1,514)**	**1,255,647**
Profit/(loss) for the period	-	-	187,005	-	**187,005**
Other comprehensive income for the period	-	-	64	1,591	**1,655**
Total comprehensive income for the period	**-**	**-**	**187,069**	**1,591**	**188,660**
Dividends	-	-	(41,250)	-	**(41,250)**
Other changes	-	-	(8)	-	**(8)**
31 December 2015	**684,758**	**121,119**	**597,095**	**77**	**1,403,049**
Profit/(loss) for the period	-	-	159,069	**-**	**159,069**
Other comprehensive income for the period	-	-	(589)	(77)	**(666)**
Total comprehensive income for the period	**-**	**-**	**158,480**	**(77)**	**158,403**
Business combinations (Note 6)	-	-	16,113	-	**16,113**
Dividends (Note 15)	-	-	(41,250)	-	**(41,250)**
31 December 2016	**684,758**	**121,119**	**730,438**	**-**	**1,536,315**

in € thousands	Notes	2016	2015 *Restated*
Profit/(loss) before tax		200,982	239,434
Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities			
Depreciation, depletion, amortization and impairment	3	132,615	113,088
Amortization of government grants	21	(1,432)	(562)
Write-down of inventories, net		(8,731)	(6,420)
Increase/(decrease) in provisions for liabilities and charges, net		(5,082)	3,423
(Profit)/loss from the sale of intangible assets and property, plant and equipment	21	(4,334)	(5,498)
Write-off of receivables and addition/(reversal) of impairment, net		(27)	1,974
Write-off liabilities		(21)	-
Net foreign exchange (gain)/loss on receivables and payables		8,094	17,938
Impairment/(reversal of impairment) of investments in subsidiaries	25	12	172
Impairment of available-for-sale financial assets	25	44	-
Interest revenue	25	(1,147)	(897)
Interest expense on borrowings	25	15,624	13,877
Net foreign exchange (gain)/loss on borrowings	25	3,028	13,361
Net foreign exchange loss on cash and cash equivalents	25	1,220	72
Other finance (profit)/loss, net		(3,015)	(1,973)
Dividends received	25	(1,427)	(6,359)
Book value of surrendered emission quotas		3,925	-
Revaluation of emission quotas	22,24	4,185	(5,305)
Other non-cash items		443	1,307
Operating cash flow before changes in working capital		**344,956**	**377,632**
(Increase)/decrease in inventories		(43,840)	33,416
(Increase)/decrease in trade receivables		(97,423)	16,394
(Increase)/decrease in other assets		8,860	71,282
Increase/(decrease) in trade payables		58,354	(99,740)
Increase/(decrease) in other liabilities		(3,551)	8,574
Corporate income tax paid		(81,496)	(31)
Net cash provided by/(used in) operating activities		**185,860**	**407,527**
Capital expenditures		(98,217)	(132,458)
Proceeds from disposal of intangible assets and property, plant and equipment		9,956	8,103
Acquisition of subsidiaries	6	(82,295)	(17,832)
Acquisition of associates		-	(68,350)
Long-term loans granted		-	(1,590)
Long-term loans repaid		5,268	3,000
Short-term loans (granted)/repaid, net		(4,870)	(1,520)
Interest received		1,107	863
Other finance income		21	50
Dividends received and income from the decrease of share capital of the subsidiaries		3,915	6,359
Cash and cash equivalents received in a business combination	6	328	-
Net cash provided by/(used in) investing activities		**(164,787)**	**(203,375)**
Proceeds from long-term bank borrowings		-	342,693
Repayments of long-term bank borrowings		(2,941)	(346,053)
Proceeds from/(repayments of) short-term bank borrowings, net		-	(79)
Repayments of long-term non-bank borrowings		(30,506)	(31,383)
Proceeds/(payments) from derivative transactions, net		3,215	2,505
Interest paid		(15,603)	(17,728)
Other finance costs		(109)	(1,021)
Dividends paid to shareholders		(41,197)	(41,119)
Net cash provided by/(used in) financing activities		**(87,141)**	**(92,185)**
Increase/(decrease) in cash and cash equivalents		**(66,068)**	**111,967**
Cash and cash equivalents at the beginning of the period	13	142,510	30,615
Effects of exchange rate changes	25	(1,220)	(72)
Cash and cash equivalents at the end of the period	13	75,222	142,510

1 General Information

SLOVNAFT, a.s. ("SLOVNAFT" or "the Company") was registered in Slovakia as a joint stock company on 1 May 1992. Prior to that date it was a state owned enterprise. The Company was set up in accordance with Slovak regulations. The Company has its primary listing on the Bratislava Stock Exchange.

The principal activities of the Company are the processing of crude oil and the distribution and sale of refined products.

The Company's registered address and registration numbers are:
SLOVNAFT, a.s.
Vlčie hrdlo 1
824 12 Bratislava
Slovak Republic
Registration number: 31 322 832
Tax registration number: 2020372640

Since April 2003 the major shareholder of the Company is MOL Nyrt., incorporated and domiciled in Hungary.

The Company is not partner with unlimited liability in any company.

As at 31 December 2016, the Company had 2,297 employees (31 December 2015: 2,389). Average calculated number of employees as at 31 December 2016 was 2,316 employees (31 December 2015: 2,383), 113 of which were management (31 December 2015: 117 managers).

2.1 Authorization, Statement of Compliance and Basis of Preparation

i) Authorization and Statement of Compliance

These separate financial statements were approved and authorized for issue by the Board of Directors on 3 March 2017.

The separate financial statements of the Company for the previous period were approved by the Annual General Meeting of the Company held on 7 April 2016.

These separate financial statements are placed at the Company's registered address, at the Register of financial statements, and at the Commercial Register of District Court in Bratislava I, Záhradnícka 10, 812 44 Bratislava.

These separate financial statements have been prepared as ordinary separate financial statements according to Section 17 (6) of the Slovak Accounting Act No. 431/2002 Coll. as later amended.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all applicable IFRS that have been adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

With effect from 1 January 2006, the change in the Slovak Accounting Act requires the Company to prepare its financial statements in accordance with IFRS as adopted by the European Union ("EU"). At this time, due to the endorsement process of the EU, there is no difference between the IFRS policies applied by the Company and those adopted by the EU.

ii) Basis of Preparation

These separate financial statements have been prepared in accordance with IFRS issued and effective on 31 December 2016.

For the purpose of the application of the historical cost convention, the financial statements treat the Company as having come into existence on 1 May 1992, at the carrying values of assets and liabilities determined at that date, subject to the IFRS adjustments.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the Notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may differ from those estimations.

The financial year is the same as the calendar year.

The separate financial statements are presented in thousands of Euro.

iii) Information on Consolidated Group

The financial statements of the Company are included in the consolidated financial statements of the SLOVNAFT Group which are part of the consolidated financial statements of the MOL Group. MOL Nyrt., Október huszonharmadika u. 18, 1117 Budapest, Hungary, prepares the Group's consolidated financial statements. The consolidated financial statements are available directly at the registered address of the company stated above.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those applied in the separate financial statements at 31 December 2015 apart from some minor modifications in the classification of certain items in the separate statement of financial position, and the separate statement of cash flows, none of which has resulted in a significant impact on the separate financial statements.

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the accounting period:

- IFRS 10 Consolidated Financial Statements - Amendment regarding the application of the consolidation exception
- IFRS 11 Joint Arrangements - Amendment regarding the accounting for acquisitions of an interest in a joint operation
- IFRS 12 Disclosure of Interests in Other Entities - Amendment regarding the application of the consolidation exception
- IAS 1 Presentation of Financial Statements - Amendment resulting from the disclosure initiative
- IAS 16 Property, Plant and Equipment - Amendment regarding the clarification of acceptable method of depreciation and amortization
- IAS 16 Property, Plant and Equipment - Amendment bringing bearer plants into the scope of IAS 16
- IAS 27 Separate Financial Statements - Amendment reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements
- IAS 28 Investments in Associates and Joint Ventures - Amendment regarding the application of the consolidation exception
- IAS 38 Intangible Assets – Amendment regarding the clarification of acceptable method of depreciation and amortization
- IAS 41 Agriculture - Amendment bringing bearer plants into the scope of IAS 16

Annual improvements to IFRSs (issued in September 2014)

Application of the amendments did not have any impact on the financial statements of the Company.

2.3 Summary of significant accounting policies

i) Presentation Currency

Based on the economic substance of the underlying events and circumstances, Euro (€) was determined as the currency of Company's presentation.

ii) Subsidiaries and Associated Companies

Securities and shares in subsidiaries and associated companies which are not classified as held-for-sale are recognized in carrying value representing acquisition cost less potential accumulated losses of impairment.

Securities and shares in subsidiaries and associated companies classified as held-for-sale are recognized in the lower of carrying value or fair value less disposal costs.

Acquisition cost of securities and shares in subsidiaries and associated companies is the purchase price of acquired securities or shares.

iii) Joint arrangements

An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements. Joint arrangements are divided into two types: joint operation and joint venture. The type of the arrangement should be determined by considering the rights and obligations of the parties arising from the arrangement into normal course of business.

If the Company has rights to assets and obligations for the liabilities relating to the arrangement than the arrangement is qualified as a joint operation. The Company's interest in a joint operation is accounted for by recognizing its relative share of assets, liabilities, income and expenses of the arrangement combining with similar items in the separate financial statements on a line-by-line basis.

When the Company contributes or sells assets to the joint operation, based on the substance of the transaction gain or loss from the transaction is recognized only to the extent of other parties' interest in the joint operation. When the Company purchases assets from the joint operation, the Company does not recognize its share of the profits of the joint operation from the transaction until it resells the assets to an independent party.

If the Company has rights to the net assets of the arrangement then the arrangement is qualified as a joint venture. The Company's investments in joint ventures are recognized in carrying value representing acquisition cost less potential accumulated losses of impairment. Acquisition cost of securities and shares in joint ventures is the purchase price of acquired securities or shares.

The investments in joint ventures classified as held-for-sale are recognized in the lower of carrying value or fair value less disposal costs.

iv) Investments and Other Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the Company first becomes a party to it.

Purchases and sales of investments are recognized on settlement date which is the date when the asset is delivered to the counterparty.

The Company's financial assets are classified at the time of initial recognition depending on their nature and purpose. Financial assets include cash and short-term deposits, trade receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or meet the definition of financial guarantee contract. Gains or losses on investments held for trading are recognized as finance revenues or finance expenses.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. Such financial assets are recorded as current, except for those instruments which are not due for settlement within 12 months after the end of the reporting period and are not held with the primary purpose of being traded. In this case all payments on such instruments are classified as non-current.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the profit/loss for the period when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit/loss for the period when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized as other comprehensive income in the fair valuation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recorded as other comprehensive income is recognized in the profit/loss for the period.

After initial recognition available-for-sale financial assets are evaluated on the basis of existing market conditions and management's intent to hold the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Company may choose to reclassify these financial assets to loans and receivables or held-to-maturity investments when this is in accordance with the applicable IFRS.

Fair value

For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market prices at the close of business on the last day of the reporting period without any deduction for transaction costs. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

v) Classification and Derecognition of Financial Instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The derecognition of a financial asset takes place when the Company no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. When the Company neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognizes its retained interest in the asset and a liability for the amounts it may have to pay. Financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

vi) Derivative Financial Instruments

The Company uses derivative financial instruments such as forward currency contracts to reduce its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit/loss for the period as financial income or expense.

Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- A hybrid (combined) instrument is not measured at fair value with changes in fair value reported in the profit/loss for the period.

vii) Hedging

Hedge accounting recognizes the offsetting effects of changes in the fair values of the hedging instrument and the hedged item in profit/loss for the period. For the purpose of hedge accounting, hedges are classified as:

- Fair value hedge,
- Cash flow hedge or
- Hedge of a net investment in a foreign operation.

At the inception of the hedge the Company formally designates and documents the hedging relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the method how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedge is expected to be highly effective in achieving offsetting of changes in fair value or cash flows attributable to the hedged risk and is assessed on an ongoing basis to determine that it actually have been highly effective throughout the financial reporting periods for which it was designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

<u>Fair value hedge</u>

Fair value hedge is a hedge of the Company's exposure to changes in fair value of recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit/loss for the period.

The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 (for a non-derivative hedging instrument) is recognized in profit/loss for the period. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit/loss for the period. The same method is used in case the hedged item is an available-for-sale financial asset.

The adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit/loss for the period over the remaining term to maturity of the financial instrument. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit/loss for the period. The changes in the fair value of the hedging instrument are also recognized in profit/loss for the period.

The Company discontinues fair value hedge accounting if the hedging instrument expires, the hedging instrument is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Cash flow hedge

Cash flow hedge is a hedge of the Company's exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit/loss for the period.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit/loss for the period.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from other comprehensive income to profit/loss in the same period or periods during which the asset acquired or liability assumed affects profit/loss for the period. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognized in other comprehensive income are transferred to the initial cost or other carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income are reclassified from other comprehensive income to profit/loss for the period. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation, the cumulative gain or loss that has been recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs.

Hedge of a net investment in a foreign operation

Hedge of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for similarly to cash flow hedge. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The ineffective portion gain or loss on the hedging instrument is recognized in profit/loss for the period. On the disposal or period disposal of the foreign operation, the cumulative gains or losses on the hedging instrument relating to the effective portion of the hedge that has been recognized in other comprehensive income are reclassified to profit/loss for the period.

viii) Impairment of Financial Assets

The Company assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. Impairment losses on a financial asset or group of financial assets are recognized only if there is an objective evidence of impairment due to a loss event and this loss event significantly impacts the estimated future cash flows of the financial asset or group of financial assets.

Assets carried at amortized cost

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit/loss for the period.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the profit/loss for the period, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If a future write-off is later recovered, the recovery is recognized in the profit/loss for the period.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the profit/loss for the period, is transferred from other comprehensive income to the profit/loss for the period. Impairment losses recognized on equity instruments classified as available-for-sale are not reversed; increases in their fair value after impairment are recognized directly in other comprehensive income. Impairment losses recognized on debt instruments classified as available-for-sale are reversed through the profit/loss for the period; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the profit/loss for the period.

ix) Cash and Cash Equivalents

Cash includes cash on hand and bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturity less than three months from the date of acquisition and that are subject to an insignificant risk of change in value.

x) Trade and Other Accounts Receivable

Receivables are initially recognized at amortized cost using the effective interest rate method less any allowance for impairment of doubtful receivables. A provision for impairment is recognized in the profit/loss for the period when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

If collection of trade receivables is expected within the normal business cycle which is one year or less, they are classified as current assets. If not, they are presented as non-current assets.

xi) Inventories

Inventories, including work-in-progress are valued at the lower of cost and net realizable value, after provision for slow-moving and obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of making the sale. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Cost of purchased goods, including crude oil, is determined primarily using the FIFO method. The acquisition cost of own produced inventory consists of direct materials, direct wages and the appropriate portion of production overhead expenses including royalty but excludes borrowing costs. Unrealizable inventory is fully written off.

xii) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost (or the carrying value of the assets determined as at 1 May 1992) less accumulated depreciation, depletion and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit/loss for the period.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Estimated decommissioning and site restoration costs are capitalized either upon initial recognition or, if decision on decommissioning is made subsequently, at the time of the decision. Changes in estimates thereof adjust the carrying amount of assets. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhead costs (except for periodic maintenance and inspection costs), are normally charged to the profit/loss in the period in which the costs are incurred. Periodic maintenance and inspection costs are capitalized as a separate component of the related assets.

Construction in progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant asset is available for use.

Land owned at the date of the establishment of the Company has been stated at the values attributed to it in the legislation incorporating the Company. These values are treated as cost. Land is carried at cost less any impairment provisions. Land is not depreciated.

xiii) Intangible Assets

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company; and the cost of the asset can be measured reliably.

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortization is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method. The amortization period and the amortization method are reviewed annually at the end of the period. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage cannot be amortized. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the period indicating that the carrying value may not be recoverable.

xiv) Depreciation, Depletion and Amortization

Depreciation of each component of intangible assets and property, plant and equipment is computed on a straight-line basis over their respective useful lives. Usual periods of useful lives for different types of intangible assets and property, plant and equipment are as follows:

	Years
Software	3 - 5
Buildings	30 - 50
Machinery and equipment	8 - 20
Other fixed assets	4 - 8

Amortization of leased assets is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less. Periodic maintenance and inspection costs are depreciated until the next similar maintenance takes place.

The useful life and depreciation methods are reviewed at least annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of intangible assets and property, plant and equipment.

xv) Impairment of Non-financial Assets

Intangible assets and property, plant and equipment are reviewed for impairment when annual impairment testing for an asset is required or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount, an impairment loss is recognized in the profit/loss for the period for items of intangibles and property, plant and equipment carried at cost. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated net future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not practicable, for the cash-generating unit. The Company assesses at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor is higher than its carrying amount net of depreciation, had no impairment loss been recognized in prior years.

xvi) Loans and Borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net in the profit/loss for the period when the liabilities are derecognized, as well as through the amortization process, except to the extent they are capitalized as borrowing costs.

xvii) Provisions for Liabilities and Charges

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is actually certain. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as an interest expense.

<u>Provision for Environmental Expenditures</u>

Liabilities for environmental costs are recognized when environmental clean-ups are probable and the associated costs can be reliably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required.

<u>Provision for Redundancy</u>

The employees of the Company are eligible for redundancy payment immediately upon termination, pursuant to the Slovak law (Labor Code, § 63, ods.1, point a), b), c)) and the terms of the Collective Agreement between the Company and its employees. The amount of such a liability is recorded as a provision for liabilities and charges when the workforce reduction program is defined, announced and the conditions for its implementation are met.

<u>Provision for Retirement Benefits</u>

Pension plans

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions and will have no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Unfunded defined benefit pension plan

The Company operates benefit schemes that provide a lump sum benefit to all employees at the time of their retirement. The Company provides a maximum of up to 7 months of the average salary depending on the length of the service period.

The provision in respect of defined benefit pension plans is recognized at the end of the reporting period in the present value of the obligation which takes into account also adjustments for actuarial gains and losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Amendments to pension plans are charged or credited to the revenues and expenses in the period when incurred. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Actuarial gains and losses are transferred to retained earnings on annual basis.

None of these plans have separately administered funds; therefore there are no plan assets.

Defined contribution pension plans

The Company contributes to the government and private defined contribution pension plans.

The Company makes insurance contributions to the Government's social and public health insurance schemes based on the statutory base which constitutes taxable income of an employee from the employer. Throughout the whole period the Company made contributions for that purpose amounting to 35.2% (2015: 35.2%) of the given base but in maximum from amount of €4,290.00 (2015: €4,120.00) together with contributions by employees of a further 13.4% (2015: 13.4%). The cost of these statutory contributions made by the Company is charged to the profit/loss in the same period as the related personnel expenses.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company makes contributions to the supplementary scheme amounting to 3% - 6% (2015: 3% - 6%) from the total of monthly wage and compensations of an employee.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without a possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to the present value.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognized in Other current liabilities and is paid out after the evaluation of the performance in the given year.

Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

Other

The Company also pays certain work and life jubilees benefits and disability benefits.

The provision in respect of work and life jubilees benefits plan is recognized at the end of the reporting period in the present value of the obligation which takes into account also adjustments for actuarial gains and losses. The work and life jubilees benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the work and life jubilees benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Amendments to work and life jubilees benefit plan and actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the revenues and expenses in the period when incurred.

xviii) Greenhouse Gas Emissions

The Company receives free emission rights as a result of the European Emission Trading Schemes. The rights are received on an annual basis and in return the Company is required to remit rights equal to its actual emissions. The Company has adopted a net liability approach to the emission rights granted. Under this method the granted emission rights are measured at nil and a provision is only recognized when actual emissions exceed the emission rights granted. Where emission rights are purchased from third parties, they are recorded at cost, and treated as a reimbursement right.

xix) Share-based Payment Transactions

Certain employees of the Company receive remuneration dependent on the parent company's MOL Nyrt. share price. The cost of these cash-settled transactions is measured initially at fair value using the binomial model. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is remeasured at each end of the reporting period up to and including the settlement date to fair value with changes therein recognized in the profit/loss for the period.

xx) Leases

The determination whether an arrangement contains or is a lease depends on the substance of the arrangement at inception date. If fulfillment of the arrangement depends on the use of a specific asset or conveys the right to use the asset, it is deemed to contain a lease element and is recorded accordingly.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the expenses. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

xxi) Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit/loss over the expected useful life of the relevant asset by equal annual installments.

xxii) Retained earnings

Retained earnings shown in the separate financial statements do not represent the distributable reserves for dividend purposes. Retained earnings comprise also the Legal Reserve Fund set up in accordance with the Slovak legislation to cover potential future losses. The Legal Reserve Fund is not distributable.

xxiii) Other components of equity

Other components of equity represent items charged or credited to other comprehensive income.

Actuarial gains and losses

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions for pension plans. Actuarial gains and losses are transferred to retained earnings on annual basis.

Fair valuation reserve

The fair valuation reserve includes the cumulative net change in the fair value of available-for-sale financial instruments.

xxiv) Dividends

Dividends are recorded in the period in which they are approved by the Annual General Meeting.

xxv) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of VAT, excise tax and discounts when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed. Retail revenues are recognized at a point of sale to the customer as cash or credit card sale. Revenues from wholesale are recognized when the significant risks and rewards of ownership of the goods sold have passed to the buyer (e. g. according to the relevant INCOTERMS).

Interest is recognized on a time-proportionate basis that reflects the effective yield on the related asset. Dividends due are recognized when the shareholders' right to receive payment is established. Changes in the fair value of derivatives not qualifying for hedge accounting are reflected in the profit/loss in the period the change occurs.

xxvi) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs.

xxvii) Income Taxes

The income tax charge consists of current and deferred taxes.

The current income tax is based on taxable profit for the period. Taxable profit differs from profit as reported in the separate statement of comprehensive income because of items of income or expense that are never taxable or deductible or are taxable or deductible in other periods.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and tax losses when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax liabilities are not recognized in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

At each end of the reporting period, the Company re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized.

Current and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including an adjustment to the opening balance of reserves resulting from a change in accounting policy that is applied retrospectively.

xxviii) Other Taxes

Other taxes (e.g. real estate tax, road tax) are included in Other operating expenses.

Excise tax

Revenues, expenses, assets, and liabilities are recognized net of the amount of excise tax, except:

- When the excise tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the excise tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable, and
- Receivables and payables that are stated with the amount of excise tax included.

The net amount of excise tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

xxix) Foreign Currency Transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the profit/loss in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange ruling at the end of the reporting period. Items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences both on trade receivables and payables and on borrowings are recorded as financial income or expense.

xxx) Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average of number of shares outstanding during the period after deduction of the average number of treasury shares held over the period. There are no dilutive potential ordinary shares. All the shares bear the same rights.

xxxi) Segmental Disclosure

For management purposes the Company is organized into the following operating segments: Refining and Marketing, Retail, Gas and Power and Corporate services. The Company follows criteria set by IFRS 8 Operating Segments to determine number and type of reportable segments. On the level of accounting unit as a whole, the Company discloses information on revenues to external customers for major products and services, respectively groups of similar products and services, information on revenues to external customers and on non-current assets by geographical locations, and information about major customers.

xxxii) Contingencies

Contingent assets are not recognized in the separate financial statements but disclosed in the Notes when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the separate financial statements unless they are acquired in a business combination. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote.

2.4 Significant accounting judgments and estimates

i) Critical judgments in applying the accounting policies

In the process of applying the accounting policies which are described above, management has made certain judgments that have significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however, the most significant judgments relate to the following:

Environmental provisions

Regulations, especially environmental legislation does not exactly specify the extent of remediation work required or the technology to be applied. Management uses its previous experience and its interpretation of the respective legislation to determine the amount of environmental provision. The environmental provision is €40,648 thousand and €39,447 thousand as at 31 December 2016 and 31 December 2015, respectively (Note 17).

Outcome of certain litigations

The Company is party to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses its own judgment to assess the most likely outcome of these and a provision is recognized when necessary.

ii) Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the Notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, actual results may defer from these estimates. These are detailed in the respective notes; however, the most significant estimates comprise the following:

Calculation of fair value of financial instruments

Fair valuation of financial instruments is performed by reference to quoted market prices or, in absence thereof reflects the market's or the management's estimate on the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates.

Quantification and timing of environmental liabilities

Management estimates the future cash outflow associated with environmental and decommissioning liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash-flows reflects managements' current assessment of priorities, technical capabilities and the urgency of fulfillment of such obligations. Consequently, the carrying amount of these liabilities of €40,648 thousand and €39,447 thousand as at 31 December 2016 and 31 December 2015 respectively is exposed to uncertainty (Note 17).

Impairment of intangible assets and property, plant and equipment

The impairment calculation requires an estimate of the 'value in use' of the cash-generating units. Such value is measured based on discounted projected cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows. Impairment loss, as well as reversal of impairment loss is recognized in the profit/loss for the period.

Based on the estimate of value in use the Company has recorded of impairment of intangible assets and property, plant and equipment of €2,340 thousand in 2016 (2015: revenue from reversal of impairment €11 thousand) (Note 4 and 5).

Useful lives and residual values of property, plant and equipment

The Company annually reviews the estimated useful lives and residual values of property, plant and equipment. The financial effect of the review represents following increase/(decrease) of depreciation expense in 2016 and in following years:

in € thousands	**2016**	**2017**	**2018**	**2019**	**2020**	**After 2020**
Depreciation, depletion, amortization and impairment	(439)	(226)	(61)	112	32	581

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Provisions for long-term employee benefits amount to €12,195 thousand as at 31 December 2016 (31 December 2015: €11,789 thousand), thereof €11,337 thousand representing retirement benefits (31 December 2015: €10,862 thousand) and €858 thousand representing life jubilee benefits (31 December 2015: €927 thousand) (Note 17).

2.5 Issued but not yet effective International Financial Reporting Standards

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 2 Shared-based Payment – Amendments to clarify the classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018, this amendment has not been approved by EU yet)
- IFRS 4 Insurance Contracts – Amendments regarding interaction of IFRS 4 and IFRS 9 (effective for annual periods beginning on or after 1 January 2018, this amendment has not been approved by EU yet)
- IFRS 7 Financial Instruments: Disclosures - Amendment requiring disclosures about initial application of IFRS 9 (effective from application of IFRS 9)
- IFRS 7 Financial Instruments: Disclosures - Amendment requiring additional hedge accounting disclosures related to application of IFRS 9 (effective from application of IFRS 9)
- IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018)
- IFRS 10 Consolidated Financial Statements - Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date is not defined, this amendment has not been approved by EU yet)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016, this standard has not been approved by EU yet)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, this standard has not been approved by EU yet)
- IAS 7 Statement of cash flows - Amendment resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2017, this amendment has not been approved by EU yet)
- IAS 12 Income taxes – Amendments regarding the recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on or after 1 January 2017, this amendment has not been approved by EU yet)
- IAS 28 Investments in Associates and Joint Ventures - Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date is not defined, this amendment has not been approved by EU yet)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment defines exceptions to application of IFRS 9 for hedge accounting (effective from application of IFRS 9)
- IAS 40 Investment Property – Amendments to clarify transfers of property to, or from investment property (effective for annual periods beginning on or after 1 January 2018, this amendment has not been approved by EU yet)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018, this interpretation has not been approved by EU yet)
- Annual improvements to IFRSs (issued in December 2016, effective for annual periods beginning on or after 1 January 2017 and 2018, this amendment has not been approved by EU yet)

The principal effects of these changes are as follows:

<u>IFRS 9 Financial Instruments - Classification and Measurement</u>
IFRS 9 replaces IAS 39 and reduces categories of financial assets to those measured at amortized cost and those measured at fair value. The classification of financial instruments is made at initial recognition based on results of business model test and cash flow characteristics test. IFRS 9 contains an option to designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The entity can make an irrevocable election at initial recognition to measure equity investments, which are not held for trading, at fair value through other comprehensive income with only dividend income recognized in profit or loss. The standard introduces ‘expected credit loss’ impairment model for financial assets. IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. It is expected that the adoption of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets and liabilities, and on hedge accounting.

<u>IFRS 15 Revenue from Contracts with Customers</u>
IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities

and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases
In January 2016, the IASB issued the new standard for reporting of leases - IFRS 16 Leases, which replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. In the case of the lessee, the new standard provides a single accounting model, and require recognition of assets and liabilities for all leases. Exceptions are leases contracted for less than 1 year, and leases with low value underlying assets. This removes the present distinction between finance and operative leases for lessee. Lessors continue to classify leases as operating or finance similarly to IAS 17. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

The other standards are not expected to have a material impact on the financial statements of the Company.

3 Segmental information

Operating segments

The Company manages its operations in the following segments: Refining and Marketing, Retail, Gas and Power and Corporate Services. Refining and Marketing segment processes crude oil and markets refinery products and plastics. Retail segment operates network of petrol stations. Gas and Power segment produces electricity, heat and treat water for production units. Corporate Services segment includes corporate services and financing of other segments.

The Company reports following reportable operating segments: Refining and Marketing (i.e. aggregated Refining and Marketing with Gas and Power) and Retail. Other segments consist of Corporate Services.

The accounting policies of the operating segments are the same as those described in the Summary of significant accounting policies in Note 2.3.

The internal transfer prices are derived from international quoted market prices (Platt's or ICIS) and reflect the international nature of the oil business.

2016 *in € thousands*	**Refining and Marketing**	**Retail**	**Other segments**	**Intersegment transfers**	**Total**
Revenues from external customers	2,485,618	412,583	7,828	-	2,906,029
Inter-segment revenues	313,597	-	28,318	(341,915)	-
Segment revenues	**2,799,215**	**412,583**	**36,146**	**(341,915)**	**2,906,029**
Profit/(loss) from operations	**202,242**	**39,648**	**(17,231)**	**-**	**224,659**
Other information:					
Additions to non-current assets *	78,523	14,594	92,371	-	185,488
Depreciation, depletion, amortization and impairment	(113,868)	(13,634)	(5,113)	-	(132,615)
out of it: (impairment losses)/ reversal of impairment losses, net	*(2,772)*	-	432	-	*(2,340)*
Other non-cash revenues/(expenses), net	10,188	372	547	-	11,107

2015 *in € thousands*	**Refining and Marketing**	**Retail**	**Other segments**	**Intersegment transfers**	**Total**
Revenues from external customers	3,015,977	392,124	7,962	-	3,416,063
Inter-segment revenues	313,230	-	28,656	(341,886)	-
Segment revenues	**3,329,207**	**392,124**	**36,618**	**(341,886)**	**3,416,063**
Profit/(loss) from operations	**261,442**	**31,426**	**(15,587)**	**-**	**277,281**
Other information:					
Additions to non-current assets *	99,331	8,531	95,379	-	203,241
Depreciation, depletion, amortization and impairment	(99,043)	(9,227)	(4,818)	-	(113,088)
out of it: (impairment losses)/ reversal of impairment losses, net	*31*	*(8)*	*(12)*	-	*11*
Other non-cash revenues/(expenses), net	2,693	168	5,077	-	7,938

** Additions to non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.*

The Company evaluates performance of the segments on the bases of profit/loss from operations. Interest income and expense, and income tax expense are not allocated to the segments.

2016 *in € thousands*	**Refining and Marketing**	**Retail**	**Other segments**	**Not allocated items**	**Total**
ASSETS					
Non-current assets					
Intangible assets	15,570	21	5,213	-	20,804
Property, plant and equipment	1,154,700	194,760	74,346	-	1,423,806
Investments in subsidiaries	-	-	137,154	-	137,154
Investments in associated companies	-	-	71,918	-	71,918
Available-for-sale financial assets	-	-	76	-	76
Other non-current assets	2,701	35	720	-	3,456
Total non-current assets	**1,172,971**	**194,816**	**289,427**	**-**	**1,657,214**
Current assets					
Inventories	219,282	137	25,669	-	245,088
Trade receivables	308,973	5,504	1,581	-	316,058
Income tax receivable	-	-	-	9,388	9,388
Other current assets	45,250	1,121	3,216	53,662	103,249
Cash and cash equivalents	-	-	-	75,222	75,222
Total current assets	**573,505**	**6,762**	**30,466**	**138,272**	**749,005**
TOTAL ASSETS	**1,746,476**	**201,578**	**319,893**	**138,272**	**2,406,219**
LIABILITIES					
Non-current liabilities					
Long-term debt, net of current portion	-	-	-	232,034	232,034
Provisions for liabilities and charges	36,604	-	11,376	-	47,980
Deferred tax liabilities	-	-	-	43,893	43,893
Other non-current liabilities	11,761	88	1,800	-	13,649
Total non-current liabilities	**48,365**	**88**	**13,176**	**275,927**	**337,556**
Current liabilities					
Trade payables and other current liabilities	375,257	28,061	20,137	68,299	491,754
Provisions for liabilities and charges	4,366	87	820	-	5,273
Current portion of long-term debt	-	-	-	35,321	35,321
Total current liabilities	**379,623**	**28,148**	**20,957**	**103,620**	**532,348**
TOTAL LIABILITIES	**427,988**	**28,236**	**34,133**	**379,547**	**869,904**

2015 *in € thousands*	**Refining and Marketing**	**Retail**	**Other segments**	**Not allocated items**	**Total**
ASSETS					
Non-current assets					
Intangible assets	22,603	268	3,366	-	26,237
Property, plant and equipment	1,198,879	155,195	73,265	-	1,427,339
Investments in subsidiaries	-	-	72,703	-	72,703
Investments in associated companies	-	-	71,918	-	71,918
Available-for-sale financial assets	-	-	120	-	120
Other non-current assets	3,611	5	745	20,252	24,613
Total non-current assets	**1,225,093**	**155,468**	**222,117**	**20,252**	**1,622,930**
Current assets					
Inventories	164,740	3	28,258	-	193,001
Trade receivables	207,454	3,353	3,960	-	214,767
Other current assets	55,617	589	6,421	36,206	98,833
Cash and cash equivalents	-	-	-	142,510	142,510
Total current assets	**427,811**	**3,945**	**38,639**	**178,716**	**649,111**
TOTAL ASSETS	**1,652,904**	**159,413**	**260,756**	**198,968**	**2,272,041**
LIABILITIES					
Non-current liabilities					
Long-term debt, net of current portion	-	-	-	260,557	260,557
Provisions for liabilities and charges	35,573	-	11,248	-	46,821
Deferred tax liabilities	-	-	-	32,257	32,257
Other non-current liabilities	12,084	142	1,978	-	14,204
Total non-current liabilities	**47,657**	**142**	**13,226**	**292,814**	**353,839**
Current liabilities					
Trade payables and other current liabilities	310,024	22,548	28,437	66,635	427,644
Provisions for liabilities and charges	9,980	97	542	-	10,619
Current portion of long-term debt	-	-	-	34,346	34,346
Income tax payable	-	-	-	42,544	42,544
Total current liabilities	**320,004**	**22,645**	**28,979**	**143,525**	**515,153**
TOTAL LIABILITIES	**367,661**	**22,787**	**42,205**	**436,339**	**868,992**

Not allocated items involve cash and cash equivalents, received and provided loan facilities, payable and deferred tax receivables and payables, payables of social fund and payables to shareholders by reason of dividend payout.

The operating profit of the segments includes the profit arising both from sales to third parties and transfers to the other business segments. Refining and Marketing transfers part of produced motor fuels to Retail.

The inter-segment transfers include the effect on operating profit of the change in the amount of unrealized profit deferred in respect of transfers between segments. Unrealized profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent period. For segmental reporting purposes the transferring segment records a profit immediately at the point of transfer. However, at the Company's level, the profit is only reported when the related third party sale has taken place. Unrealized profits arise principally in respect of transfers from Other segments to Refining and Marketing.

The Company practices following asymmetrical allocation among segments - Retail segment reports revenues from sale of motor fuels while its inventory in petrol stations is reported under Refining and Marketing segment.

Geographical information

Non-current assets:

in € thousands	2016	2015
Slovak Republic	1,550,326	1,495,745
The Netherlands (Note 7)	68,350	68,350
Poland (Note 6)	38,463	38,463
Total	**1,657,139**	**1,602,558**

Non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

4 Intangible assets

in € thousands	Emission rights	Rights	Software	Total
Cost				
1 January 2015	1,203	35,092	50,367	86,662
Additions	2,149	439	3,542	6,130
Revaluation	5,305	-	-	5,305
Disposals	(2,359)	-	(396)	(2,755)
Transfers	-	1	368	369
31 December 2015	**6,298**	**35,532**	**53,881**	**95,711**
Additions	5,571	304	3,670	9,545
Business combinations (Note 6)	-	-	234	234
Revaluation	(4,185)	-	-	(4,185)
Disposals	(7,223)	-	(437)	(7,660)
Transfers	-	-	71	71
31 December 2016	**461**	**35,836**	**57,419**	**93,716**
Amortization and impairment				
1 January 2015	-	24,997	41,889	66,886
Amortization	-	87	2,874	2,961
Disposals		-	(373)	(373)
31 December 2015	**-**	**25,084**	**44,390**	**69,474**
Amortization	-	570	2,920	3,490
Business combinations (Note 6)	-	-	202	202
Impairment	-	172	-	172
Disposals	-	-	(426)	(426)
31 December 2016	**-**	**25,826**	**47,086**	**72,912**
Net book value				
31 December 2016	461	10,010	10,333	20,804
31 December 2015	6,298	10,448	9,491	26,237
1 January 2015	1,203	10,095	8,478	19,776

Software is being amortized evenly over its useful economic life.

The Company has no intangible assets with an indefinite useful life.

Leased assets

Intangible assets acquired on finance lease:

in € thousands	**Rights**	**Software**	**Total**
31 December 2016			
Cost	26	1,457	1,483
Accumulated amortization and impairment	(26)	(1,394)	(1,420)
Net book value	**-**	**63**	**63**
31 December 2015			
Cost	26	1,486	1,512
Accumulated amortization and impairment	(26)	(1,460)	(1,486)
Net book value	**-**	**26**	**26**

Additions during the year 2016 include €59 thousand (2015: €0 thousand) of Intangible assets under finance leases.

5 Property, plant and equipment

in € thousands	**Land and buildings**	**Machinery and equipment**	**Other**	**Construction in progress**	**Total**
Cost					
1 January 2015	1,090,460	1,765,927	86,271	284,670	3,227,328
Additions	-	-	-	110,089	110,089
Put to use	39,267	98,628	4,591	(142,486)	-
Disposals	(1,370)	(14,234)	(2,067)	(132)	(17,803)
Transfers	-	(16)	16	(369)	(369)
31 December 2015	**1,128,357**	**1,850,305**	**88,811**	**251,772**	**3,319,245**
Additions	-	-	-	92,901	92,901
Put to use	107,214	161,354	7,749	(276,317)	-
Business combinations (Note 6)	32,683	2,939	602	-	36,224
Disposals	(1,465)	(43,951)	(14,366)	(143)	(59,925)
Transfers	385	(577)	192	(71)	(71)
31 December 2016	**1,267,174**	**1,970,070**	**82,988**	**68,142**	**3,388,374**
Depreciation and impairment					
1 January 2015	462,443	1,262,789	72,990	544	1,798,766
Depreciation	30,021	75,632	4,201	-	109,854
Impairment	12	-	-	22	34
Reversal of impairment	-	-	-	(45)	(45)
Disposals	(1,047)	(13,582)	(2,050)	(24)	(16,703)
Transfers	-	(15)	15	-	-
31 December 2015	**491,429**	**1,324,824**	**75,156**	**497**	**1,891,906**
Depreciation	38,082	82,706	5,465	-	126,253
Business combinations (Note 6)	921	319	56	-	1,296
Impairment	717	38	-	1,979	2,734
Reversal of impairment	(565)	(1)	-	-	(566)
Disposals	(637)	(42,125)	(14,229)	(64)	(57,055)
Transfers	16	(125)	109	-	-
31 December 2016	**529,963**	**1,365,636**	**66,557**	**2,412**	**1,964,568**
Net book value					
31 December 2016	737,211	604,434	16,431	65,730	1,423,806
31 December 2015	636,928	525,481	13,655	251,275	1,427,339
1 January 2015	628,017	503,138	13,281	284,126	1,428,562

Borrowing costs

Cost of property, plant and equipment includes borrowing costs that are directly attributable to the acquisition of certain items of property, plant and equipment. In 2016, the Company did not capitalize borrowing costs as IAS 23 conditions for capitalization were not fulfilled (2015: €3,598 thousand). In 2016 and 2015, the Company did not capitalize any borrowing cost from general purpose borrowings.

Government grants

Property, plant and equipment includes assets with the carrying value of €12,637 thousand (31 December 2015: €13,221 thousand) financed from the government grants (Note 18). Part of these assets with the carrying value of €4,291 thousand (31 December 2015: €4,291 thousand) are under construction and the rest are currently being used for commercial purposes. All of these assets were designed and constructed to serve State Authorities, including military forces, in state emergencies. In such situations title to these assets may be restricted. The Company did not receive any government grants for financing of property, plant and equipment in 2016 and 2015.

Leased assets

Property, plant and equipment acquired on finance lease:

in € thousands	**Land and buildings**	**Machinery and equipment**	**Other**	**Total**
31 December 2016				
Cost	72,938	126,182	6,284	205,404
Accumulated depreciation and impairment	(12,642)	(33,890)	(2,933)	(49,465)
Net book value	**60,296**	**92,292**	**3,351**	**155,939**
31 December 2015				
Cost	74,412	123,726	6,146	204,284
Accumulated depreciation and impairment	(11,153)	(24,667)	(1,975)	(37,795)
Net book value	**63,259**	**99,059**	**4,171**	**166,489**

Additions during the year 2016 include €2,615 thousand (2015: €3,822 thousand) of Property, plant and equipment under finance leases.

Insurance

Property, plant and equipment is insured in the amount of €5,859,729 thousand. The insurance covers all risks of direct material losses or damages, including machinery and equipment failure. In 2016, the Company obtained compensations from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit/loss in amount of €623 thousand (2015: €850 thousand).

6 Investments in subsidiaries

Company name	Country	Range of activity	Ownership 2016 %	Ownership 2015 %	Net book value 2016 € thousands	Net book value 2015 € thousands
APOLLO Rafinéria, s.r.o.	Slovakia	Wholesale	100.00	100.00	7	7
CM European Power Slovakia, s. r. o.	Slovakia	Production of electricity and heat	100.00	24.50	91,916	9,621
MOL-Slovensko spol. s r.o.	Slovakia	Wholesale	100.00	100.00	14	26
SLOVNAFT MONTÁŽE A OPRAVY a.s.	Slovakia	Repairs & maintenance	100.00	100.00	1,230	1,230
Slovnaft Polska S.A.	Poland	Wholesale	100.00	100.00	38,463	38,463
SLOVNAFT TRANS a.s.	Slovakia	Transport	100.00	100.00	2,048	2,048
VÚRUP, a.s.	Slovakia	Research & development	100.00	100.00	2,594	2,594
Zväz pre skladovanie zásob, a.s.	Slovakia	Storage	100.00	100.00	37	37
SWS spol. s r.o.	Slovakia	Transport support services	51.15	51.15	845	845
Slovnaft Retail, s.r.o.	Slovakia	Retail	-	100.00	-	17,832
Total investments in subsidiaries					**137,154**	**72,703**

Equity and profit/loss of subsidiaries were as follows:

Company name	Equity 2016 € thousands	Equity 2015 € thousands	Profit/(loss) 2016 € thousands	Profit/(loss) 2015 € thousands
APOLLO Rafinéria, s.r.o.	1	2	-	-
CM European Power Slovakia, s. r. o.	84,821	74,361	10,815	7,778
MOL-Slovensko spol. s r.o.	14	19	(4)	(8)
SLOVNAFT MONTÁŽE A OPRAVY a.s.	2,880	2,769	720	609
Slovnaft Polska S.A.	41,270	37,038	5,462	1,282
SLOVNAFT TRANS a.s.	3,815	4,030	(214)	(230)
VÚRUP, a.s.	5,327	3,760	2,045	531
Zväz pre skladovanie zásob, a.s.	17,835	14,996	2,839	3,332
SWS spol. s r.o.	1,736	1,857	198	336
Slovnaft Retail, s.r.o.	-	33,946	-	(393)
Total investments in subsidiaries	**157,699**	**172,778**	**21,861**	**13,237**

The activities of the undertakings shown above are for the most part connected with the principal activity of the Company. No subsidiary is listed on stock exchange.

Development of the Company's interest in subsidiaries:

in € thousands	Acquisition cost	Impairment	Net book value
1 January 2015	68,550	(11,019)	57,531
Additions	17,832	-	17,832
Disposals	(2,488)	-	(2,488)
Impairment	-	(172)	(172)
31 December 2015	**83,894**	**(11,191)**	**72,703**
Additions	82,295	-	82,295
Disposals	(17,832)	-	(17,832)
Impairment	-	(12)	(12)
31 December 2016	**148,357**	**(11,203)**	**137,154**

Business combinations

Slovnaft Retail, s.r.o.

Based on the Agreement on the transfer of the business share dated 11 August 2015 the Company acquired 100% share in Slovnaft Retail, s.r.o. (former ENI Slovensko, spol. s r.o.).

In order to streamline the operations and to achieve the cost optimization company decided to cancel the company without liquidation and to merge it with the parent company. This transaction under the common control entered into force on 1 January 2016.

The opening statement of financial position as at 1 January 2016 was as follows:

in € thousands	**SLOVNAFT, a.s.**	**Slovnaft Retail, s.r.o.**	**Eliminations, reclassifica-tions**	**Total**
ASSETS				
Non-current assets				
Intangible assets	26,237	32	-	26,269
Property, plant and equipment	1,427,339	34,928	-	1,462,267
Investments in subsidiaries	72,703	-	(17,832)	54,871
Investments in associated companies	71,918	-	-	71,918
Available-for-sale financial assets	120	-	-	120
Deferred tax assets	-	426	(426)	-
Other non-current assets	24,613	14	(14)	24,613
Total non-current assets	**1,622,930**	**35,400**	**(18,272)**	**1,640,058**
Current assets				
Inventories	193,001	117	-	193,118
Trade receivables	214,767	1,131	(314)	215,584
Income tax receivable	-	107	(107)	-
Other current assets	94,068	6	(2,700)	91,374
Cash and cash equivalents	139,695	328	14	140,037
Total current assets	**641,531**	**1,689**	**(3,107)**	**640,113**
TOTAL ASSETS	**2,264,461**	**37,089**	**(21,379)**	**2,280,171**
EQUITY AND LIABILITIES				
Equity				
Share capital	684,758	36,845	(36,845)	684,758
Share premium	121,119	-	-	121,119
Retained earnings	597,095	(2,900)	19,013	613,208
Other components of equity	77	-	-	77
Total equity	**1,403,049**	**33,945**	**(17,832)**	**1,419,162**
Non-current liabilities				
Long-term debt, net of current portion	260,557	-	-	260,557
Provisions for liabilities and charges	46,821	-	-	46,821
Deferred tax liabilities	32,257	-	(426)	31,831
Other non-current liabilities	14,204	1	-	14,205
Total non-current liabilities	**353,839**	**1**	**(426)**	**353,414**
Current liabilities				
Trade payables and other current liabilities	420,064	293	(314)	420,043
Provisions for liabilities and charges	10,619	150	-	10,769
Short-term debt	-	2,700	(2,700)	-
Current portion of long-term debt	34,346	-	-	34,346
Income tax payable	42,544	-	(107)	42,437
Total current liabilities	**507,573**	**3,143**	**(3,121)**	**507,595**
TOTAL EQUITY AND LIABILITIES	**2,264,461**	**37,089**	**(21,379)**	**2,280,171**

The different between the value of financial investment and the equity of Slovnaft Retail, s.r.o. was reposted to the retained earnings.

The nominal amount of acquired trade receivables represented €985 thousand. The Company expects to collect these receivables in amount of €831 thousand.

CM European Power Slovakia, s. r. o.

In November 2016, based on the Agreements on the transfer of the business share concluded with CM European Power International B.V. and ČEZ, a. s., the Company became the 100% owner of CM European Power Slovakia, s. r. o. The Company had a control over the company already before the acquisition of 100% share through long-term energy supply contract.

7 Investments in associated companies

Company name	Country	Range of activity	Ownership 2016 %	Ownership 2015 %	Net book value 2016 € thousands	Net book value 2015 € thousands
Messer Slovnaft s.r.o.	Slovakia	Production of technical gases	49.00	49.00	2,161	2,161
MOL CZ Downstream Investment B.V.	The Netherlands	Financial services	45.00	45.00	68,350	68,350
MEROCO, a.s.	Slovakia	Production and sale of biofuels	25.00	25.00	1,407	1,407
Total investments in associated companies					**71,918**	**71,918**

No associated company is listed on stock exchange.

Development of the Company's interest in associated companies:

in € thousands	Acquisition cost	Impairment	Net book value
1 January 2015	3,568	-	3,568
Additions	68,350	-	68,350
31 December 2015	**71,918**	**-**	**71,918**
31 December 2016	**71,918**	**-**	**71,918**

Assets, equity, liabilities, revenues and profit/loss of associated companies were as follows:

2016 *in € thousands*	Assets	Equity	Liabilities	Revenues	Profit/(loss)
Messer Slovnaft s.r.o.	6,159	4,725	1,434	4,952	343
MOL CZ Downstream Investment B.V.	166,327	166,295	32	15,953	15,043
MEROCO, a.s.	42,824	13,797	29,027	101,106	3,724
Total	**215,310**	**184,817**	**30,493**	**122,011**	**19,110**

2015 *in € thousands*	Assets	Equity	Liabilities	Revenues	Profit/(loss)
Messer Slovnaft s.r.o.	6,525	4,690	1,835	4,557	309
MOL CZ Downstream Investment B.V.	156,736	151,252	5,484	527	(613)
MEROCO, a.s.	45,653	9,874	35,779	94,808	3,152
Total	**208,914**	**165,816**	**43,098**	**99,892**	**2,848**

The Company provided long-term loan to MEROCO, a.s. (Note 9). The loan along with other liabilities of MEROCO, a.s. are subordinated to the bank loans provided to the company. Repayment of the loan principal and payment of extraordinary dividend are subject to the bank's prior approval.

8 Available-for-sale financial assets

Company name	Country	Range of activity	Ownership 2016 %	Ownership 2015 %	Net book value 2016 € thousands	Net book value 2015 € thousands
Roth Heizöle GmbH	Austria	Wholesale and retail	0.20	0.20	40	84
Incheba, a.s.	Slovakia	Organizing of exhibitions	0.59	0.59	36	36
SKB, a.s. "v konkurze"	Slovakia	Financial services	6.85	6.85	-	-
Total available-for-sale financial assets					**76**	**120**

The investments are not listed and are valued at acquisition cost less potential impairment loss.

Development of Available-for-sale financial assets:

in € thousands	Acquisition cost	Impairment	Net book value
1 January 2015	1,651	(1,531)	120
31 December 2015	**1,651**	**(1,531)**	**120**
Impairment	-	(44)	(44)
31 December 2016	**1,651**	**(1,575)**	**76**

9 Other non-current assets

in € thousands	2016	2015
<u>Other non-current financial assets</u>		
Long-term loans granted	-	20,252
Total other non-current financial assets	**-**	**20,252**
<u>Other non-current non-financial assets</u>		
Advance payments for assets under construction	3,451	4,356
Other	5	5
Total other non-current non-financial assets	**3,456**	**4,361**
Total other non-current assets	**3,456**	**24,613**

Long-term loans granted as at 31 December 2016 and 2015 consist of the following items:

			Weighted average interest rate (%)			
in € thousands	Currency	Maturity	2016	2015	2016	2015
Unsecured loan granted	EUR	2017	2.10	2.10	13,009	18,286
Unsecured loan granted	EUR	2017	2.00	2.00	2,070	2,008
Total long-term loans granted					**15,079**	**20,294**
Current portion of long-term loans (Note 12)					(15,079)	(42)
Total long-term loans granted, net of current portion					**-**	**20,252**

The loans were provided to the companies of SLOVNAFT Group and to the associated company MEROCO, a.s. for financing of the investment projects and working capital.

in € thousands	2016	2015
Other non-current financial assets	-	20,252
Provision to other non-current financial assets	-	-
Total other non-current financial assets	**-**	**20,252**

10 Inventories

in € thousands	Cost 2016	Book value 2016	Cost 2015	Book value 2015
Raw materials	37,069	36,980	37,069	37,026
Purchased crude oil	49,628	49,628	29,595	28,636
Work in progress and semi-finished goods	95,945	95,945	69,748	64,215
Finished goods	61,502	61,142	63,344	59,944
Goods for resale	1,394	1,393	3,181	3,180
Total inventories	**245,538**	**245,088**	**202,937**	**193,001**

Movements in the Provision for inventories were as follows:

in € thousands	**2016**	**2015**
At the beginning of the period	**9,936**	**17,363**
Additions	477	10,397
Business combinations	4	-
Reversal	(6,492)	(11,296)
Use	(3,475)	(6,528)
At the end of the period	**450**	**9,936**

11 Trade receivables

in € thousands	**2016**	**2015**
Trade receivables	321,709	220,751
Provision for doubtful trade receivables	(5,651)	(5,984)
Total trade receivables	**316,058**	**214,767**

Trade receivables are non-interest bearing and are generally on 30 days' terms.

Movements in the Provision for doubtful trade receivables were as follows:

in € thousands	**2016**	**2015**
At the beginning of the period	**5,984**	**4,404**
Additions	295	2,319
Business combinations	155	-
Reversal	(361)	(516)
Amounts written off	(405)	(329)
Currency differences	(17)	106
At the end of the period	**5,651**	**5,984**

The Company did not have any impairment booked to receivables to related parties as at 31 December 2016 and 2015, neither booked any impairment to receivables to related parties during 2016 and 2015.

12 Other current assets

in € thousands	**2016**	**2015**
Other current financial assets		
Current portion of long-term loans granted (Note 9)	15,079	42
Short-term loans granted	6,954	4,784
Receivables from matured unsettled derivative transactions	518	-
Financial guarantees granted	312	12
Receivables from the share capital decrease in the subsidiaries	-	2,488
Other	312	309
Total other current financial assets	**23,175**	**7,635**
Financial assets held for trading - derivatives	**88**	**63**
Fair value of derivatives designated as effective hedging instruments	**-**	**2,632**
Other current non-financial assets		
Advances	45,626	56,327
Receivables from VAT, duties and other taxes	24,707	24,891
Receivables from excise taxes	6,880	6,354
Change in fair value of hedged items (Note 28)	1,482	3
Prepaid expenses	1,205	870
Other	86	58
Total other current non-financial assets	**79,986**	**88,503**
Total other current assets	**103,249**	**98,833**

Short-term loan granted in amount of €5,003 thousand (31 December 2015: €1,482 thousand) represents unsecured loan in EUR granted to subsidiary SLOVNAFT MONTÁŽE A OPRAVY a.s.

Short-term loan granted in amount of €1,650 thousand (31 December 2015: €0 thousand) represents unsecured loan in EUR granted to subsidiary SLOVNAFT TRANS a.s.

Short-term loan granted in amount of €301 thousand (31 December 2015: €602 thousand) represents unsecured loan in EUR granted to associate Messer Slovnaft s.r.o.

The loans were granted for financing of working capital.

in € thousands	**2016**	**2015**
Other current financial assets	23,177	7,650
Provision to other current financial assets	(2)	(15)
Total other current financial assets	**23,175**	**7,635**

Movements in the Provision to other current financial assets were as follows:

in € thousands	**2016**	**2015)**
At the beginning of the period	**15**	**12**
Additions	-	3
Reversal	(3)	-
Amounts written off	(10)	-
At the end of the period	**2**	**15**

13 Cash and cash equivalents

2016 *in € thousands*	**EUR**	**PLN**	**USD**	**CZK**	**Total**
Cash at bank	7,407	-	-	40	7,447
Short-term bank deposits	59,950	3,056	1,580	-	64,586
Cash on hand	3,152	-	-	-	3,152
Other cash equivalents	37	-	-	-	37
Total cash and cash equivalents	**70,546**	**3,056**	**1,580**	**40**	**75,222**

2015 *in € thousands*	**EUR**	**PLN**	**USD**	**CZK**	**Total**
Cash at bank	16,470	-	1	3,631	20,102
Short-term bank deposits	47,949	33,444	5,629	33,308	120,330
Cash on hand	2,063	-	-	-	2,063
Other cash equivalents	15	-	-	-	15
Total cash and cash equivalents	**66,497**	**33,444**	**5,630**	**36,939**	**142,510**

For the purposes of the cash flow statement, Cash and cash equivalents comprise the following:

in € thousands	**2016**	**2015**	**2014**
Cash at bank	7,447	20,102	11,614
Short-term bank deposits	64,586	120,330	17,401
Cash on hand	3,152	2,063	1,584
Other cash equivalents	37	15	16
Total cash and cash equivalents	**75,222**	**142,510**	**30,615**

14 Share capital

The Company's authorized share capital is 20,625,229 ordinary shares (31 December 2015: 20,625,229) with a par value of €33.20 each. All of these shares are issued and fully paid. All issued shares grant same rights.

15 Retained earnings

Legal Reserve Fund

Retained earnings comprise the Legal Reserve Fund of €136,952 thousand (31 December 2015: €136,952 thousand). This has been set up in accordance with the Slovak legislation to cover potential future losses. The Legal Reserve Fund is not distributable.

Distributable reserves

Reserves available for distribution to the shareholders as at 31 December 2016 were €268,766 thousand (31 December 2015: €107,505 thousand).

Distribution of profit from the previous accounting period

The profit of the previous accounting period in the amount of €187,005 thousand was transferred to retained earnings.

Dividends

The dividends approved by the shareholders at the Annual General Meeting on 7 April 2016 were €41,250 thousand, equivalent to €2 per share. Dividends were paid out from retained earnings.

16 Long-term debt

			Weighted average interest rate (%)			
in € thousands	**Currency**	**Maturity**	**2016**	**2015**	**2016**	**2015**
Finance lease liabilities	EUR	2034	8.10	8.10	146,774	157,364
Finance lease liabilities	EUR	2027	4.56	4.56	5,440	5,828
Finance lease liabilities	EUR	2034	8.10	8.10	1,165	1,185
Unsecured bank loan	EUR	2022	1.65	2.40	17,613	20,549
Unsecured corporate loan	USD	2022	2.71	2.24	96,363	109,977
Total long-term debt					**267,355**	**294,903**
Current portion of long-term debt					(35,321)	(34,346)
Total long-term debt, net of current portion					**232,034**	**260,557**

Finance lease liabilities

The Company signed with its subsidiary CM European Power Slovakia, s. r. o. long-term contract on energy purchase (electricity, heating and water) and with its associated company Messer Slovnaft s.r.o. long-term contract on purchase of nitrogen. Both contracts contain a lease in accordance with IFRIC 4. According to IAS 17 the leases were classified as finance ones.

In 2014 the Company signed with the company REDBONE s.r.o. contract on the long-term rental of the filling station.

The minimum lease payments and the present value of the minimum lease payments are as follows:

in € thousands	**Minimum lease payments 2016**	**Present value of minimum lease payments 2016**	**Minimum lease payments 2015**	**Present value of minimum lease payments 2015**
Up to 1 year	25,665	24,597	26,211	25,119
From 1 to 5 years	86,768	68,928	91,004	72,264
Over 5 years	126,761	59,854	144,664	66,994
Total minimum lease payments	**239,194**	**153,379**	**261,879**	**164,377**
Less amounts of financial charges	(85,815)	-	(97,502)	-
Present value of minimum lease payments	**153,379**	**153,379**	**164,377**	**164,377**

Unsecured bank loan

Unsecured bank loan represents loan obtained by the Company from Exportno-importná banka SR for the construction of a petrochemical unit LDPE4.

Unsecured corporate loan

Unsecured corporate loan represents loan obtained by the Company from MOL Nyrt. for the construction of a petrochemical unit LDPE4. Company repaid the loan on 30 January 2017.

17 Provisions for liabilities and charges

in € thousands	Environ-mental	Retirement benefits	Jubilee benefits	Other	Total
1 January 2015	42,214	10,932	953	-	54,099
Provision made during the period and revision of previous estimates	(492)	470	87	6,204	6,269
Unwinding of the discount (Note 25)	1,399	238	20	-	1,657
Provision used during the period	(3,674)	(778)	(133)	-	(4,585)
31 December 2015	**39,447**	**10,862**	**927**	**6,204**	**57,440**
Provision made during the period and revision of previous estimates	4,032	1,008	16	(2,019)	3,037
Business combinations (Note 6)	-	-	-	150	150
Unwinding of the discount (Note 25)	1,029	199	16	-	1,244
Provision used during the period	(3,860)	(732)	(101)	(3,925)	(8,618)
31 December 2016	**40,648**	**11,337**	**858**	**410**	**53,253**
Current portion at 31 December 2015	3,874	438	103	6,204	10,619
Non-current portion at 31 December 2015	35,573	10,424	824	-	46,821
Current portion at 31 December 2016	4,043	728	92	410	5,273
Non-current portion at 31 December 2016	36,605	10,609	766	-	47,980

Environmental Provision

As at 31 December 2016 the Company operated 252 petrol stations and several warehousing capacities in the Slovak Republic. Some of these are not fully compliant with the current or future environmental legislation and environmental policy of the Company, including containment of evaporative losses on filling of the station tanks, treatment of effluent, and protection of soil and groundwater. The Company recognized environmental provisions of €611 thousand as at 31 December 2016 (31 December 2015: €800 thousand) to eliminate the deficiencies stated above.

The utilization of the provision related to petrol stations is expected to be during 2017. The provision related to non-compliant warehousing capacities is expected to be used in the years 2017- 2028.

In accordance with its environment policies the Company recognized also a provision for the estimated costs of remediation of past environmental damage, primarily soil and groundwater contamination under the refinery site. The initial provision was made on the basis of assessments prepared by the Company's internal environmental audit team, while internal policies for determination of estimated costs for remediation of environmental burden including control processes were revised in 2006 and accepted by independent external audit company. The provision was determined on the basis of existing technology and current prices. Risk-weighted cash flows were discounted using the calculation method of estimated risk-free real interest rates. As at 31 December 2016 the present value of liability related to the provision amounted to €40,037 thousand (31 December 2015: €38,647 thousand). The utilization of this provision is expected to be during the years 2017 - 2028.

The closing amount of the environmental provisions as at 31 December 2016 is €40,648 thousand (31 December 2015: €39,447 thousand).

Provision for Retirement and Jubilee Benefits

As at 31 December 2016 the Company has recognized a provision for retirement benefits of €11,337 thousand (31 December 2015: €10,862 thousand) to cover its estimated obligation regarding future retirement benefits payable to current employees expected to retire.

According to provisions of § 76a of the Labor Code and the Collective Agreement for the period April 2015 - March 2017, the Company is obliged to pay its employees on the first termination of employment after entitlement to retirement pension (including early retirement) or invalidity pension (decrease earning capacity is more than 70%) on the basis of the application by an employee before termination of employment or within 10 days after the end of the one-time severance, which is a multiple of the average monthly salary of up to 7 average monthly earnings, based on the number of years worked. The minimum requirement of the Labor Code of one-month average salary payment on retirement or invalidity pension is already included in the above multiples. At the same time employees are entitled, for each year of service, to a benefit corresponding to the average daily price per share of MOL Nyrt. during last 24 months prior to the month when employment is terminated due to retirement of the employee.

The same or similar liability has been included in the agreements with the Trade Unions since 1992. The Company has created expectations on the part of its employees that it will continue to provide the benefits and it is the management's judgment that it is not realistic for the Company to cease providing them.

The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the Company.

In addition to provision for retirement the Company creates the provision for jubilee benefits. The amount of this provision as at 31 December 2016 represented €858 thousand (31 December 2015: €927 thousand).

Movements in the Present value of total defined benefit obligation were as follows:

	Retirement benefits		**Jubilee benefits**	
in € thousands	**2016**	**2015**	**2016**	**2015**
At the beginning of the period	**10,862**	**10,932**	**927**	**953**
Past service cost	(337)	-	(62)	1
Current service cost	600	552	49	50
Unwinding of the discount	199	238	16	20
Provision used during the period	(732)	(778)	(101)	(133)
Actuarial (gains) and losses	745	(82)	29	36
At the end of the period	**11,337**	**10,862**	**858**	**927**

Actuarial (gains) and losses for the year 2016 and 2015 comprised of the following items:

	Retirement benefits		**Jubilee benefits**	
in € thousands	**2016**	**2015**	**2016**	**2015**
Actuarial (gains) and losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains) and losses arising from changes in financial assumptions	1,081	141	96	13
Actuarial (gains) and losses arising from experience adjustments	(336)	(223)	(67)	23
Total actuarial (gains) and losses	**745**	**(82)**	**29**	**36**

The following table summarizes the components of net benefit expense recognized in the profit/loss for the period as personnel expenses regarding Provision for Long-term Employee Retirement Benefits:

in € thousands	**2016**	**2015**
Past service cost	(399)	1
Current service cost	649	602
Actuarial (gains) and losses	29	36
Net benefit expense (Note 22)	**279**	**639**

The principal actuarial assumptions used were as follows:

	2016	**2015**
Discount rate (% p.a.)	1.70	2.20
Future salary increases (%)	2.00	2.00
Mortality index (male)	0.06 - 2.80	0.06 - 2.80
Mortality index (female)	0.02 - 1.15	0.02 - 1.15

Other provisions

Greenhouse Gas Emissions

Based on the Slovak National Allocation Plan the Company obtained quotas for greenhouse gas emission for 2016 in the amount of 1,405,896 tons of CO_2 (2015: 1,432,267 tons of CO_2). The actual volume of emissions released for 2016 was 1,446,275 tons of CO_2 (2015: 1,451,314 tons of CO_2). In the financial statements as for the year ended 31 December 2016 the Company created the provision in the amount of €410 thousand (31 December 2015: €6,204 thousand).

18 Other non-current liabilities

in € thousands	**2016**	**2015**
Other non-current non-financial liabilities		
Government grants	12,637	13,221
Other	1,012	983
Total other non-current non-financial liabilities	**13,649**	**14,204**
Total other non-current liabilities	**13,649**	**14,204**

Government grants represent cash provided from the state budget to finance certain Property, plant and equipment designed and constructed to serve State Authorities, including military forces, in a state of emergency (Note 5).

19 Trade payables and other current liabilities

in € thousands	**2016**	**2015**
Trade payables and other current financial liabilities		
Trade payables	392,057	325,014
Security deposit received from petrol station lessees	3,450	3,418
Financial guarantees received from holders of fleet cards	1,344	1,382
Liabilities to shareholders (dividends)	1,112	1,058
Liabilities from matured unsettled derivative transactions	-	1,836
Other	451	952
Total trade payables and other current financial liabilities	**398,414**	**333,660**
Financial liabilities held for trading - derivatives	**31**	**511**
Fair value of derivatives designated as effective hedging instruments	**1,482**	**3**
Other current non-financial liabilities		
Taxes, contributions payable, penalties	60,314	58,898
Amounts due to employees	14,051	13,433
Liabilities from loyalty scheme BONUS	4,971	4,503
Public health and social insurance	2,784	2,718
Advances from customers	2,401	3,789
Change in fair value of hedged items (Note 28)	-	2,533
Other	7,306	7,596
Total other current non-financial liabilities	**91,827**	**93,470**
Total trade payables and other current liabilities	**491,754**	**427,644**

The social fund payable is included in the other financial liabilities. The creation and use of the social fund during the period are shown in the table below:

in € thousands	**2016**	**2015**
At the beginning of the period	**382**	**445**
Legal creation through expenses	784	555
Business combinations	1	-
Other creation	61	132
Use	(790)	(750)
At the end of the period	**438**	**382**

20 Net revenue

Products and services

in € thousands	**2016**	**2015**
Motor diesel	1,313,687	1,537,418
Motor gasoline	693,054	826,262
Other refined products	385,533	499,945
Plastics	439,432	487,973
Other petrochemical products	5,470	5,548
Services	47,063	37,026
Other	21,790	21,891
Total	**2,906,029**	**3,416,063**

Geographical information

in € thousands	**2016**	**2015**
Slovak Republic	1,126,411	1,208,699
Czech Republic	616,345	630,306
Austria	325,324	502,446
Hungary	316,277	396,953
Poland	176,868	220,179
Germany	136,623	177,475
Romania	38,317	35,823
Italy	37,406	54,194
The Netherlands	36,436	5,900
Serbia	26,894	43,339
Croatia	13,070	54,543
Other	56,058	86,206
Total	**2,906,029**	**3,416,063**

The basis for attributing revenues from external customers to individual countries is place of delivery.

Major customers

Net revenue arising from transactions with the parent company MOL Nyrt., including companies under its control, represents €1,377,402 thousand (47.4%) of the total net revenue in 2016 (2015: €1,669,330 thousand, 48.9%). The revenue is reported in all reportable operating segments.

Net revenue to any other single customer does not exceed 10% of the Company's total net revenue. A group of entities known to be under common control is considered a single customer for this purpose.

21 Other operating income

in € thousands	**2016**	**2015**
Profit from the sale of intangible assets and property, plant and equipment	4,334	5,498
Amortization of government grants	1,432	562
Net gain from non-hedge commodity derivatives	1,017	-
Compensation of damages	649	854
Penalties and late payment interest	435	500
Gain from revaluation of emission quotas	-	5,305
Other	1,013	2,143
Total other operating income	**8,880**	**14,862**

22 Personnel expenses

in € thousands	**2016**	**2015**
Wages and salaries	60,087	59,630
Legal and voluntary retirement contributions	10,100	9,870
Public health insurance	6,355	6,133
Other social insurance	6,739	7,766
Other personnel expenses	7,595	7,369
Provision for retirement and jubilee benefits (Note 17)	279	639
Expenses of share-based payments (Note 33)	994	714
Total personnel expenses	**92,149**	**92,121**

23 Value of services used

in € thousands	**2016**	**2015**
Maintenance expenses	62,204	51,079
Transportation and storage expenses	50,602	56,729
Commission fees paid	19,564	15,486
Services related to administration	8,674	8,725
Fire protection expenses	3,936	5,053
Catalysts liquidation	813	595
Traveling cost	616	733
Other	6,646	5,405
Total value of services used	**153,055**	**143,805**

24 Other operating expenses

in € thousands	**2016**	**2015**
Fees for ensuring the maintenance of emergency stocks of crude oil and oil products	35,737	34,492
Rental expenses	14,107	13,873
Marketing costs	6,144	6,631
Chemical analysis of products and raw materials	5,651	319
Cleaning costs and waste disposal	4,884	6,204
Loss from revaluation of emission quotas	4,185	-
Environmental provision (Note 17)	4,032	(492)
Taxes, duties and fees	3,952	4,011
Security expenses	3,539	3,280
Cost of procurement of nitrogen	3,284	3,126
Insurance premium	3,145	4,489
Accounting, advisory and similar services fees	2,765	3,106
Cost of calibration and control of equipment	2,648	1,880
Environmental protection costs	1,767	1,440
Fees paid to financial institutions	1,581	1,924
Training expenses	873	883
Technical inspections of vehicles and railway cars	560	575
Expenses to liquidation of unneeded property, plant and equipment	551	702
Gifts	523	589
Fines, penalties, damages and compensations for damages	178	924
Provision for litigation	(150)	-
Provision for greenhouse gas emission	(1,869)	6,204
Provision for doubtful receivables, write-off of receivables, net	-	1,975
Net loss from non-hedge commodity derivatives	-	307
Other	7,156	4,923
Total other operating expenses	**105,653**	**101,365**

The expenses for services provided by auditors were as follows:

in € thousands	**2016**	**2015**
Audit of the financial statements	128	121
Other assurance services	34	34
Total	**162**	**155**

25 Finance revenues and expenses

in € thousands	**2016**	**2015**
Net gain from derivatives	3,311	3,337
Dividends	1,427	6,359
Interest revenue	1,147	897
Other	20	55
Total finance revenues	**5,905**	**10,648**
Interest expense on borrowings	(15,624)	(13,877)
Net foreign exchange loss on receivables and payables	(8,094)	(17,937)
Net foreign exchange loss on borrowings	(3,028)	(13,361)
Interest expense on provisions (Note 17)	(1,244)	(1,657)
Net foreign exchange loss on cash and cash equivalents	(1,220)	(72)
Impairment of available-for-sale financial assets (Note 10)	(44)	-
Impairment of investments in subsidiaries (Note 6)	(12)	(172)
Other	(316)	(1,419)
Total finance expenses	**(29,582)**	**(48,495)**
Finance revenues/(expenses), net	**(23,677)**	**(37,847)**

26 Income taxes

Total applicable income taxes reported in these separate financial statements in 2016 and 2015 include the following components:

in € thousands	**2016**	**2015**
Current corporate income tax	29,673	42,575
Deferred corporate income tax	12,240	9,854
Total income tax expense	**41,913**	**52,429**

In 2016, the applicable corporate income tax rate on the taxable income of the Company was 22% (2015: 22%).

As at 1 January 2017 the corporate income tax rate changed from 22% to 21%. Effect of the change of the tax rate on deferred tax assets and liabilities amounted to €2,090 thousand.

The deferred tax balances as at 31 December 2016 and 2015 and movements in 2016 and 2015 were as follows:

in € thousands	**1 January 2016**	**Recognized in profit/ (loss)**	**Recognized in other comprehen-sive income**	**Business combinations** (Note 6)	**31 December 2016**
Property, plant and equipment and intangible assets	(111,897)	2,790	-	21	(109,086)
Provisions for liabilities and charges	11,272	(331)	156	-	11,097
Financial lease liabilities	36,163	(3,953)	-	-	32,210
Tax losses carried forward	22,994	(9,688)	-	376	13,682
Cash flow hedges	(22)	-	22	-	-
Other	9,233	(1,058)	-	29	8,204
Total	**(32,257)**	**(12,240)**	**178**	**426**	**(43,893)**

in € thousands	**1 January 2015**	**Recognized in profit/ (loss)**	**Recognized in other comprehen-sive income**	**31 December 2015**
Property, plant and equipment and intangible assets	(110,821)	(1,076)	-	(111,897)
Provisions for liabilities and charges	11,902	(612)	(18)	11,272
Financial lease liabilities	38,301	(2,138)	-	36,163
Tax losses carried forward	31,936	(8,942)	-	22,994
Cash flow hedges	427	-	(449)	(22)
Other	6,318	2,915	-	9,233
Total	**(21,937)**	**(9,853)**	**(467)**	**(32,257)**

In 2016 the Company utilized the cumulative tax losses in the amount of €41,075 thousand (2015: €40,647 thousand).

The Company has recognized deferred tax assets in the amount of €13,682 thousand as at 31 December 2016 (31 December 2015: €22,994 thousand) to cumulative tax losses that is available to offset against future taxable profits. These tax losses can be utilized during 2017 - 2019.

The Company does not record any temporary differences associated with investments in subsidiaries and associates, for which a deferred tax liability has not been recognized.

The reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard tax rates is as follows:

in € thousands	**2016**	**2015**
Profit/(loss) before tax	200,982	239,434
Tax at the applicable tax rate 22% (2015: 22%)	44,216	52,675
Permanent differences	(196)	(246)
Effect of change in tax rate	(2,098)	-
Effect of different tax rates	(9)	-
Total income tax expense	**41,913**	**52,429**
Effective tax rate (%)	**20.85**	**21.90**

27 Earnings per share

Basic earnings per share are calculated by dividing the profit/loss for the period attributable to ordinary shareholders (profit/loss for the period less dividends on preference shares) by the weighted average number of ordinary shares outstanding during the period.

There are no potential ordinary shares and therefore the diluted earnings per share are the same as the basic earnings per share.

	2016	**2015**
Profit/(loss) for the period (€ thousands)	159,069	187,005
Weighted average number of shares	20,625,229	20,625,229
Basic/diluted earnings per share (€)	7.71	9.07

28 Financial instruments

Financial instrument is cash, capital instrument of other party, any contract that gives rise to the right to receive or obligation to provide cash or other financial asset, or any contract that gives rise to the right or obligation to exchange financial assets and liabilities.

Book value of financial instruments:

in € thousands	**Notes**	**2016**	**2015**
Other non-current financial assets	9	-	20,252
Trade receivables	11	316,058	214,767
Other current financial assets	12	23,175	7,635
Cash and cash equivalents	13	75,222	142,510
Loans and receivables		**414,455**	**385,164**
Available-for-sale financial assets measured at cost decreased by impairment		76	120
Available-for-sale financial assets	**8**	**76**	**120**
Financial assets held for trading - derivatives (Level 2)	12	88	63
Financial assets at fair value through profit or loss		**88**	**63**
Positive fair value of commodity price fair value hedge derivative transactions (Level 2)		-	2,533
Positive fair value of commodity cash flow hedge derivative transactions (Level 2)		-	99
Positive fair value of derivatives designated as effective hedging instruments	**12**	**-**	**2,632**
Total financial assets		**414,619**	**387,979**

in € thousands	**Notes**	**2016**	**2015**
Long-term debt, net of current portion	16	232,034	260,557
Trade payables and other current financial liabilities	19	398,414	333,660
Current portion of long-term debt	16	35,321	34,346
Financial liabilities measured at amortized cost		**665,769**	**628,563**
Financial liabilities held for trading - derivatives (Level 2)	19	31	511
Financial liabilities at fair value through profit or loss		**31**	**511**
Negative fair value of commodity price fair value hedge derivative transactions (Level 2)		1,482	3
Negative fair value of derivatives designated as effective hedging instruments	**19**	**1,482**	**3**
Total financial liabilities		**667,282**	**629,077**

Fair value of financial instruments

Fair value of loans and receivables and financial liabilities valued at amortized cost does not significantly differ from its book value due to short time to its maturity and/or due to relation to floating interest rates.

Revenues, expenses and gains or losses from financial instruments recognized in profit/loss for the period

2016 *in € thousands*	**Net gains/ (losses)**	**Interest income/ (expense)**	**(Loss)/ reversal of loss from impairment**	**Net fee income/ (expense)**
Loans and receivables	1,043	1,147	483	(113)
Available-for-sale financial assets	-	6	(44)	-
Financial assets/liabilities at fair value through profit or loss	4,328	-	-	-
Financial liabilities measured at amortized cost	(13,425)	(15,624)	-	(1,759)
Total	**(8,054)**	**(14,471)**	**439**	**(1,872)**

2015 *in € thousands*	**Net gains/ (losses)**	**Interest income/ (expense)**	**(Loss)/ reversal of loss from impairment**	**Net fee income/ (expense)**
Loans and receivables	3,299	897	(1,477)	(58)
Available-for-sale financial assets	-	6	-	-
Financial assets/liabilities at fair value through profit or loss	3,030	-	-	-
Financial liabilities measured at amortized cost	(34,688)	(13,877)	-	(3,223)
Total	**(28,359)**	**(12,974)**	**(1,477)**	**(3,281)**

In 2016 the Company has recognized in other comprehensive income gain of €189 thousand from cash flow hedge derivatives (2015: loss €392 thousand).

Managing risks of financial instruments

Following risks are related to financial instruments held:

i) Credit risk,
ii) Liquidity risk,
iii) Market risk, which includes:
- Interest rate risk,
- Foreign currency risk,
- Commodity risk.

Financial risk management function is centralized in the MOL Group. All risks are integrated and measured at the MOL Group level using Value at Risk concept. As a general approach, the risk management considers the business as well-balanced integrated portfolio and does not hedge particular elements of the commodity exposure, except for hedge of change in fair value of crude oil during the refinery maintenance periods and hedge of change in fair value of firm commitments for future purchase and sale of oil products.

The Company may enter into various types of forwards, swaps and options in managing its commodity, foreign exchange and interest rate risk resulting from cash flows from business activities and financing arrangements. In line with the Company's risk management policy, no speculative dealings are allowed. Any derivative transaction the Company may enter is under ISDA (International Swaps and Derivatives Association) agreements.

For the purpose of commodity derivatives and trades with CO2 quotas, the Company agreed with MOL Commodity Trading Kft. on system of posting of financial collateral which is updated on weekly bases.

i) Credit risk

The Company provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present significant credit risk, individually or aggregated. The Company's procedure is to ensure that sales are made to customers with appropriate credit history and do not exceed an acceptable credit exposure limit.

Book value of financial assets and nominal value of guarantees granted reflect estimated maximum exposure to credit risk.

As at 31 December 2016 the Company recorded the financial assets that would otherwise be past due or impaired whose terms have been renegotiated in amount of €144 thousand (31 December 2015: €6 thousand).

Credit limits are secured by insurance, obtained bank guarantees, bills of exchange, letters of credit, pledge on financial assets, and property, plant and equipment. Nominal value of accepted guarantees related to loans and receivables represented €98,792 thousand as at 31 December 2016 (31 December 2015: €90,191 thousand). Fair value of accepted guarantees does not significantly differ from its nominal value.

The Company obtained compensations for impaired financial assets from insurance companies and financial institutions in the amount of €646 thousand in 2016 (2015: €3,188 thousand).

Analysis of unimpaired loans and receivables:

in € thousands	**Net book value 2016**	**Net book value 2015**
Neither past due nor impaired	400,818	373,440
Past due not impaired:		
Up to 30 days	5,381	951
Over 30 days	2,387	3,620
Total	**408,586**	**378,011**

Loans and receivables which are past due but not impaired represent the amounts reported to related parties.

Analysis of impaired loans and receivables:

2016 *in € thousands*	**Nominal value**	**Provisions**	**Net book value**
Not past due and impaired	-	-	-
Past due and impaired			
Up to 30 days	5,657	233	5,424
From 31 to 90 days	303	20	283
From 91 to 180 days	202	58	144
Over 180 days	5,360	5,342	18
Total	**11,522**	**5,653**	**5,869**

2015 *in € thousands*	**Nominal value**	**Provisions**	**Net book value**
Not past due and impaired	-	-	-
Past due and impaired			
Up to 30 days	6,068	38	6,030
From 31 to 90 days	997	63	934
From 91 to 180 days	409	255	154
Over 180 days	5,678	5,643	35
Total	**13,152**	**5,999**	**7,153**

ii) Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy.

The amounts of undrawn credit facilities as at 31 December 2016 and 2015 were as follows:

2016 *in € thousands*	**Total credit facilities**	**Drawn loans**	**Customs guarantees**	**Other guarantees**	**Undrawn credit facilities**
Long-term credit facilities					
SLOVNAFT Group	146,774	(146,774)	-	-	-
MOL Group	95,222	(95,222)	-	-	-
Other	24,175	(24,175)	-	-	-
Total long-term credit facilities	**266,171**	**(266,171)**	**-**	**-**	**-**
Short-term credit facilities					
MOL Group	5,000	-	-	-	5,000
Other	335,244	-	(87,370)	(4,156)	243,718
Total short-term credit facilities	**340,244**	**-**	**(87,370)**	**(4,156)**	**248,718**
Total credit facilities	**606,415**	**(266,171)**	**(87,370)**	**(4,156)**	**248,718**

2015 *in € thousands*	**Total credit facilities**	**Drawn loans**	**Customs guarantees**	**Other guarantees**	**Undrawn credit facilities**
Long-term credit facilities					
SLOVNAFT Group	157,364	(157,364)	-	-	-
MOL Group	108,913	(108,913)	-	-	-
Other	27,519	(27,519)	-	-	-
Total long-term credit facilities	**293,796**	**(293,796)**	**-**	**-**	**-**
Short-term credit facilities					
MOL Group	5,000	-	-	-	5,000
Other	322,012	-	(104,070)	(4,925)	213,017
Total short-term credit facilities	**327,012**	**-**	**(104,070)**	**(4,925)**	**218,017**
Total credit facilities	**620,808**	**(293,796)**	**(104,070)**	**(4,925)**	**218,017**

Of the undrawn credit facilities, the resources of €219,819 thousand as at 31 December 2016 (31 December 2015: €72,721 thousand) were uncommitted.

For the purpose of maintaining of liquidity in the SLOVNAFT Group, the Company provides to its subsidiaries and associates credit lines in case of shortage of their financial resources. The amount of such undrawn credit lines represented €1,150 thousand as at 31 December 2016 (31 December 2015: €6,468 thousand).

Analysis of liquidity risk:

2016 *in € thousands*	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Positive fair value of derivatives designed as effective hedging instruments**	**Financial liabilities measured at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Negative fair value of derivatives designed as effective hedging instruments**
On demand	24,274	-	-	2,597	-	-
Up to 1 month	305,988	-	-	275,470	-	-
From 1 to 3 months	68,681	-	-	127,611	-	-
From 3 to 12 months	15,500	88	-	22,825	31	1,482
From 1 to 5 years	-	-	-	131,347	-	-
Over 5 years	-	-	-	100,687	-	-
Without maturity	12	-	-	5,232	-	-
Total	**414,455**	**88**	**-**	**665,769**	**31**	**1,482**

2015 *in € thousands*	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Positive fair value of derivatives designed as effective hedging instruments**	**Financial liabilities measured at amortized cost**	**Financial liabilities at fair value through profit or loss**	**Negative fair value of derivatives designed as effective hedging instruments**
On demand	33,905	-	-	1,866	-	-
Up to 1 month	282,987	-	1,102	216,738	-	3
From 1 to 3 months	40,062	63	153	123,528	-	-
From 3 to 12 months	7,946	-	1,377	20,693	511	-
From 1 to 5 years	20,252	-	-	129,872	-	-
Over 5 years	-	-	-	130,684	-	-
Without maturity	12	-	-	5,182	-	-
Total	**385,164**	**63**	**2,632**	**628,563**	**511**	**3**

Available-for-sale financial assets as at 31 December 2016 and 2015 represent capital instruments, which do not have determined maturity.

Maturity profile of the financial liabilities based on contractual undiscounted payments:

2016 *in € thousands*	**Long-term debt**	**Trade payables and other current financial liabilities**	**Financial liabilities at fair value through profit or loss**	**Negative fair value of derivatives designed as effective hedging instruments**	**Total**
On demand	-	2,597	-	-	2,597
Up to 1 month	12,268	264,399	-	-	276,667
From 1 to 3 months	5,121	124,592	-	-	129,713
From 3 to 12 months	31,535	1,594	31	1,482	34,642
From 1 to 5 years	174,786	-	-	-	174,786
Over 5 years	138,599	-	-	-	138,599
Without maturity	-	5,232	-	-	5,232
Total	**362,309**	**398,414**	**31**	**1,482**	**762,236**

2015 *in € thousands*	**Long-term debt**	**Trade payables and other current financial liabilities**	**Financial liabilities at fair value through profit or loss**	**Negative fair value of derivatives designed as effective hedging instruments**	**Total**
On demand	-	1,866	-	-	1,866
Up to 1 month	11,974	206,049	-	3	218,026
From 1 to 3 months	5,261	120,563	-	-	125,824
From 3 to 12 months	31,832	-	511	-	32,343
From 1 to 5 years	178,289	-	-	-	178,289
Over 5 years	176,747	-	-	-	176,747
Without maturity	-	5,182	-	-	5,182
Total	**404,103**	**333,660**	**511**	**3**	**738,277**

iii) Market risks

Interest rate risk

The Company's policy is to ensure that no more than 50% of its exposure to changes in interest rates is on a fixed rate basis.

Sensitivity analysis of interest rate risk:

	2016		**2015**	
in € thousands	**Increase/ (decrease) of interest rate** *(%)*	**Impact on profit before taxes**	**Increase/ (decrease) of interest rate** *(%)*	**Impact on profit before taxes**
LIBOR 6M (USD)	0.25	(241)	0.25	(275)
LIBOR 6M (USD)	(0.25)	238	(0.25)	275
EURIBOR 1M (EUR)	0.25	10	0.25	48
EURIBOR 1M (EUR)	(0.25)	(10)	(0.25)	(48)
EURIBOR 3M (EUR)	0.25	4	0.25	4
EURIBOR 3M (EUR)	(0.25)	(4)	(0.25)	(4)
EURIBOR 6M (EUR)	0.25	(44)	0.25	(51)
EURIBOR 6M (EUR)	(0.25)	44	(0.25)	51

The estimated impact on profit before taxes is disclosed for the period of next 12 months.

Statistical methods were used for calculation of estimated marginal values of interest rates.

Foreign currency risk

The Company may enter into various types of foreign exchange contracts in managing its foreign currency risk resulting from cash flows from business activities and financing arrangements denominated in foreign currencies or certain transactional exposures.

The Company has a net long USD operating cash flow position. The Company's trading with oil products gives rise to a long USD cash flow exposure, while trading with crude oil gives rise to a short USD position.

The Company follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect its net operating cash flow position, constituting a natural hedge.

Sensitivity analysis of foreign currency risk:

	2016		**2015**	
in € thousands	**Increase/ (decrease) of exchange rate** *(%)*	**Impact on profit before taxes**	**Increase/ (decrease) of exchange rate** *(%)*	**Impact on profit before taxes**
USD	5.0	(13,353)	4.8	(10,852)
USD	(4.5)	12,143	(4.4)	9,899
HUF	5.1	1	5.0	(8)
HUF	(4.6)	(1)	(4.5)	7
CZK	5.9	3,469	5.9	3,997
CZK	(5.3)	(3,104)	(5.3)	(3,577)
PLN	4.8	822	4.9	2,232
PLN	(4.3)	(751)	(4.5)	(2,032)

The estimated impact on profit before taxes is disclosed for the period of next 12 months.

Statistical methods were used for calculation of estimated marginal values of exchange rates.

Commodity risk

The Company is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks of the Company are the short crude oil position, long refinery margin position and long petrochemical margin position.

The Company concluded short term commodity swap transactions for hedging of fair value of firm commitments for future purchase and sale of oil products. The commodity swap transactions were traded with related MOL Commodity Trading Kft.

The decrease in fair value of the commodity swaps of €5,324 thousand (2015: increase €7,753 thousand) has been recognized in Finance expenses and offset with similar gain on revaluation of hedged items. The ineffectiveness recognized in 2016 and 2015 was immaterial.

The changes in fair value of hedged items were as follows:

in € thousands	
1 January 2015	750
Change in fair value	(7,753)
Realized revaluation of inventory - revenue/(expense)	10,314
Adjustment of revenues for sold products - revenue/(expense)	(5,841)
31 December 2015	**(2,530)**
Change in fair value	5,324
Realized revaluation of inventory - revenue/(expense)	(3,371)
Adjustment of revenues for sold products - revenue/(expense)	2,059
31 December 2016	**1,482**

The changes in fair value of hedged items are reflected in the statement of financial position as follows:

in € thousands	**2016**	**2015**
Change in fair value of hedged items - receivable (Note 12)	1,482	3
Change in fair value of hedged items - liability (Note 19)	-	(2,533)
Change in fair value of hedged items, net	**1,482**	**(2,530)**

Capital management

Capital of the Company is managed at the MOL Group level. The primary objective of the MOL Groups' capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The MOL Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the dividend payment to shareholders may be adjusted, capital returned to shareholders or new shares issued.

The MOL Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt equals to interest-bearing loans less cash and cash equivalents.

The structure of capital and net debt and gearing ratio for the Company is as follows:

in € thousands	**2016**	**2015**
Long-term debt, net of current portion	232,034	260,557
Current portion of long-term debt	35,321	34,346
Less: Cash and cash equivalents	(75,222)	(142,510)
Net debt	**192,133**	**152,393**
Equity	1,536,315	1,403,049
Capital and net debt	**1,728,448**	**1,555,442**
Gearing ratio (%)	**11.12**	**9.80**

29 Commitments and contingent liabilities

Guarantees

The total value of guarantees granted as at 31 December 2016 is €2,394 thousand (31 December 2015: €1,952 thousand).

The guarantees granted are as follows:

		2016	
Debtor	**Purpose**	**Valid until**	**Guarantee** *€ thousands*
SWS spol. s r.o.	customs guarantee	31 December 2017	2,200
ADOM. M STUDIO, s.r.o.	loan	14 December 2020	194

		2015	
Debtor	**Purpose**	**Valid until**	**Guarantee** *€ thousands*
SWS spol. s r.o.	customs guarantee	25 September 2016	1,660
ADOM. M STUDIO, s.r.o.	loan	14 December 2020	292

Capital and contractual commitments

The total value of capital commitments as at 31 December 2016 is €36,788 thousand (31 December 2015: €6,121 thousand) and relates to obligations to purchase property, plant and equipment in the amount of €34,859 thousand (31 December 2015: €6,121 thousand) and intangible assets in the amount of €1,929 thousand (31 December 2015: €0 thousand).

Operating leases

The operating lease liabilities are as follows:

in € thousands	**2016**	**2015**
Up to 1 year	9,934	6,287
From 1 to 5 years	23,883	20,782
Over 5 years	2,418	4,511
Total	**36,235**	**31,580**
Minimum lease payments recognized in the profit/loss for the period	9,581	9,033

Other inspections

The Company is subject to various inspections performed by the state authorities. Although the Company cannot exclude that any of these proceedings discovers irregularities in its activities based on which the Company could be penalized, the management cannot determine any amount for which a provision should be recognized because of such proceedings. Due to that reason, there was no provision booked for that purpose as at 31 December 2016.

Environmental liabilities

The Company's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. The Company is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, the Company has established a provision of €40,648 thousand for the estimated cost as at 31 December 2016 (31 December 2015: €39,447 thousand) for probable and quantifiable costs of rectifying past environmental damage (Note 17). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

30 Shareholders structure

Share of the major shareholders of the Company on Share capital:

	2016 *€ thousands*	**2016** *%*	**2015** *€ thousands*	**2015** *%*
MOL Nyrt.	673,859	98.4	673,859	98.4
Others	10,899	1.6	10,899	1.6
Total	**684,758**	**100.0**	**684,758**	**100.0**

31 Events after the reporting period

No events have occurred after 31 December 2016 that would require adjustment to, or disclosure in the financial statements.

32 Related party transactions

The Company is controlled by MOL Nyrt. Following the integration process within the MOL Group the Company undertook significant transactions with other companies within the MOL Group.

Mr. Oszkár Világi, Chairman of the Company's Board of Directors and Chief Executive Officer, is a partner in the legal company Ružička Csekes s. r. o. and has controlling influence in ADC MEDIA a.s. and BOKADA, a.s.

Mr. Tibor Kaczor, member of the Supervisory Board of the Company, is statutory representative of APOLKA, s.r.o.

The transactions with related parties:

in € thousands	**2016**	**2015**
Sales - products, goods and materials		
SLOVNAFT Group	157,307	198,012
MOL Group	691,027	1,204,908
Associated companies	516,368	254,703
Ružička Csekes s. r. o.	1	1
BOKADA, a.s.	1	-
Sales - services and other operating revenues		
SLOVNAFT Group	11,352	10,078
MOL Group	6,048	3,813
Associated companies	1,021	584
APOLKA, s.r.o.	46	46
Ružička Csekes s. r. o.	2	-
Sales - intangible assets and property, plant and equipment		
SLOVNAFT Group	6,591	3,490
MOL Group	54	4,068
Interest revenue		
SLOVNAFT Group	356	528
MOL Group	354	76
Associated companies	131	146
Other finance revenues		
SLOVNAFT Group	2	51
MOL Group	16	7,985
Associated companies	-	2
Dividends received		
SLOVNAFT Group	1,251	5,082
MOL Group	6	6
Associated companies	171	1,271

in € thousands	**2016**	**2015**
Purchases - raw materials, goods and energy		
SLOVNAFT Group	58,854	60,278
MOL Group	270,903	289,976
Associated companies	49,233	44,163
APOLKA, s.r.o.	1	-
Purchases - services and other operating expenses		
SLOVNAFT Group	83,759	66,686
MOL Group	5,350	5,763
Associated companies	3,315	3,138
Ružička Csekes s. r. o.	83	147
ADC MEDIA a.s	98	74
APOLKA, s.r.o.	74	165
BOKADA, a.s.	14	5
Purchases - property, plant and equipment		
SLOVNAFT Group	19,401	9,792
MOL Group	-	3,033
Purchases - intangible assets		
SLOVNAFT Group	91	224
MOL Group	5,574	2,159
Purchases - acquisition of subsidiary		
MOL Group (Note 6)	55,590	-
Purchases – acquisition of associated company		
MOL Group	-	68,350
Interest expense		
SLOVNAFT Group	12,316	13,309
MOL Group	2,592	10
Associated companies	258	250
Other finance costs		
MOL Group	3,819	147

in € thousands	**2016**	**2015**
Receivables		
SLOVNAFT Group	20,833	14,894
MOL Group	78,659	40,395
Associated companies	60,388	34,101
Loans granted		
SLOVNAFT Group (Note 9 and 12)	19,662	22,468
Associated companies (Note 9 and 12)	2,371	2,610
Receivables from the share capital decrease in the subsidiaries		
SLOVNAFT Group	-	2,488
Payables		
SLOVNAFT Group	39,840	28,393
MOL Group	26,433	26,167
Associated companies	7,063	5,687
ADC MEDIA a.s.	16	-
Ružička Csekes s. r. o.	13	19
APOLKA, s.r.o.	2	-
Loans received		
SLOVNAFT Group (Note 16)	146,774	157,364
MOL Group (Note 16)	96,363	109,977
Associated companies (Note 16)	5,440	5,828

Statutory boards of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2016 the Company's statutory boards had the following composition:

The Board of Directors: Oszkár Világi, Chairman of the Board
Ferenc Horváth
Ábel Galácz
Miika Eerola
Timea Reicher
Vladimír Kestler
Gabriel Szabó
Mihály Kupa

The Supervisory Board: György Mosonyi, Chairman of the Board
Zsuzsanna Éva Ortutay
Szabolcs István Ferencz
Richard Austen
Tibor Kaczor
Ján Sýkora

Emoluments of the members of the Board of Directors and the Supervisory Board

The Board of Directors' total remuneration amounted to €159 thousand in 2016 (2015: €159 thousand). The total remuneration of members of the Supervisory Board amounted to €144 thousand in 2016 (2015: €144 thousand).

Key management compensation

in € thousands	**2016**	**2015**
Salaries	1,120	1,162
Legal and voluntary retirement contributions	66	61
Public health insurance	20	17
Other social insurance	23	30
Other personnel expenses	124	19
Provision for retirement and jubilee benefits	24	12
Expenses of share-based payments	930	649
Total	**2,307**	**1,950**

Details of the share option rights granted to key members of management during the period are as follows:

	2016		2015	
	Shares in option rights	**Weighted average exercise price per share**	**Shares in option rights**	**Weighted average exercise price per share**
	number of shares	*€*	*number of shares*	*€*
Outstanding at the beginning of the period	39,755	49.80	37,412	46.51
Granted during the period	9,610	42.61	10,350	38.78
Forfeited during the period	-	-	-	-
Exercised during the period	(17,255)	54.55	-	-
Expired during the period	-	-	(8,007)	72.94
Outstanding at the end of the period	**32,110**	**45.43**	**39,755**	**49.80**
Exercisable at the end of the period	13,500	52.47	20,405	56.81

Long-Term Incentive Schemes for Management

A long-term incentive scheme for management consists of long-term interest in increase of the parent company's MOL Nyrt. share price (Note 33).

General Incentive Schemes for Management

The incentive aim involves the Company and organizational level financial and operational targets, evaluation of the contribution to the strategic goals of the Company and determined individual tasks in the Performance Management System (PMS). The incentives for the year 2016 will be paid to managers based on the evaluation of indicators and tasks defined in the individual agreements.

Loans granted

No loans have been granted to key management and members of the Board of Directors and the Supervisory Board.

33 Share-based payments

The long-term managerial incentive system based on stock options ensures the interest of the management of the Company in the long-term increase of the MOL Nyrt. stock price. It comprises of the Stock Option Plan and the Performance Share Plan.

Performance Share Plan

The Performance Share Plan is a 3-year cash based program launched in 2013 using the comparative share price methodology with following characteristics:

- Program starts each year with a 3-year vesting period.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP20 and DS Emerging Market Titans Oil&Gas 30 Index).
- Basis of the evaluation is the average difference in MOL's year-on-year share price performance in comparison to the benchmark indices during 3 years.
- Payout rates are defined based on the over / underperformance of MOL share price.
- Payments are due after the 3rd year.

Expenses arising from the Performance Share Plan program amounted to €333 thousand in 2016 (2015: €567 thousand) recorded in Personnel expenses (Note 22). Liabilities in respect of the Performance Share Plan program amounted to €699 thousand as at 31 December 2016 (31 December 2015: €567 thousand) recorded in Other non-current liabilities and Other current liabilities.

Stock Option Plan

The stock option plan launched in 2006 is a material incentive disbursed in cash, calculated based on call options concerning MOL Nyrt. shares, with annual recurrence, with the following characteristics:

- It covers a five-year period (two-year vesting and three-year exercising) starting annually.
- Its rate is defined by the quantity of units specified by the Company job category.
- The value of the units is set annually (in 2006 - 2016, 1 unit equals to 100 MOL Nyrt. shares).

It is not possible to redeem the share option until the end of the second year (vesting period); the exercising period lasts from 1 January of the third year until 31 December of the fifth year.

The incentive is paid in the exercising period according to the appropriate declaration of redemption. The paid amount of the incentive is determined as the product of the defined number and price increase (difference between the redemption price and the initial price) of shares.

Details of the share option rights granted during the period are as follows:

	2016		**2015**	
	Shares in option rights	**Weighted average exercise price per share**	**Shares in option rights**	**Weighted average exercise price per share**
	number of shares	*€*	*number of shares*	*€*
Outstanding at the beginning of the period	49,163	50.63	53,828	59.46
Granted during the period	10,644	42.62	11,209	38.61
Forfeited during the period	(5)	37.87	(209)	39.63
Exercised during the period	(22,850)	54.96	-	-
Expired during the period	-	-	(15,665)	72.94
Outstanding at the end of the period	**36,952**	**45.93**	**49,163**	**50.63**
Exercisable at the end of the period	16,516	52.85	28,210	56.74

As required by IFRS 2, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit during the vesting period. Expenses arising from cash-settled share-based payment transactions amounted to €661 thousand in 2016 (2015: expenses €147 thousand) recorded in Personnel expenses (Note 22). Liabilities in respect of the share-based payment plans amounted to €657 thousand as at 31 December 2016 (31 December 2015: €174 thousand), recorded in Other non-current liabilities and Other current liabilities. The intrinsic value of the exercisable option rights amounted to €223 thousand as at 31 December 2016 (31 December 2015: €0 thousand).

Fair value as at the end of the reporting period was calculated using the binomial option pricing model.

The inputs to the model were as follows:

	2016	**2015**
Weighted average exercise price per share (€)	45.93	50.63
Weighted average share price at the date of exercise for share options exercised during the period (€)	62.70	n.a.
Spot share price (€)	66.35	45.53
Expected volatility based on historical data (%)	22.76	24.91
Expected dividend yield (%)	3.03	4.03
Expected life (years)	2.58	2.30
Risk free interest rate for HUF (%)	0.86	1.78
Risk free interest rate for EUR (%)	n.a.	0.06