Slovnaft
MEMBER OF MOLGROUP

Annual Report

2017

SLOVNAFT Group is an integrated refinery and petrochemicals corporation operating mainly in Central Europe. It is one of Slovakia's key energy companies and one of its leading exporters and employers. SLOVNAFT Group is committed to the principles of Sustainable Development, support of education, the arts, culture, sports and environmental protection. It is part of MOL Group – a leading international oil and gas company headquartered in Central and Eastern Europe.

OUR KEY ACTIVITIES IN A NUTSHELL

Refinery and Marketing

The most important part of SLOVNAFT Group is the SLOVNAFT, a.s., company, which is engaged in processing crude oil, manufacture of motor fuels, heating oils plus other products, including their distribution and sales to their wholesale customers as well as to the end-customers through its own network of service stations. After the modernization, the refinery has a high level of conversion and flexibility and, thanks to continuous investments, it is among the most modern refineries in Europe. Slovnaft is a domestic market leader in motor fuels, whilst-holding a significant position in the markets of neighboring countries.

Petrochemicals

Since January 2013, following the integration of Slovnaft Petrochemicals, s.r.o., SLOVNAFT Group's Petrochemicals Division is represented by SLOVNAFT, a.s. It produces high quality polymers, which are basic raw materials with a wide range of applications.

Retail

Slovnaft operates 253 service stations in the Slovak Republic. Through this retail network, it offers customers quality fuels and a wide range of non-fuel goods and services.

Energy

Until 31st of December 2017, the production of electricity and heat in SLOVNAFT Group was delivered by its subsidiary, CM European Power Slovakia, s. r. o., but at the beginning of 2018 this company was incorporated into Slovnaft.

KEY 2017 HIGHLIGHTS

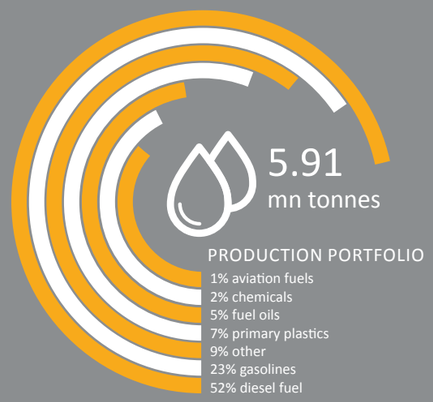
Net revenues

eur 3.42 bn

Net profit

eur 168.6 mn

Production



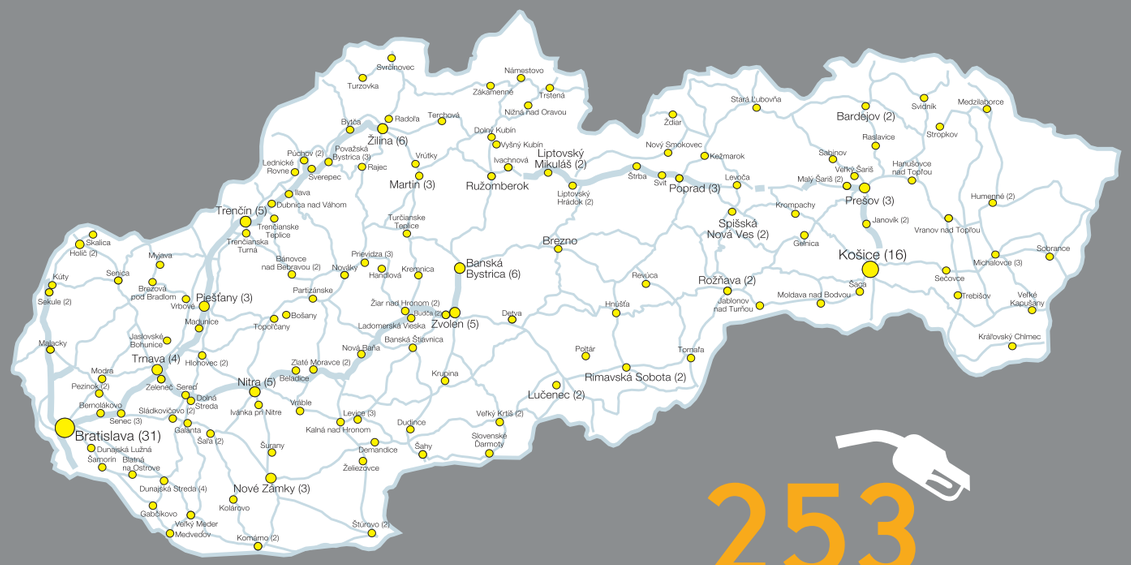
Investments

eur 118 mn

Processed crude oil

5.6 mn tonnes

Retail



253

service stations

BEST OF THE YEAR

najzamestnávatel'

Best Employer Award – 1th place in category Production and Industry (given by Profesia company)

2016 - 2017 SAFETY CULTURE AWARD

Safety Culture Award – 1st place for safety culture at Slovnaft

NAJDÔVERYHODNEJŠIA ZNAČKA 2017

Most Trusted Brand (given by customers in an extensive survey for service station segment)

NAJLEPŠÍ POMER CENY A KVALITY • WWW.BESTBUYAWARD.ORG/SLOVAKIA-146590 • BestBuy AWARD • GENERAL • 2017/2018 • 0200 • SLOVNAFT: ČERPACIE STANICE

Best Buy Award (given by Swiss organization ICERTIAS)

AICO Grand Prix 2017

Best Strategic Solution – 1st place for project Generation Exchange (given by Slovak Association of Internal Communication)

REVIEW OF THE YEAR

PRODUCTION AND SALES ACTIVITIES

SUSTAINABLE DEVELOPMENT AND OPERATING RESULTS

FINANCIAL STATEMENTS

CORPORATE GOVERNANCE

A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

OSZKÁR VILÁGI
Chairman of the Board and CEO

Dear Shareholders and Esteemed Partners,

The positive global macroeconomic trends, characterised by 3% growth of the global economy, rising employment, low inflation and higher wages, were also reflected on the crude oil market in 2017. Demand for oil increased in both, emerging markets and also in most of developed countries. Also, for the first time in more than three years, demand growth for oil outpaced the rise in crude oil production. As a result, global oil inventories declined and oil prices rose by 10 dollars year on year to the average 54 dollars per barrel, with the price hitting a 2.5-year high towards the end of the year.

This created a more challenging operating environment for refineries and petrochemical plants in 2017 compared to the previous years. The energy prices rose as well as the prices of other raw materials and the price difference between light and heavy crude oils narrowed. On the other hand, crude oil processors benefited from the strengthened euro against the dollar, from improving demand for their products and also outages in North America in the third quarter of the year.

SLOVNAFT Group was also exposed to global trends, but despite the challenging external conditions, it again delivered a very strong performance in 2017. Last year's key activities primarily included refining production, logistics and sales, while the company maintained its strict cost discipline. At the same time, Slovnaft also launched several initiatives as part of its long term strategy MOL Group 2030. Its aim is to transform the whole group from a conventional oil and gas company into a broader-based firm, which would be a number one choice for customers, employees, as well as investors. Slovnaft's long-term strategy envisages that the company will gradually reduce the volume of motor fuel production while raising the share of petrochemical production, or increase the sales of non-fuel goods in its service station network.

The key milestones that Slovnaft achieved last year include the stabilisation of its new low-density polyethylene production plant LDPE 4 and the improvements of the product quality.

In spite of several weeks of overhauls, the refining production only fell slightly, with the volume of processed oil reaching almost 5.6 million tonnes in 2017. Slovnaft produced some 4.6 million tonnes of motor fuels and approximately half a million tonnes of primary plastics and chemicals, thus confirming again its high conversion capability, ensuring an outstanding yield of high value added products.

In the wholesale segment, sales rose on both domestic and foreign markets, the latter being the destination of most of the company's production, as in the previous years. In the domestic wholesale selling business, the company sold the highest ever volume of motor fuels, approximately 1.5 million tonnes, predominantly diesel, which made up 75% of total sales. Export sales grew as Slovnaft took advantage of new market opportunities, inter alia the unscheduled maintenance shutdowns of some local refineries.

Slovnaft continues to operate the largest service station network in Slovakia with 253 sites, which saw several milestones in 2017. Customers continue to meet an increasing number of Fresh Corners, the new non-fuel concept, delivering good coffee and fast food refreshments to people on the road. Last year, the retail network was expanded with the addition of 55 Fresh Corner service stations, and their total number thus exceeded 113 stores. Late last year, Slovnaft also introduced the Fresh Corner Restaurant, a new restaurant concept, offering more comfort and an innovative offer of meals.

A unique service station in the Prístavná Street in Bratislava, opened by the company in the summer of last year, has become a new flagship of the Slovnaft retail network. With several innovations, such as payment directly at the fuel dispensers, screen wash replenishment, or a dog-wash machine, Slovnaft has demonstrated the direction in which it plans to develop its retail network in the future. Moreover, in addition to conventional services, this service station also offers the option of organising working meetings in Forbes Business Lounge.

The retail segment saw improvements in not only our services but also in the quality of our key products. Slovnaft has innovated its portfolio of fuels, having launched its new EVO fuels with improved features in the spring. The increased quantity of additives in petrol and diesel purify the engine and provide it with the long-term protection against deposit build-up and corrosion. This subsequently leads to more efficient performance, lower fuel consumption, fewer defects and a longer lifespan. All of these initiatives have contributed to the best ever retail results in terms of both quantities of motor fuels sold, and the overall financial profitability in 2017.

In the region, the SLOVNAFT Group supervises the service stations operation not only in Slovakia but also in the Czech Republic, Austria and Poland. Thus, a total of approximately 600 retail points of sale owned by MOL Group and partners are managed by Slovnaft in CEE.

Due primarily to the increase in the quoted prices of commodities, SLOVNAFT Group's net sales rose by 15% year on year to 3.42 billion euros in 2017. Net profit came in at 168.6 million euros, a level commensurate to that of the previous year. Investments grew by 20 million euros year on year to a total of 118 million euros. The investments went into projects focused in particular on the strengthening of the operational reliability in production, into maintenance, energy consumption reduction and into promoting our sales channels. In addition, work on more development ideas in production, distribution and sales began, and thus the SLOVNAFT Group started a gradual transformation of its activities into new ones, whose ambition should be to meet the expectations of the future modern customer.

The SLOVNAFT Group had more than 3 400 employees at the end of last year. The Company bore out its position as one of the most attractive employers on the Slovak market not only by its wide array of employee and social benefits but also by raising the employee's basic salaries by 3.5% on average. In addition, Slovnaft introduced a new approach to the remuneration of shift workers in the production section of the enterprise, based on employees' professional qualifications. The Company has recruited tens of new employees in the production area to replace the retiring ones. Furthermore, activities continued to increase the attractiveness of chemistry studies at the nearby chemistry school, which educates potential future employees of the Company.

The promotion of young talents, culture and sports was one of the main pillars of our corporate social responsibility activities last year. In addition to the years of support to Štefan Svitko, Slovakia's most successful motorbike racer, and to the Slovnaft Cup football competition, Slovnaft also began to support the Slovak premier leagues of men's and women's handball clubs. Since 2007, Slovnaft has also promoted the talent development of a total of 457 exceptionally gifted children, and contributed to the creation of nearly 250 unique environmental areas all over Slovakia. In Bratislava, together with the municipality representatives, Slovnaft presented a plan to develop a bicycle sharing service. As a responsible corporate citizen and one that takes into account the interest of a wide range of stakeholders, Slovnaft will continue to foster such activities in the future.

Oszkár Világi
Chairman of the Board and CEO

THE OIL INDUSTRY

THE OIL INDUSTRY

KEY MARKET FACTORS

- for the first time in three years, the growth in the world's crude oil consumption surpassed the growth in its production
- higher demand contributed to a rise in crude prices to the highest level in 2.5 years
- more expensive raw materials and power decreased economic performance of refineries and petrochemical facilities year-on-year

The crude oil market continued the trends from the past year, also reflecting a positive global macroeconomic situation.

The world economy increased by about 3% year-on-year, and this growth was supported not only by emerging, but also by the most developed countries. The world economic growth was by about 0.6% faster in the past year than in 2016, and resulting in continued employment growth, low inflation rate and higher wage increase rate, as well as, increased consumer wealth perception in relation to the appreciation of stock indexes, real estate and other assets.

Positive end-consumer moods were manifested, among other things, also in crude oil demand, which in the past year grew globally by 1.6% to almost 98 million barrels of average daily consumption. Higher interest in crude oil was seen not only in countries outside the OECD, but also in developed countries. In emerging markets crude oil consumption rose by about 2.4% and in OECD countries by 0.8%, year-on-year. In Europe, this increase on 2016 amounted to almost 2%.

Interestingly, after more than three years, demand for crude oil has grown faster than its production has risen. Several countries, such Iran, USA, Canada and Brazil, increased crude oil production, but on the other hand, some other countries, including Venezuela, Saudi Arabia and Kuwait, decreased their production for a variety of reasons. This however, had no considerable negative effects on the demand side, as the reduced production was offset by utilization of rich stocks of crude oil in commercial storage reservoirs stored in previous years.

The new market situation affected the oil price, which for benchmark BRENT went up by 10 dollars to the average of 54 dollars per barrel. Throughout 2017 the oil prices fluctuated within a relatively broad band, from 44 dollars up to almost 67 dollars per barrel. Crude oil prices did not spike until the end of 2017, reaching a 2.5 year high.

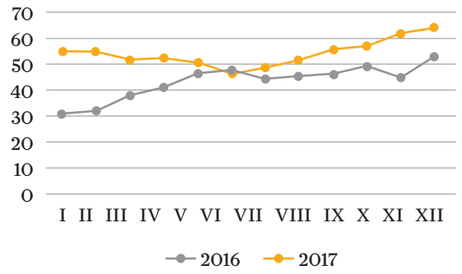
Oil price rises negatively hit refineries, rendering their basic raw material for processing and manufacture more expensive. Moreover, higher-priced oil progressively caused prices of other energies and raw materials on commodity stock exchanges to rise, particularly those of natural gas, electric energy or bio-components. A great number of refineries were also negatively impacted by the year-on-year decrease of the price differential between light and heavy oils, which lead to narrowing of the BRENT and URAL price spread, monitored in Europe, by 0.9 dollars per barrel. On the other hand, higher oil prices faced by European refineries were partly compensated by a stronger euro exchange rate against the dollar, growth in demand for their products, as well as, broadening of crack spreads for key refinery products. Crack spreads for diesel and automotive gasoline increased year-on-year by 17 dollars per ton, or 11 dollars per ton, respectively, to the average of 83 dollars per ton, or 147 dollars per ton, respectively.

Petrochemical plants saw a more demanding year, too. On the one hand, they achieved an increased demand for chemicals and basic plastics in terms of volume; while, the petrochemical processing margins obtained were narrower by about 17% year-on-year, a situation resulting from the growth of input raw-material and energy costs that was quicker than that of prices for final products.

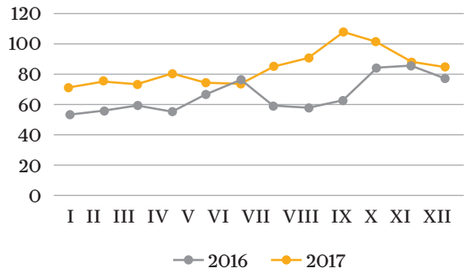
Thus, in the past year, refineries and petrochemical plants were exposed to a less favorable external environment than in 2016 and 2015. Many of them however, were able to eliminate to some degree negative impacts of increased quotes for oil, other raw materials and energy, especially by increasing sale and implementing savings measures in their operating processes.

Considering the expected complications in future oil market developments, the efforts to improve internal production, distribution and sale parameters will remain the key factor for maintaining a healthy economic performance of refinery and petrochemical plants.

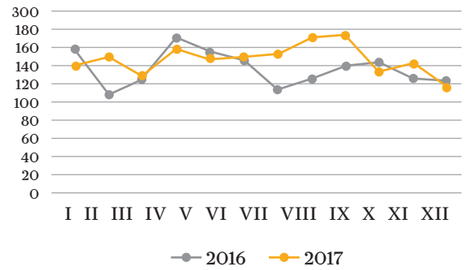
Average monthly price of Brent crude oil (USD/barrel)



Average monthly crack spread for diesel fuel (USD/t)



Average monthly crack spread for automotive gasoline fuel (USD/t)



PRODUCTION

SALE

REFINING & WHOLESALE

KEY RESULTS / TOP ACHIEVEMENTS

- 5.6 million tons of crude oil processed
- 37.6% sales growth for bitumens in the local market
- 1% year-on-year increase of diesel fuel sales in local market
- 4.8% year-on-year increase of diesel fuel sales in export market

In 2017, SLOVNAFT, a.s., processed 5.6 million tons of oil. Slovnaft was the market leader in Slovakia's motor fuel market, providing its customers with high-quality products that complied with the most stringest European standards. The company also held a significant position in the markets of several neighboring countries. In addition to the quality motor fuels; Slovnaft has also supplied customers with chemicals, bitumen, LPG, and lubricants.

REFINING ACTIVITIES

In 2017, SLOVNAFT, a.s., processed 5.6 million tons of oil. This was a 3.2% decline over the previous year, caused by a scheduled general overhaul of the Atmospheric Distillation unit.

As a result of a lower oil processing volume, production of motor fuels fell year-on-year by 11 thousand tons to 4.4 million tons.

The manufacture of automotive gasoline amounted to 1.39 million tons, which was about 41 000 tons less than in the previous year. The year-on-year drop was thus 2.9%.

In 2017, Slovnaft produced 3.05 million tons of diesel fuel, about 30 000 tons more than in 2016, translating into a 1% year-on-year increase.

WHOLESALE

Slovnaft sold a total of 1.56 million tons of oil products on the domestic market in 2017, aside from sales to the Administration of State Material Reserves. The sales remained unchanged on 2016. Motor fuels had the largest share of local sales at a volume of 1.47 million tons.

The 14.4% increase in revenues from sales of all refinery products on the domestic market compared to 2016 was due for the most part to the drop in quoted refinery product prices.

The export market saw a year-on-year increase in sales by 19.6%, due particularly to positive crack spread developments, as well as, focusing of activities to the most profitable markets. The growth was also contributed by a prompt and effective response to market opportunities, such as unscheduled shutdowns at local refineries. Traditional export markets dominating the portfolio remained the Czech Republic, Poland, Hungary and Austria.

Local diesel fuel sales increased year-on-year by 1%, driven by higher market consumption. As regards to automotive gasoline, Slovnaft recorded a 3% year-on-year decrease in domestic market sales.

Diesel fuel sales in foreign markets increased by 4.8% year-on-year. In gasoline sales we recorded a decline of 0.8% over 2016, due to a refinery shutdown in the first half of 2017.

Slovnaft saw an increase in local market bitumen sales by 37.6% on the previous

year. This significant difference was the result of intensified activities in construction and repair of roads and motorways.

Chemical sales at SLOVNAFT are centered largely on export markets. In 2017 total sales rose by 12.7%, compared to 2016. Revenues from sales in this market segment fell year-on-year by 26.6%. The largest percentage in chemical sales came from aromatics, which comprised almost 61.5% of the total sales of chemicals.

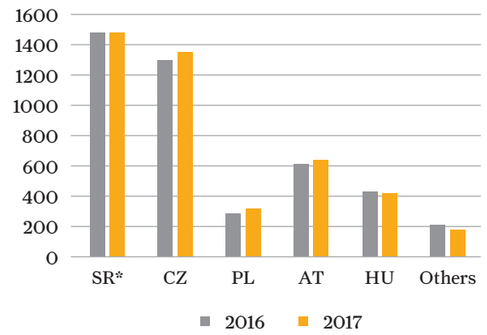
WHAT COMES NEXT?

The external environment will continue to be influenced by the region's fuel consumption to a large extent. In general, further growth of the economy is expected, which could have a positive impact on the increase of diesel fuel and gasoline consumption in the local market.

The future market growth is estimated at 3.5% for diesel and 1% for gasoline.

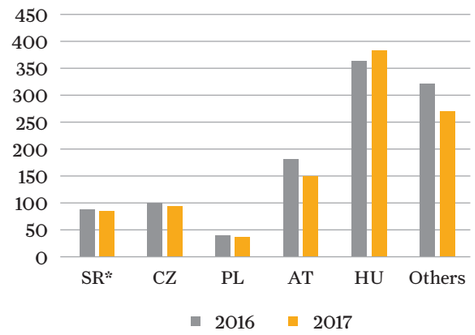
Slovnaft aims to increase its competitiveness by streamlining activities, implementing innovations, optimizing sales strategy, and flexibly responding to market demands. The company will continue its strict cost discipline and evaluation of appropriate development opportunities. In the field of oil refining, the SLOVNAFT Group's main goal is to reduce the energy demands of production.

Sales of Motor Fuels (Thousand Tonnes)



* without the sale to the Administration of State Material Reserves

Sales of Other Refinery Products (Thousand Tonnes)



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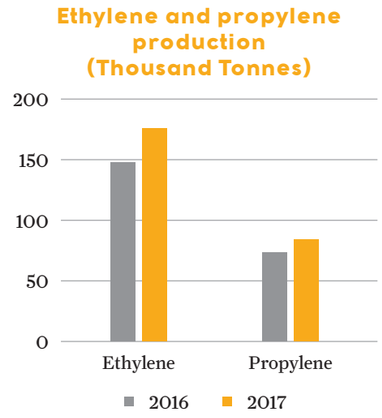
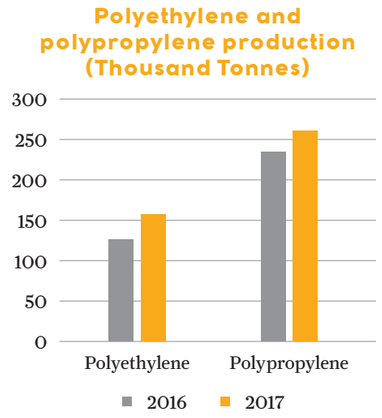
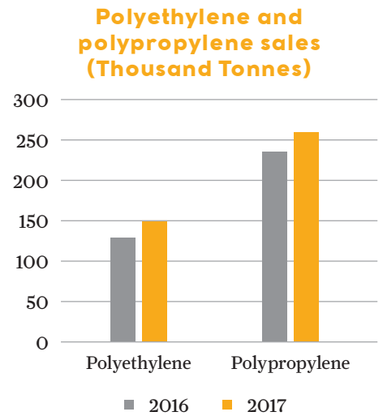
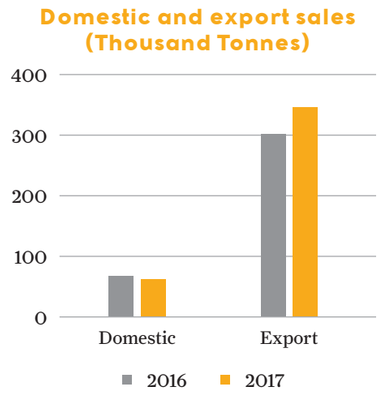
PETROCHEMICALS









KEY RESULTS / TOP ACHIEVEMENTS

- stabilization of production on the new LDPE 4 polyethylene production unit
- good availability of the Steam Cracker unit in the second half of 2017

In the second half of 2017, Slovnaft stabilized the operation of the new low-density polyethylene production unit LDPE 4. Improving the product quality and rump-up of the product portfolio was supported by improving availability of raw materials from the Steam Cracker unit. In 2018, we will continue to improve the LDPE 4 production unit operation, focusing on the product portfolio improvement.

The petrochemical division of SLOVNAFT Group produced high quality polymers in 2017. These are the basic raw materials for a wide range of applications ranging from production of film for packaging applications through production of various plastic goods for everyday use, all the way to sophisticated production of parts for the automotive industry.

In 2017 the Steam Cracker unit processed 449 000 tons of naphtha and 117 000 tons of light hydrocarbons. Monomer production resulted in 176 000 tons of ethylene and 84 000 tons of production Naphtha and light hydrocarbons consumption, and ethylene and propylene production, resulted in a 19% year-on-year increase in 2017.

Production of polypropylene reached 260 000 tons, an increase by 11% compared to 2016. Overall 156 000 tons of polyethylene was produced, a 24% year-on-year increase.

Overall 404 000 tons of polymers were sold in 2017, it is a 12% increase on 2016. Polyethylene sales increased by 16% year-on-year, while the year-on-year increase in polypropylene sales was 10%. Past year's sales on the domestic market fell by 3% when compared to 2016, while sales in the export market gained 15%.

WHAT COMES NEXT?

Given the optimistic forecast of economic growth in Slovakia for 2018, increased consumption is expected in this segment too. In the future, Slovnaft intends to accomplish a considerable strengthening of the petrochemical segment and to boost the production. To achieve this, activities are being directed toward raising efficiency, introducing new procedures and seeking potential investments to reinforce the segment even further, while increasing its flexibility and expanding the product portfolio.

RETAIL

KEY RESULTS / TOP ACHIEVEMENTS

- opening of a unique next-generation service station offering premium services and various innovations in technology
- continuing modernization of the service station network and achieving the mark of 113 Fresh Corner shops
- introduction of a new dining concept into Slovnaft's retail network – Fresh Corner Restaurant
- introduction of an innovated Fuel portfolio with enhanced properties under the brands EVO and EVO Plus

Compared to the previous year, total retail fuel sales increased by 7%. This was also achieved through substantially better sales of EVO Plus premium fuels, resulting in premium ratio increase by 2 percentage points. The company also recorded a significant positive development in diesel sales, with almost 9% increase in retail sales volume compared to 2016.

MODERNIZATION OF THE SERVICE STATION NETWORK

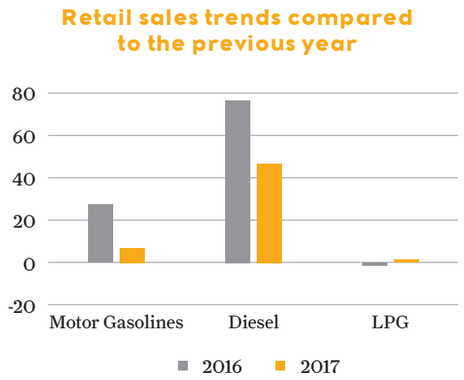
In 2017 SLOVNAFT continued to modernize its service stations at a faster rate. Last year, 55 Fresh Corner service stations were added to the retail network. The change in service station design will continue at the same rate in 2018.

At the end of 2017, Slovnaft launched a new dining concept on the market – Fresh Corner Restaurant. In the next year, the company plans to open such restaurants at more than 10 locations all over Slovakia.

Service stations' changes not only significantly contribute to an improved perception of the retail network by customers, but also help strongly profile Slovnaft brand as a resting spot for people on the move and a preferred place to stop and enjoy fine coffee and snacks. Reconstruction work speed up modernization of service station technology, which in turn, has had a significant effect on their reliable and safe operation, as well as, environmental protection.

In summer 2017, Slovnaft launched a unique service station in Bratislava, on Prístavná Street. Through various technological innovations, such as outdoor payment terminal, screen wash dispenser or the dog-wash line. Slovnaft indicated the trends it is going to pursue in its retail network in the future. In addition to traditional services, a modern and stylish service station interior also provides the opportunity to hold business meetings in the Forbes Business Lounge. Many eco-friendly and savings-oriented technologies were used in the construction process. This service station has become a new flagship of Slovnaft retail network both in Slovakia and within MOL Group at large.

Moreover, the Prístavná service station is the 108th station that offers LPG refuelling. In addition, the availability of premium fuels was expanded in the retail network, especially in the Spiš, Orava and Šariš regions. Last year, AdBlue sale through dispenser was launched at selected stations. This product is thus available at 26 points of sale now. Slovnaft intends to continue this program also next year. In 2017, a new service was introduced at selected service stations in Bratislava and its vicinity – screen wash sales via dispenser.



MARKETING ACTIVITIES

Year 2017 was marked by an increased customer care in the BONUS Club loyalty program. The year-on-year increase of active members, as well as, a globally growing customer base, expanding by 18% year-on-year, proved that Slovnaft was right in choosing the proper direction of action and pursuing its focus on loyal customers. Moreover, we arranged a variety of marketing activities for our customers during the year, such as, the opportunity to acquire more points for filling up premium fuels, Happy Litre lottery, point-based fuel discounts, multiple addition of points, a new offer of e-vouchers in BONUS Club catalogue and broader options for using bonus points.

We also continued to develop Naše najlepšie (Our Best) concept aimed at providing small local producers with the opportunity to sell their products in the biggest service station network in Slovakia. Naše najlepšie brand enhanced the selection available at selected service stations with the addition of sound quality food such as syrups, jams, honeys, pasta, sweets, drinks and other regional specialties.

Year 2017 was a year of major changes within fuel portfolio in Slovnaft service station network. The increased content of additives gives the new fuels better cleaning properties. The changes were not focused on to the formula only, but included branding as well. Currently, standard-fuel brands are EVO 95 and EVO Diesel, while premium fuels are sold under the brands EVO 100 Plus and EVO Diesel Plus.

WHAT COMES NEXT?

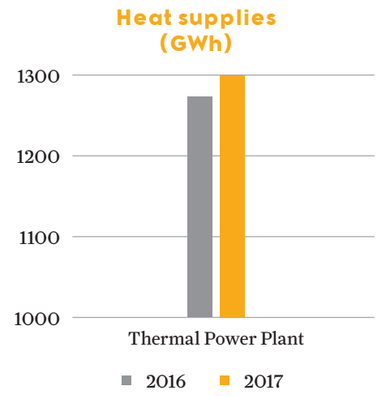
In 2018, Slovnaft will continue the projects of modernizing service stations and introducing the Fresh Corner concept, including the new dining concept – Fresh Corner Restaurant. The company also intends to launch the Fresh Corner concept outside the service stations, particularly at locations in the vicinity of areas with busy human traffic, or in selected city-centres.

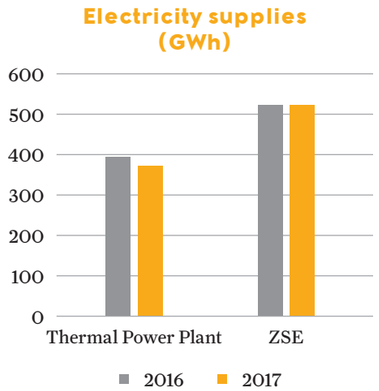
Fuel dispensers are going to be replaced to maintain the high technology standard at our service stations, while the number of new car washes is being expanded and the availability of premium fuels as well. Further AdBlue dispensers for freight and bus transport as well as screen wash dispensers will be installed at selected service stations.

Further plans include a scheduled launch of electric vehicle charging stations at a number of locations across Slovakia. Slovnaft will contribute to an improved mobility by launching a partnership bike-sharing project in Bratislava, which also, will be included in selected service stations in Slovakia's capital.

All planned activities only confirm Slovnaft's long-term strategy – to bring customers new products and services, provide them with a place to rest and be thus the first choice for people on the move.

POWER & HEAT GENERATION





KEY RESULTS / TOP ACHIEVEMENTS

- preparation of the incorporation process of CM European Power Slovakia's Thermal power plant into Slovnaft's corporate structure until 1st of January 2018
- successful accomplishment of the project involving the replacement of two 110-kilovolt supply cables from the Podunajské Biskupice switchyard and purchase of the third, original cable as a reserve
- securing the operation of the heat supply and distribution system by our own employees
- performance of the TG1 turbo-generator general overhaul at the Thermal power plant

The Power & Heat Generation Department provides a continuous supply of energies to the Slovnaft refinery's production units, as well as, to other internal and external customers at the Vlčie hrdlo site. By optimizing the energy production-to-purchase ratio and utilizing market opportunities, the unit helps reduce the company's cost. Its own production covers the overall heat consumption for technological purposes, and approximately 43% of electricity consumption in the SLOVNAFT Group.

PRODUCTION OF HEAT AND ELECTRICITY

Year 2017 saw an increase in energy efficiency at the production facilities and optimized fuel mixing at the refinery along with maximum utilization at the Thermal power plant (TPP). Total heat supplied in 2017 reached 4,916 TJ (1,366 GWh), 7.3% more than in 2016. Electricity supplies from Thermal power plant dropped by 4.9% year-on-year to 365 GWh. The equivalent of 228 kilotons of mixed petrol residue was burned at Thermal power plant, which was 3.8% less than in the previous year. The past year was the first complete period when heat was supplied to Bratislavská teplárenská, a.s. The amount of heat supplied was at 114 GWh.

INVESTMENT ACTIVITIES AND PROGRAMS

Year 2017 was an exceptional year for the department Power & Heat Generation. The incorporation process of CM European Power Slovakia's Thermal power plant into Slovnaft was prepared during the whole year. Incorporation, which was completed on 1st of January 2018, substantially reducing the costs associated with various administrative fees that both companies have had to pay. This measure will also eliminate duplicate administrative and production costs, thus, contributing to increased effectiveness.

As part of new investments, the replacement of two 110-kilovolt supply cables was completed and a third cable was purchased as a reserve.

A long-term program of Energy Efficiency, Effectiveness and Economy is currently in operation across the entire energy chain (generation – transmission – distribution – supply – consumption) with the aim of establishing a transparent energy management system and to rationalize procedures. The program's goal is to systematically optimize energy costs and to increase safety and reliability of energy supplies to customers.

WHAT COMES NEXT?

New investments in the distribution network and energy sector equipment will increase reliability of energy supplies and flexibility of energy availability from different sources. Following the replacement of two 110-kilovolt supply cables and retention of the third original cable as a reserve; future plans include the gradual replacement of seven 110-kilovolt transformers. Two of them will be replaced in the next year.

For 2018, an investment project of innovating liquid fuel feed and high-pressure pumps, enhancing the control system and reconstructing the Thermal power plant's control unit is scheduled. Optimization of back-pressure and condensing turbines at the Thermal power plant is expected to yield annual savings of at least EUR 150 000.

FINANCIAL PERFORMANCE AND KEY FINANCIAL AND OPERATING RESULTS

KEY RESULTS / TOP ACHIEVEMENTS

- comprehensive income – EUR 172 million
- capital investments – EUR 118 million
- contribution of the Next Downstream Program – EUR 8 million

SLOVNAFT Group reported profits of EUR 172.3 million for the 2017 accounting period. The positive impact on profits came primarily from the favorable crack spreads of oil products, increased demand for polymers, as well as, continuing emphasis on cost effectiveness and more affordable conditions for the purchase of goods and services. On the other hand, lower Brent-Ural spread, higher energy prices and unscheduled production shutdowns had a negative impact on SLOVNAFT Group's financial results. SLOVNAFT Group continued its strong capital investment program, pouring EUR 118.4 million into it.

STATEMENT OF COMPREHENSIVE FINANCIAL RESULTS

In 2017, SLOVNAFT Group revenues reached EUR 3.4 billion, a 15% year-on-year increase. Costs of raw materials and of goods sold increased by 18%. An increase in quoted commodity prices was the primary cause of this increase. Other operating expenses grew by 7%.

STATEMENT OF FINANCIAL POSITION

The value of non-current tangible assets fell year-on-year by 2% in 2017. The 6% growth in inventories was caused by an increase in the volume and costs of semi-finished and finished goods. Trade receivables grew by 8%, while trade payables rose by 28%. There was a 68% increase in cash and cash equivalents. The total value of loans decreased by 75% year-on-year, reaching EUR 40.9 million.

STATEMENT OF CASH FLOWS

At the end of 2017, cash and cash equivalents was EUR 163.7 million, a year-on-year increase of 68%. The financial situation of SLOVNAFT Group was stable throughout the year. Both current and capital expenditures were financed mainly from the Company's own resources. SLOVNAFT Group has sufficient credit to finance short-term as well as long-term needs.

INVESTMENT ACTIVITIES

Capital expenditure of SLOVNAFT Group reached EUR 118 million in 2017 for investment activities and EUR 1 million for strategic spare parts (safety stocks). These expenditures rose by EUR 19 million year-on-year. The Refinery and Marketing segment reported an increase in capital expenditures due to a greater extent of planned general overhauls and implementation of an investment to reduce corrosion by replacing desalters in the distillation process. The decline in capital expenditures for Petrochemicals segment was attributed to the completion of the LDPE 4 project and preparation for new investments. In Logistics, the vehicle fleet was expanded and partially replaced, and the upgrading of our railway infrastructure is under way.

Capital expenditures of EUR 6 million were allocated to the Petrochemicals segment, reaching EUR 4 million in the Steam Cracker unit.

Completely EUR 76 million-worth of investment activities in the Refinery and Marketing segment focused in 2017 on modernizing core refinery production, while EUR 6 million was invested into raising the quality of the distribution and logistics process.

Completely EUR 43 million was invested in projects concentrating on increasing the operational reliability and effectiveness of the production process, of which EUR 32 million went toward planned general overhauls and a total of EUR 10 million was spent on catalyst replacement. An additional EUR 23 million was expended to replace assets which useful life had expired.

Investments focused on improving environmental protection and occupational safety totaled EUR 10 million, and were used, in addition to other environmental projects, to start the construction of a new ethylene storage tank and to acquire new pumps for underground water hydraulic protection.

In 2017 capital expenditures in the Retail segment amounted to EUR 19 million in total. Investment activities were focused on upgrading sections of the service stations not selling fuel – reconstructing shopping space to the Fresh Corner format and installing modern car washes.

NEXT DOWNSTREAM PROGRAM

MOL Group also continued to enhance its Downstream activities with Next Downstream program. The program's goal was to implement further measures in 2015 – 2017 for raising effectiveness and supporting growth.

Next Downstream program was supposed to raise MOL Group's earnings before interest, tax, depreciation and amortization (EBITDA) by 2017 with USD 500 million, to which SLOVNAFT, a.s., contributed USD 9 million in 2017, aside from the impact of strategic projects.

SUSTAINABLE DEVELOPMENT

OCCUPATIONAL HEALTH & SAFETY, FIRE & PROCESS SAFETY AND ENVIRONMENTAL PROTECTION

KEY RESULTS / TOP ACHIEVEMENTS

- no serious or fatal injuries of own staff or our contractors' employees
- no serious industrial accidents
- more than 1 500 employees retrained in the new HSE training center

Slovnaft's main goal is to ensure the highest possible level of occupational health and safety, fire safety and environmental protection, and to share in minimizing the adverse impacts of our company's activities through professional support.

Although our business essentially exploits mineral wealth, Slovnaft seeks to take a responsible approach toward people and the environment in achieving sustainability. Responsible behavior is also declared in our HSE and Social Responsibility Policy, updated in 2017. We are striving to make employees aware of the potential risks resulting from their work to their community, environment, company property and most of all to their own safety and health.

One of the factors for reliability of human performance is practical training and experience. It was also because of this, we successfully launched the HSE training center, where more than 1 500 employees were retrained in the first year of its existence.

In 2017, Slovnaft was also focusing on employee safety in home environment. Since according to statistical data, the number of non-working injuries in the Company for the past seven years was 20 times higher than the number of working injuries. A communication campaign entitled Turniketom sa to nekončí (It Does Not End at Turnstile) was conducted in our internal environment with the aim of pointing out the consequences of a non-working injury to employees; not only in their professional life, but also in private lives while enhancing awareness of safe behavior outside the workplace as well.

Slovnaft's triumph in the international Safety Culture Award, which assesses the safety culture in companies, that is confirmed with the high standards in occupational safety at SLOVNAFT, a.s. Developing safety culture is, however, a process that cannot be considered finished because there are always areas in need of improvement to ensure safety of employees and the company at large.

Slovnaft proved its interest in an open discussion and active dialogue with non-profit organizations and local self-government authorities by organizing the fourth annual Green Day 2017 event, presenting there its results in environmental protection and fire safety, new systems for informing the public and grant programs.

At Slovnaft, quality, environmental and occupational safety & health management is developed and certified within the ISO 9001 quality management, the ISO 14001 environmental management and the OHSAS 18001 occupational health and safety systems. Every year, the extent to which these systems have been implemented and quality of such implementation is audited by independent external auditors. The successful audit results in 2017 allowed the company to defend all three certificates.

Environmental Protection

Slovnaft makes maximum effort to find solutions that minimize the impact of its activities on the environment. We constantly modernize our production and focus on using the best available technologies that offer energy savings and increase the protection of the environment.

AIR PROTECTION

The emissions of basic pollutants released into the atmosphere from the major sources of pollution increased in 2017 year-on-year comparison by 4%. A significant increase was documented in SO_2 emissions, which was attributed to the processing of alternative high-sulfur crude. But with the commissioning of a forthcoming SWAATS fertilizer production unit, SO_2 emissions

are expected to drop to their former levels. Contrary to the rise in SO_2 emissions, we recorded a decline in volatile organic compound (VOC) emissions due to an intense phase of repairing leaks identified by the Leak Detection and Repair (LDAR) program.

Slovnaft also places great emphasis on controlling volatile organic compounds (VOC) leaks and reducing fugitive emissions. To achieve this goal, Leak Detection And Repair (LDAR) program has been implemented, with the aim of regularly checking leakage of volatile organic compounds, to be followed by corrective action. In 2017, LDAR program ran in three refinery operations where more than 40 000 elements were measured.

For the purpose of planned processing of sourer crude oil with higher sulfur content, Slovnaft initiated the project for alternative processing of sour hydrogen sulfide gases. At present the company processes the Russian Export Blend with a sulfur content of 1.75%. However, crude oil is currently extracted from greater and greater depths, which leads to changes in its composition. Oil, therefore, contains a higher portion of heavy hydrocarbons, and so has a higher sulfur content too. In view of the current quality of the Russian oil, both sulfur production lines in the refinery operate at maximum capacity. By implementing this project, Slovnaft will ensure that there is no rise in SO_2 emissions.

A project closely linked to the modification in the proposed activities entails the construction of a production unit designed for alternative processing of ammonia-acid gases by SWAATS technology. The new production unit will process ammonia-acid gases that are currently processed at sulfur processing units, thereby freeing up the capacity of these production units for processing of larger quantities of sour hydrogen sulfide gases. As part of the modification, the gas will be processed by SWAATS technology into ammonium thiosulfate (ATS) to be used as fertilizer in agriculture.

WATER PROTECTION

Compared to 2016, the surface water withdrawal from the Danube River for manufacturing processes dropped in 2017 by about 11%. Utilization of pumped-out groundwater for cooling purposes increased by more than 15%. In 2017, Slovnaft discharged wastewater in better quality than the year before.

To enhance the protection of surface water, Slovnaft implemented a project having the main goal to increase the protection of the Little Danube River against oil contamination from Slovnaft's manufacturing processes. The initial project phase focused mainly on the installation of technical means for early detection of potential leaks, which will help to avoid that oil substances carried by accidentally contaminated cooling and rain water reach the Little Danube River. Currently, the second stage of the project is underway, aimed at reducing the risk of surface water contamination.

In order to reduce consumption of the Danube water for technology, Slovnaft is continuing to connect its production units to circulation centers. The project for connecting the Aromatics Extraction production unit to Circulation Center CC6 is now in its preparation stage.

SOIL AND GROUNDWATER PROTECTION

In the past Slovnaft committed itself to remove old environmental burdens, also including older service stations and large-capacity logistics storage depots. Slovnaft had begun to implement this complex project more than 12 years ago, even before the act on measures concerning environmental burdens came into force.

Since 2005, the company spent about EUR 12 million for cleaning soil and groundwater contaminated by its operations outside the Vlčie hrdlo area. Out of it, more than EUR 11 million was spent on remedial measures at logistics operations and more than EUR 800 thousand for service stations. A total of the 12 logistics sites were included in the remediation program. Currently, all work has been completed at ten of them. More than 5.1 million cubic meters of underground water were cleaned up and more than 120 thousand tons of soil decontaminated. A considerable volume of work constituted liquidation of closed-down technologies, including 80 underground tanks. At one site, the clean-up activities are still continuing.

In Slovnaft's retail network, 73 service stations were closed and the environment cleaned up in decommissioned and liquidated in an eco-friendly manner during 2005 and 2006. Service stations where contamination was suspected as a result of long-time operation were selected for further geological work and comprehensive reconstruction. Research was conducted at 11 closed and 29 operating service stations to determine the extent of contamination and for monitoring and potential cleanup. Currently, groundwater quality monitoring continues at selected service stations.

WASTE MANAGEMENT

The amount of recovered waste generated in Slovnaft's refinery is constantly at a high level. In 2017, more than 70% of waste was recovered. The overall waste recovery rate in the SLOVNAFT Group increased by 15% year-on-year. Positive results have been achieved over the long term in the recycling of spent catalysts. In the past year, the recycling rate for spent catalysts was 95%.

Social Area

OCCUPATIONAL SAFETY AND HEALTH

In its HSE and Social Responsibility Policy, Slovnaft has committed itself to worker health and safety. We believe that injuries can be prevented and with this goal in mind, we conduct various projects and campaigns every year. The benefits of such projects and campaigns can be seen in a low total recordable injury rate (TRIR) of our own employees, our contractors' employees and the service station staff. In 2017 the SLOVNAFT Group achieved a TRIR level of 0.4. When compared to 2016, the TRIR value fell by more than 35%, and no occupational disease or serious working injury was recorded in this period.

More than 100 of our own managers and employees from our contractors and Slovnaft subsidiaries completed the Leadership in Safety workshops.

Mental health is one of the most important values pursued by Slovnaft. The COHESIO program gives employees an opportunity to consult with an independent expert in this area. The goal is to achieve improvements in mental health, well-being and harmony in the lives of our employees.

In addition to standard health care, SLOVNAFT Group employees can also take advantage over the long term of premium health programs, which were enhanced with new preventive programs employees had expressed interest in. Every employee is entitled to premium healthcare at a cost of EUR 130 per year. This amount is covered by the employer.

In the past year, Health Days were organized again. It included a wholesome breakfast prepared for Slovnaft employees, workouts as well as lectures and discussions about health and disease prevention.

MANAGEMENT OF SUPPLIERS

Considering a constantly changing work environment, technology and operating procedures; Slovnaft's aim is to ensure the highest possible protection of the health of all persons working at Slovnaft's premises.

In the past year Slovnaft documented no serious industrial injury of our contractors' employees despite extensive general overhauls, during which almost 1 400 of such employees were working in our company. In 2017 a motivational program aimed at improved discipline regarding safe behavior was launched for contractors' employees, entitled Safe Behavior Is Worth It. The program's objective was to support safety, minimize adverse events and ensure an injury-free course of general overhauls. As part of the program, 126 contractor employees received awards.

PROCESS SAFETY

In Process Safety Management (PSM), Slovnaft is constantly working toward raising the quality of PSM elements that have been put in place and deepening employee awareness. In the past year, we have completed cyclical evaluation of risks related to technological processes at logistics operations and continued to evaluate risks related to technological processes at production operations, using risk analysis tools (HAZOP/HAZID). We have also continued to improve processes related to emergency preparedness and countering of potential emergencies in the company's production operations through mutual cooperation of operating personnel and Slovnaft's firefighting unit employees.

FIRE PROTECTION

There were 20 fires in the SLOVNAFT Group in 2017, of which 19 fires were classified as low HSE severity fire and one fire as medium HSE severity fire. No personal injury occurred in any of the fires.

Fire investigations are carried out directly by the HSE unit in accordance with the legal firefighting regulations and the international technical standard NFPA 921: Guide for Fire and Explosion Investigations.

As part of constant improvements in practical emergency preparedness of employees we reconstructed an existing SCBA training polygon that had originally been constructed in the 1970s. The SCBA training polygon is used for practical training of procedures involving self-contained breathing apparatus. SCBA training polygon reconstruction covered the electrical, machinery and construction parts. The original control panel was replaced with a new one offering several additional functions. The cage section of the SCBA training polygon where practical training is conducted was restored too. SCBA training polygon training was included in the employee education, particularly for refinery operators, who are trained here to use self-contained breathing apparatuses. During training, they acquire skills in putting on such apparatuses and using them in various simulated activities. Practical training supports the theoretical knowledge acquired and fosters operator preparation for real-life situations that can occur during emergencies. Fire brigades, both from the company's internal and external fire brigades, are subject to broader test range training.

Emergency responses of firefighting and emergency response units are handled in emergency planning processes through the fire countering documentation updating project. This documentation is also harmonized with the documentation concerning serious industrial accidents to serve then as a basis for emergency response training and for improving processes to manage emergencies that have already occurred. As part of the Material Means Renewal project, an automatic compressor for gas filling of self-contained breathing apparatuses was purchased for the plant fire brigade. The heavy-duty compressor will fully cover all gas filling needs that may occur during common operation as well as in emergencies.

Concerning fire prevention, Slovnaft implemented a system of using fire-fighting blankets and screens for work, where there is an increased fire danger. In addition, the Company organized HSE forums for employees, with the aim of establishing fire inspections at workplaces and fire watch teams, and defining their tasks.

Regarding safety culture improvement, Slovnaft also trained employees in home fire protection, teaching them basic rules of conduct during fires in accommodation facilities and hotels as well.

For SLOVNAFT Group, Sustainable Development means commitment to proportionally integrating economic, environmental and social aspects in our daily business activities to maximize value creation for our partners and ensure approval of our activities in the long term.

Indicator	Unit	2015	2016	2017
Climate Change				
Greenhouse Gas Emissions				
Carbon Dioxide (CO_2) under ETS	t	2 134 576	2 204 700	2 198 678
Environment				
Air Emissions				
Sulphur Dioxide (SO_2)	t	2 059,2	2 793,8	3 317,2
Nitrogen Oxides (NOX)	t	1 629,6	2 062,3	2 098,6
Volatile Organic Compounds (VOC)	t	3 157,0	2 773,0	2 528,7
Carbon Monoxide (CO)	t	524,7	457,9	480,7
Particulate Matter (PM)	t	65,5	80,1	94,2
Water				
Total Water Withdrawals	m^3	36 112 905	33 194 062	31 393 966
Total Water Discharge	m^3	54 936 411	52 678 782	50 522 163
Waste				
Hazardous Waste	t	22 099,0	37 240,1	29 702,4
Non-hazardous Waste	t	65 714,4	30 871,2	28 115,8
Reused/recycled ratio	%	85	57	66
Spills[1]				
Number of HC Spills	number	8	24	27
Volume of HC Spills	m^3	6,1	89,73	10,7
Health and Safety				
Lost Time Injury Frequency (LTIF) - own employees	rate	0,6	0,18	0,53
Lost Time Injury Frequency (LTIF) - contractors	rate	0,2	0,12	0,09
Total Reportable Occupational Illnesses Frequency (TROIF)	rate	0	0	0
Number of fatalities – own employees	number	0	0	0
Number of fatalities – contractors	number	0	0	0
Human resources				
Employees				
Total number of employees	number	2 389	2 297	2 389
Number of terminated[2]	number	174	329	167
Fluctuation rate[3]	%	7,3	14,3	7,1
Female employment factor				
The share of women of the total number of employees	%	27,8	24,8	24,9
The share of women in management positions	%	25,2	21,6	20,5
Education				
Average number of training hours per employee	hours	24	26,3	27

1) The increased number of recorded spills is due to improved reporting of spill incidents by operators as a result of increasing their awareness on this issue by trainings. The impact of SPILL to environment was very low due to efficient function of GWHP system.
2) In 2016, 112 employees were transferred to VÚRUP company; without this change the number of terminated was 207.
3) Without the impact of transfer of employees to VÚRUP, fluctuation in the year 2016 was 9%.

RESEARCH AND DEVELOPMENT

KEY RESULTS / TOP ACHIEVEMENTS

- increased bio-component content in fuels and preparations for the onset of more advanced bio-components
- focus of the production process on petrochemical production was initiated

Developments in motor fuels are currently concentrating on bio-components used in fuels. In 2017, Slovnaft, in line with the Slovak law and the valid technical standards, introduced gasoline with a higher bio-ethanol content to the market. Additionally, a bio-component obtained from waste resources with high greenhouse gas emission savings was tested and the effects of such resources on final fuel quality were evaluated. The company also focused its attention on advanced bio-components whose introduction is expected in 2019. Further research activities were related to the development of a formulation for fuel designed for special use in aviation.

As regards development activities in petrochemicals, Slovnaft concentrated its attention on the improvement of application and mechanical properties of polypropylene products under the brand name of Tatren. Based on the requests of our customers from the automotive industry, manufacturing of products with a reduced content of volatiles in polypropylene was tested. In addition, miscellaneous chemicals and additives used in polypropelene production were tested and evaluated in the production unit. Activities in polypropylene manufacturing were related to testing of products from the newly-constructed LDPE 4 production unit, as well as, to optimization of its technology and production.

In line with the MOL Group strategy, Slovnaft continued to develop especially petrochemical production as part of the company's technological developments.

From the perspective of long-term development, Slovnaft, in cooperation with MOL Group, started to carry out a complex study aimed at substantial reduction in the volume of produced fuels and increase of the petrochemical production share. Collaborating with an experienced contractor, Slovnaft commenced preparations for a long-term development plan to petchemize production in accordance with the market demands. The plan's objective is to work out a complex and optimized MOL Group model, taking into account logistics demands, the availability and cost of individual technologies, and availability of raw materials in addition to market conditions.

In the past year, Slovnaft initiated a study concerning the existing Steam Cracker production unit, with a view to extending its useful life and increasing production capacity in order to increase production of ethylene and propylene-based plastics as well as aromatics production. In the opening phase of the study, possible raw material resources and potentials for increasing the capacity in technical and economic terms were identified. In the next phase, we will continue the analysis in respect of the selected raw materials and the ideal capacity with the aim of preparing a more detailed technical solution, validating feasibility and specifying investment cost, also including subsequent production units in the analysis.

With the aromatics production, Slovnaft focused on reviewing of the option to increase this production while using the existing facility based on optimized processing of individual input flows. A number of operational tests were carried out towards this end, identifying limitations in the production process. The tests were also intended to validate simulation calculations.

Simultaneously, Slovnaft is involved in cooperation with Inovacat, a company owning the patent for the Gasolfin technology, as regards to the processing of gasoline from the FCC production unit or gasoline from other units in order to increase propylene and aromatics production.

In refinery technologies, Slovnaft continues to test utilization of alternative crude oil with the aim of identifying operating limitations associated with varying quality of oil when compared to the traditionally used Russian crude oil.

The refinery development also includes optimization of heavy oil residues processing within MOL Group. The intention is to increase effectiveness of utilizing the cracking process capacities for processing, the limiting factor being particularly loading of highly viscous materials at elevated temperatures and use of diluents. The respective limitations are being dealt with by way of employing innovative technical solutions.

In the past year, the company was also involved in the development of a model simulating Slovnaft's production, intended to forecast process flow quantitative and qualitative changes in evaluating new technological modifications, ranging from minor modifications in the existing facilities to integration of new units. The simulation model was used to evaluate the Gasolfin technology and the increased processing capacity at the Steam Cracker production unit, particularly relating to the interlinked aromatics production technologies.

HUMAN RESOURCES MANAGEMENT

KEY RESULTS / TOP ACHIEVEMENTS

- successful completion of the first year, and opening of the second year of the SMART development program intended for talented Slovnaft employees
- continuing Talent Acquisition program focusing not only on students enrolled at universities, but also secondary and primary school students
- establishing of the Generational Exchange project aimed at securing enough employees for the position of chemical production operator
- introduction of career growth and transparent remuneration for the shift-work personnel in the Company's production sector, in logistics and energy sector

As of the 31st of December 2017, SLOVNAFT Group companies employed 3 435 employees. Employee turnover at the company has remained at a level below the national average.

CULTURE 2030

In line with the MOL Group initiative, Slovnaft established an internal team of corporate culture ambassadors in the past year. The ambassadors' objective in the opening stage of the program is to focus on elaborating a corporate culture strategy based on the outcomes of the survey conducted in the previous calendar year.

To ensure positive progress of the program, a 70-member team of partners for corporate culture advancement was established within the SLOVNAFT Group. The partners' key role is to cooperate with the ambassadors, and in the units where they work, to reinforce awareness of the program and support its implementation.

For a better awareness of the needs and options for corporate culture development, the team of ambassadors lead workshops organized for all Slovnaft units during the year. These workshops were intended to establish the basic structure of activities in the main areas identified as program priorities. To strengthen effective communication, feedback culture, management visibility and employee appreciation, basic rules and other tools were elaborated.

For the sake of strengthening four corporate values in line with the MOL Group strategy, the Company management organized discussion forums, presentations and meetings open to all employees. On a regular basis, Slovnaft uses available communication forms to achieve sufficient dissemination of the program awareness. The Company also creates space for the development of the employees' knowledge in change management.

PAYROLL AND SOCIAL AFFAIRS

In the second quarter of 2017, employee base pay at SLOVNAFT Group companies rose in average by 3.5% in line with provisions of Collective Agreement. As regards remuneration, the company adopted a special approach, particularly towards the shift-work personnel in the production sector of the Company. A special career ladder for employees in production, logistics and energy sectors was prepared, and as from the 1st of July 2017 also implemented, promoting compensation for achieving the required professional qualifications. In addition to wage increases, there were numerous other changes implemented by the Company in the current Collective Agreement based on an agreement with its social partner, linked to the SLOVNAFT Group's interest to motivate employees in meeting the company goals and developing their knowledge and skills required for the performance of work. It also reflected the current labor market situation as well as the SLOVNAFT Group's financial economic results in 2016.

The performance bonus was paid out in April 2017 according to results achieved by MOL Group in 2016 and amounted to 10.2% of employee base salary in 2016.

In the past year too, SLOVNAFT Group employees were provided with a wide range of fringe benefits rendered in both financial and material form, in addition to their wage. A substantial part of these benefits continues to focus on health care and living, assistance in emergency situations and the security of retirement age employees. Considering employee interests, the most important employee benefits in 2017 also included a cafeteria social contribution, which allows employees to cover variety of their social, sport and cultural activities, as well as contribution to supplementary pension savings scheme and contributions to accident and life insurance.

EDUCATION AND STAFF DEVELOPMENT

Slovnaft fosters education of all employee groups on a long-term basis in accordance with the development needs of individual

SLOVNAFT Group companies and the MOL Group Strategy, also taking into account the employees' needs.

In 2017, too, leadership development remained one of the key areas for the development of managers. Slovnaft held the 7th annual Master's Academy development program that was successfully completed by 26 shift leaders or their deputies. At the same time, programs focusing on management coaching were conducted, adding a new concept of the company's internal coaches. In the course of the year, the management training portfolio was extended to include Inspirational Sessions with the aim of bringing new information into the company on a quarterly basis, concerning leadership.

All employees may attend Inspirational Sessions dedicated to various topics and new trends, particularly as regards communication improvement, cooperation and personality development. During 2017, eight such sessions were conducted with more than 100 employees in attendance. Moreover, Inspirational Session for participants in the SMART 2 development program took place on the subject of social and business etiquette, attended by 13 employees. These topics are also supported by miscellaneous virtual courses available all year round.

Company´s employees have the opportunity to also educate themselves in MOL Group programs, such as Intensity (one-off courses in English), LEAD (long-term development program for leaders), NEXT (program focused on talents in the sphere of oil processing), SEED Business Leadership Program and SEED Foundations of Management Program (intensive programs in leadership intended for managers and talented leaders) etc. In 2017, localization of three selected Intensity courses took place, and the two pilot courses were attended by 20 participants – beginning managers and leaders, or employees with potential for these positions.

Talent management is one of the crucial topics the management of individual Company divisions pays great attention to. Employees with no managerial experience who, however, have high potential for further professional and personal growth may attend the long-term SMART program. In December 2017, the program's first year was successfully completed by 11 talented employees from Production. Moreover, in May 2017 the second year of the program started, with further 24 employees in attendance.

In professional training, setup of development activities was being carried out as part of the Downstream Technical Career Ladder program. The program is a combination of technical lectures given by external and internal lecturers, and in the past year 255 employees were included in it.

As part of the Generational Exchange project, a three-month intensive training cycle for newly-hired refinery production operators was held again in the past year. Here our new colleagues with no specialized education in chemistry acquire the knowledge and skills needed for a qualified job performance. More than 150 new employees have been re-trained so far, by 35 internal lecturers – Slovnaft experts taking part in their training.

In 2017, the SLOVNAFT Group successfully opened the 11th year of the GROWWW program intended for university graduates. The program offers a unique chance to gain valuable work experience and professional development in the dynamic international environment of MOL Group. In the past year, 21 young people with work experience of no more than 1 year after graduation were admitted to the program.

Slovnaft is continuing its cooperation with secondary schools and universities about arranging internships in the company, organizing excursions and providing consultations in respect of bachelor's and master's theses. Lectures by Slovnaft specialists and managers at the Slovak University of Technology and Comenius University have become a tradition for students at the Faculty of Management and the Faculty of Chemical and Food Technology. Slovnaft has recorded a similar level of students' interest in summer internship at the refinery and in the Best Graduate Thesis Contest.
The third year of the program for secondary-school students – VEKTOR is now taking place with the aim of interlinking the technical education system with long-term needs of our company. In the academic year 2017/2018, the program involves altogether 19 students from two secondary vocational schools. The program's goal is to provide chemistry students with better care during vocational training for their future jobs, and to offer employment to the top students upon their graduation.

The company organized the next year of the scientific online competition for secondary-school students, Junior Freshhh, in which 1 350 students took part.

During 2017, the company intensified its communication with primary schools and as a partner became involved in projects promoting chemistry at primary schools: Crimi Chemistry, Experience an Experiment and Scientific Fair. Just as in 2016, the objective of the second wave of the Chemistry is Fun campaign was to arouse interest in studying chemistry and chemistry-related subjects.

In 2017, Slovnaft continued its support of ensuring communication in English through language training of its managers and specialists. Similarly, individual courses were held for foreign employees intended to improve their communication skills in the Slovak language. The language training was attended by 131 company employees.

DIVERSITY POLICY

Of all of its 7 members, the Board of Directors of SLOVNAFT, a.s., includes one woman – Mrs Timea Reicher, Head of Retail.

The Supervisory Board of the company includes 6 members overall, 2 of whom are women. Mrs Martina Darnadiová is one of them. Elected as a representative of employees, Mrs Darnadiová is a candidate of the Basic Organisation of the Energy and Chemical Trade Union (ZO ECHOZ) at SLOVNAFT, a.s. She has been a member of the Supervisory Board since 2017.
The other female Supervisory Board member is Mrs Zsuzsanna Éva Ortutay, Chief Financial Officer of MOL Nyrt., representing the majority shareholder of the company.

The average age of women in the company bodies is 44 years.

Seven women and nineteen men served together in the company's top management in 2017. Women in those managerial positions managed the following units: Retail, Business Centre, Plan and Controlling, Business Services, Legal Services, Human Resources, Information Technology Services. All women in the Company's top management have university education.

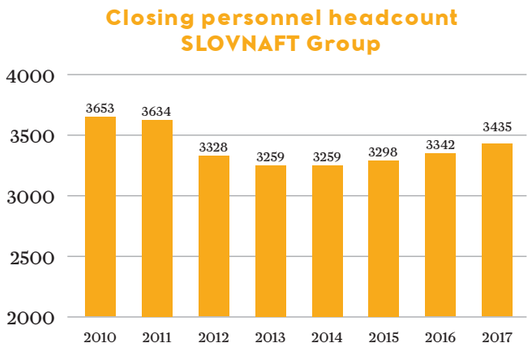
PROMOTING ETHICAL PRINCIPLES

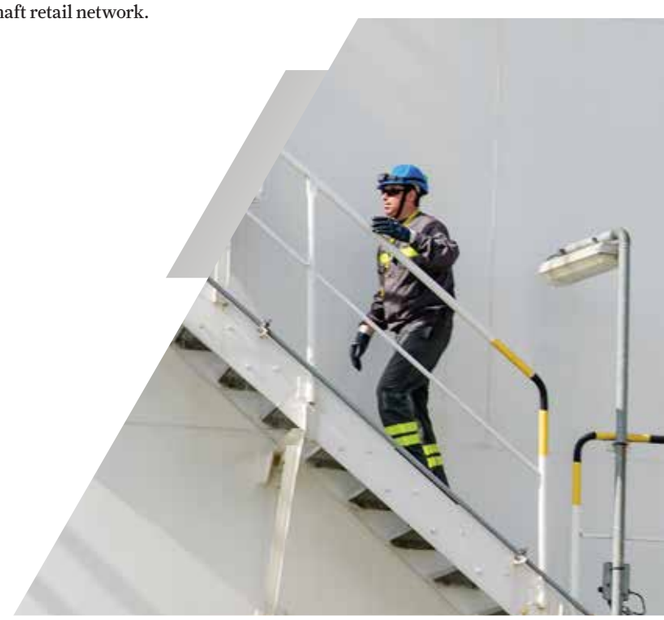
MOL Group, which includes SLOVNAFT as its part, considers ethical conduct to be one of the most important components for the company's operation. Therefore, the Group has committed itself to carry on business in a proper manner, based on ethical conduct and compliance culture. In order to meet the ever-increasing expectations of the business environment, a new Code of Ethics and Business Conduct, binding on all MOL Group employees, was issued in 2017. Its publication was accompanied by an internal communication campaign. Code of Ethics and Business Conduct is available on the Internet and was also published in printed form. It is divided into topics, defining long-term, stable corporate values, which strengthen MOL Group's ethical commitment and corporate responsibility. It incorporates principles of ethical business conduct, clear guidelines concerning ethical organization, and responsibilities of all employees and managers as well by handling certain concrete examples of ethical/unethical conduct. The Code of ethics also deals with new topics, such as sustainability, compliance with international business restrictions, anti-fraud, anti-money laundering and social media issues, while some of the existing topics were extended, such as human rights, trustworthy business relations and responsible partner relations, information security, digital systems, anti-corruption, anti-bribery, insider information abuse in business relations or responsibility for local communities.

In the second quarter of 2017, SLOVNAFT Group employees familiarized themselves with the content of the document, and received it in printed form. Code of ethics is also available to employees of all service stations in the Slovnaft retail network.

The publication of the new Code of Ethics and Business Conduct was notified to SLOVNAFT business partners in electronic communications, which involved an appeal for consistent adherence to the Code. The new document can also be found on the Company's website.

More information about compliance with human rights, combat against corruption and bribery, as well as information about environmental, social and employment impacts, is published in the Annual Report of MOL, the parent company, in section Supplementary and Sustainability Information.





CORPORATE SOCIAL RESPONSIBILITY AND PUBLIC ACTIVITIES

KEY RESULTS / TOP ACHIEVEMENTS

- the highest-level football cup competition in Slovakia is called SLOVNAFT CUP
- 27 environmental projects were supported and implemented nationwide in cooperation with the Ekopolis Foundation in the 11th year of the Green Oases grant program
- through the New European Talents grant program, Slovnaft has been supporting bright young talents in science, arts and sports for ten years
- cultural education at primary schools promoted by project With Slovnaft to the Theater
- project Even a Drop of Oil Counts experienced extraordinary growth in volume of oil collected

For Slovnaft, corporate social responsibility is an integral part of business. The Company takes into account the world around us and tries to create conditions for a better future. Toward that end, it systematically and purposefully focuses mainly on promoting children and young people, their education and health, science, culture and sports as well as environmental protection. It collaborates and builds relationships with local communities and non-governmental organizations.

In 2017, the Company directly supported several community and humanitarian projects, non-governmental organizations, institutions and professional, cultural and sporting events. Both financial and non-financial contributions allowed the Company to distribute more than EUR 440 000.

THE PROMOTION OF YOUNG TALENTS

In 2017 Slovnaft, in cooperation with Central European Foundation, concluded the first decade of the New European Talents grant program. Since 2007, the company has provided nearly EUR 650 000 in support of this program, thus contributing to talent development for 457 children of exceptional talents. Many of these talented people have successfully represented Slovakia in various international forums, contests, symposiums and performances.

THE ENVIRONMENT

Environmental protection remains among SLOVNAFT Group's top priorities. Proof of this can be seen in Slovnaft's investment

into cutting-edge technology and monitoring systems as well as the approach it has been taking to create new values and exploiting renewable energy.

In 2017 the 11th year of the Green Oases environmental grant program was successfully conducted in cooperation with the Ekopolis Foundation. As a result of the program and thanks to enthusiastic volunteers and go-ahead associations, 27 unique ecoareas were established in Slovakia. In its 11 years, 247 green areas, parks, nature trails, schoolyards and relaxation areas have been created, totaling EUR 622 000.

In 2017, the volume of used cooking oil collected in project Even a Drop of Oil Counts rose by more than 40%. The project saw approximately 33 tons of oil brought into our service stations while in 2016 it was more than 23 tons. Last year the company also expanded the number of collection points involved in the project from 96 to a total of 165. Used kitchen oil becomes an environmental burden when disposed into sewage systems, but collecting and recycling it produces a biofuel component Slovnaft adds to its diesel fuel. Since the project was launched in 2011, Slovnaft has recycled a total of more than 68 tons of used cooking oil.

In 2017, Slovnaft for the second time became involved in the Central European Foundation's initiative to develop community activities and public areas around the Slovak section of the Danube River, including the Little Danube. Seven projects fostering and revitalizing the Danube River on the Slovak territory were funded from the Danube Fund grant program in 2017. They involved the development of educational activities, boating and hiking along the banks of the river.

CULTURE

Slovnaft remained an important supporter of culture and cultural values in 2017. It continued its many years of partnership with Lúčnica, a Slovak folklore ensemble, and was a general partner of the L + S Studio Summer Festival and of the international Art Film Fest held in Košice.

The cooperation with the Slovak Ministry of Culture in implementing project With Slovnaft to the Theater continued, too. This project is intended to enable primary school students in villages and smaller towns to attend theater performances at district and regional theaters, and was started in 2012 to respond to a common problem primary schools face, where they are unable to take advantage of the vouchers issued by the Slovak Ministry of Culture because the travel costs in organizing cultural tours for children exceed their financial capacity. So Slovnaft covers these travel costs associated with bus transport of school groups to seven theaters in Slovakia. During the time the project has been running, Slovnaft has arranged the transportation of more than 30 000 children to theaters.

SPORT

As a general partner, Slovnaft also supported the second most popular sport in Slovakia – football. The highest-level football cup competition has been called the SLOVNAFT CUP for the seventh season running. In early May 2017, the SLOVNAFT CUP finals match took place in Poprad, and the winning team, ŠK Slovan Bratislava, faced the winner of the Czech MOL Cup – FC FASTAV Zlín in the Czecho-Slovak Football Supercup match in June.

Early in 2017, Slovnaft sponsored the Slovak motorbike racer Štefan Svitko in the prestigious Dakar Rally, whose track in 2017 was even more extreme than usual. The most successful Slovak motorbike racer Štefan Svitko and his Slovnaft Rally Team successfully finished the race. Normally, he would have finished 7th in the race, but two penalties moved him into the final 25th position.

For the 2017/2018 season, Slovnaft has become a new general partner of Slovnaft Handball Extraliga, the top men's handball competition in Slovakia. The Company is also the main partner of the top women's handball competition, and supports the Slovak national men's and women's teams as the general advertising partner.

PHILANTROPY

In 2017, Slovnaft was involved in many corporate volunteering and voluntary blood donation programs. Overall 84 company employees in total took part in Our City corporate volunteering project and 77 employees were involved in enhancing Bird Island near Hrušov reservoir on the Danube River.

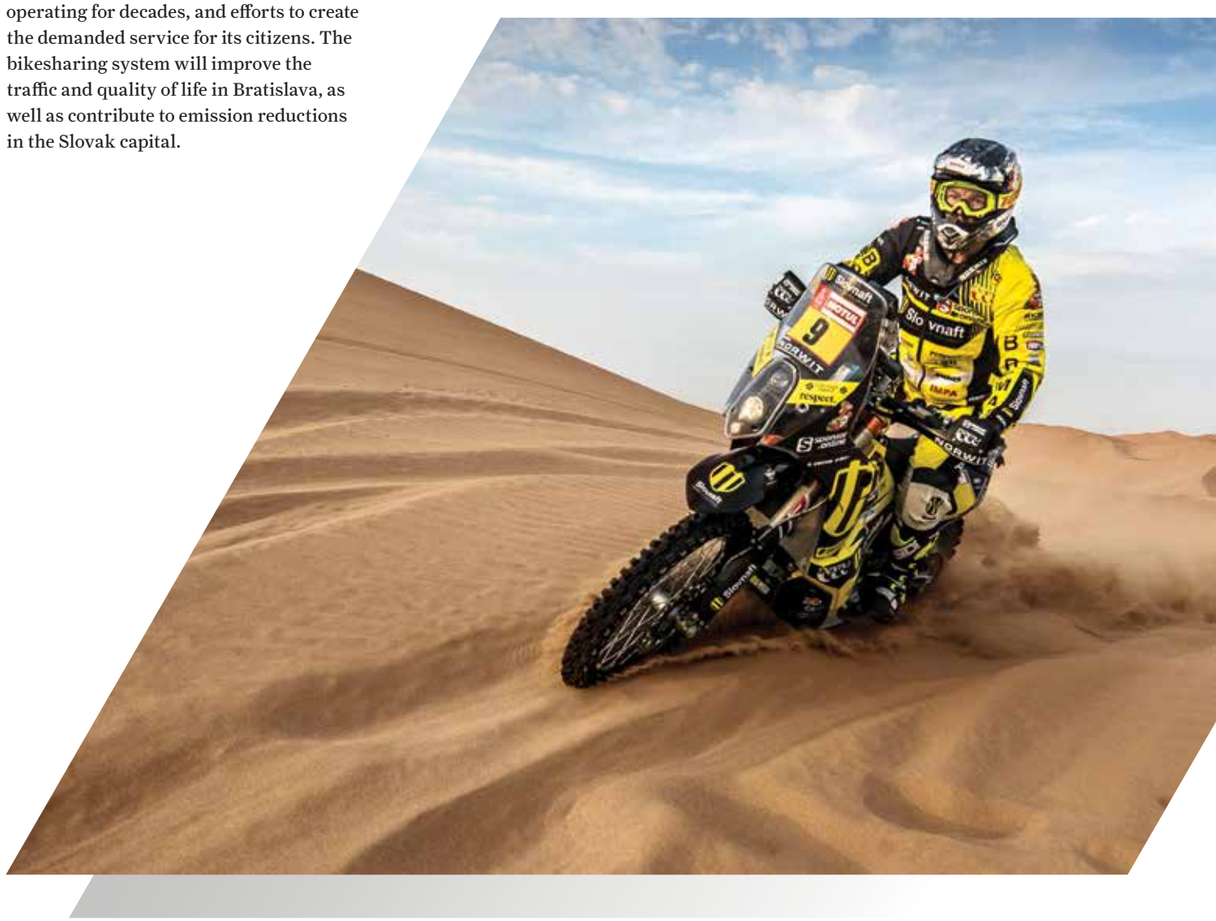
In the past year, Slovnaft employees became involved in the MOL Group initiative and submitted their own volunteering ideas to the Volunteering Idea Competition. As a result, three new projects won support and 42 employees created Green Avenue around Slovnaft, revitalized premises of the Kľačany Terminal and arranged Olympic Games for children from children's homes and underprivileged families.

The Christmas Charity Market successfully took place during the Christmas season, where employees contributed handmade products. More than EUR 1 400 was raised, which the employees decided to donate to the non-profit organization Plamienok.

CORPORATE SOCIAL RESPONSIBILITY IN SLOVNAFT'S PLACE OF BUSINESS BRATISLAVA

In 2017, Slovnaft became Bratislava's partner in developing the bicycle sharing service, what is known as the bikesharing. For Slovnaft, the key factors in this initiative included in particular its historical ties with Bratislava, where the company has been operating for decades, and efforts to create the demanded service for its citizens. The bikesharing system will improve the traffic and quality of life in Bratislava, as well as contribute to emission reductions in the Slovak capital.

The bikesharing is an alternative type of transport, with very competitive prices compared to the Municipal Mass Transit. It is a network of docking stations with short rental periods, where users can borrow the bicycle at any selected station and return it at another one. The aim of the cooperation is to launch the system in pilot phase in the four most populous urban districts – Staré Mesto, Nové Mesto, Petržalka and Ružinov – during the second quarter of 2018.



FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU AND INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2017

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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 Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of SLOVNAFT, a.s. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated 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") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated 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 consolidated 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 consolidated financial statements.

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Revenue recognition

The Group's net revenue for 2017 amounted to EUR 3,417 million. The Group 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. Due to the existence of the diversity in revenue categories considering the differences between retail and wholesale sales, we identified the recognition in the correct accounting period, occurrence and completeness of revenues as a key audit matter.

Our audit procedures included consideration of the appropriateness of the Group's revenue recognition accounting policies and assessment of compliance with the policies in terms of IFRS EU. We tested the design and the operation effectiveness of key controls within the sales processes. We also used the assistance of 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 recognition in the correct accounting period 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 2017 and agreed the amounts to the Group's accounting records.

We also assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition set out in note 3 of notes to the consolidated financial statements and whether they are compliant with IFRS EU.

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Inventories net realizable value

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2017, management recorded write-downs to the cost of inventories. Bearing in mind the short-lived nature of the Group'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 Group should take into account actually achieved margins subsequent to the balance sheet date. We consider this as a key audit matter as the assessment of the net realizable value of inventories is complex and judgmental especially in periods of changing external business environment.

We tested the design and the operation effectiveness 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 were used in the determination of the valuation and procedures to obtain insight into the calculation model used to determine the net realizable value. We obtained the source data, discussed the assumptions used with the management and 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 2017 and assessed whether positive sales margins were achieved.

We also assessed the adequacy of the Group's disclosures in respect of the accounting policies on inventories set out in note 14 of notes to the consolidated financial statements and whether they are compliant with IFRS EU.

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

Management is responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance 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 consolidated 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.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Consolidated Annual Report

Management is responsible for the information disclosed in the consolidated 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 consolidated financial statements expressed above does not apply to other information contained in the consolidated annual report.

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

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

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

- Information disclosed in the consolidated annual report prepared for 2017 is consistent with the consolidated financial statements for the relevant year,
- The consolidated annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Group and its situation, obtained in the audit of the consolidated financial statements, we are required to disclose whether material misstatements were identified in the consolidated 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.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Company on 22 June 2017 based on our approval by the General Meeting of Shareholders of the Company on 6 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 14 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report.

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Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated annual report and in the consolidated financial statements, no other services which were provided by us to the Company and its controlled undertakings.

1 March 2018
Bratislava, Slovak Republic

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU

for the year ended 31 December 2017

Bratislava, 1 March 2018

JUDr. Oszkár Világi
Chairman of the Board of Directors

Ing. Gabriel Szabó
Member of the Board of Directors

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, its subsidiaries, joint ventures and associates ("the Group") 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 2017, the Group had 3,435 employees (31 December 2016: 3,342). Average calculated number of employees as at 31 December 2017 was 3,390 (31 December 2016: 3,346), 142 of which were management (31 December 2016: 136 managers).

AUTHORIZATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 1 March 2018.

The consolidated financial statements of the Company for the previous period were approved by the Annual General Meeting of the Company held on 6 April 2017.

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

These consolidated financial statements have been prepared as ordinary consolidated financial statements according to Section 22 of the Slovak Accounting Act No. 431/2002 Coll. as later amended.

These consolidated 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 2005, the change in the Slovak Accounting Act requires the Company to prepare its consolidated 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 Group and those adopted by the EU.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

in € thousands	Notes	2017	2016
Net revenue	3	3,417,078	2,980,748
Other operating income	4	4,966	9,283
Total operating income		**3,422,044**	**2,990,031**
Raw materials and consumables used		(2,707,659)	(2,295,751)
Personnel expenses	5	(138,757)	(125,032)
Depreciation, depletion, amortization and impairment	2	(140,331)	(135,457)
Value of services used	6	(132,701)	(131,744)
Other operating expenses	7	(130,070)	(114,158)
Change in inventories of finished goods and work in progress		3,870	33,650
Work performed by the enterprise and capitalized		9,903	8,742
Total operating expenses		**(3,235,745)**	**(2,759,750)**
Profit/(loss) from operations	**2**	**186,299**	**230,281**
Finance revenues	8	24,620	4,153
Finance expenses	8	(8,844)	(18,782)
Finance revenues/(expenses), net		**15,776**	**(14,629)**
Income from associates	9	10,709	(4,061)
Profit/(loss) before tax		**212,784**	**211,591**
Income tax expense	10	(44,135)	(44,283)
Profit/(loss) for the period		**168,649**	**167,308**
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit pension plans	20	(1,348)	(1,030)
Share of actuarial gains/(losses) on defined benefit pension plans of associates after tax		-	(1)
Income tax relating to items that will not be reclassified to profit/(loss)	10	283	216
Total items that will not be reclassified to profit/(loss)		**(1,065)**	**(815)**
Exchange differences on translating foreign operations		4,738	(856)
Cash flow hedges:			
Fair value changes		-	189
Transferred to profit/(loss)		-	(286)
Income tax relating to items that may be reclassified subsequently to profit/(loss)	10	-	22
Total items that may be reclassified subsequently to profit/(loss)		**4,738**	**(931)**
Other comprehensive income for the period		**3,673**	**(1,746)**
Total comprehensive income for the period		**172,322**	**165,562**
Profit/(loss) attributable to:			
Equity holders of the parent	25	168,876	158,188
Non-controlling interests	12	(227)	9,120
Total comprehensive income attributable to:			
Equity holders of the parent		172,550	156,466
Non-controlling interests		(228)	9,096
Basic/diluted earnings per share attributable to ordinary equity holders of the parent (€)	**25**	**8.19**	**7.67**

The notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

in € thousands	Notes	2017	2016
ASSETS			
Non-current assets			
Intangible assets	11.1	22,578	20,352
Property, plant and equipment	11.2	1,423,367	1,446,347
Investments in associated companies	9	79,389	71,803
Available-for-sale financial assets		95	97
Deferred tax assets	10	2,271	1,741
Other non-current assets	13	57,262	46,297
Total non-current assets		**1,584,962**	**1,586,637**
Current assets			
Inventories	14	270,603	255,614
Trade receivables	15	344,823	318,840
Income tax receivable		5,795	9,680
Other current assets	16	57,404	42,141
Cash and cash equivalents	17	163,680	97,672
Total current assets		**842,305**	**723,947**
TOTAL ASSETS		**2,427,267**	**2,310,584**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	18.1	684,758	684,758
Share premium		121,119	121,119
Retained earnings	18.2	834,654	749,356
Other components of equity	18.3	(9,068)	(13,806)
Equity attributable to equity holders of the parent		**1,631,463**	**1,541,427**
Non-controlling interests	12	620	848
Total equity		**1,632,083**	**1,542,275**
Non-current liabilities			
Long-term debt, net of current portion	19.1	17,714	98,731
Provisions	20	57,670	51,989
Deferred tax liabilities	10	66,287	48,676
Other non-current liabilities	21	18,801	20,492
Total non-current liabilities		**160,472**	**219,888**
Current liabilities			
Trade payables and other current liabilities	22	598,551	468,592
Provisions	20	12,720	10,579
Short-term debt	19.2	19,671	6,007
Current portion of long-term debt	19.1	3,506	61,936
Income tax payable		264	1,307
Total current liabilities		**634,712**	**548,421**
TOTAL EQUITY AND LIABILITIES		**2,427,267**	**2,310,584**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

in € thousands	Share capital	Share premium	Retained earnings	Other components of equity	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
1 January 2016	**684,758**	**121,119**	**653,929**	**(12,875)**	**1,446,931**	**53,484**	**1,500,415**
Profit/(loss) for the period	-	-	158,188	-	**158,188**	9,120	**167,308**
Other comprehensive income for the period	-	-	(791)	(931)	**(1,722)**	(24)	**(1,746)**
Total comprehensive income for the period	**-**	**-**	**157,397**	**(931)**	**156,466**	**9,096**	**165,562**
Dividends to equity holders of the parent	-	-	(41,250)	-	**(41,250)**	-	**(41,250)**
Dividends to non-controlling interests	-	-	-	-	**-**	(156)	**(156)**
Acquisition of non-controlling interest	-	-	(20,718)	-	**(20,718)**	(61,577)	**(82,295)**
Other changes	-	-	(2)	-	**(2)**	1	**(1)**
31 December 2016	**684,758**	**121,119**	**749,356**	**(13,806)**	**1,541,427**	**848**	**1,542,275**
Profit/(loss) for the period	-	-	168,876	-	**168,876**	(227)	**168,649**
Other comprehensive income for the period	-	-	(1,064)	4,738	**3,674**	(1)	**3,673**
Total comprehensive income for the period	**-**	**-**	**167,812**	**4,738**	**172,550**	**(228)**	**172,322**
Dividends to equity holders of the parent	-	-	(82,501)	-	**(82,501)**	-	**(82,501)**
Other changes	-	-	(13)	-	**(13)**	-	**(13)**
31 December 2017	**684,758**	**121,119**	**834,654**	**(9,068)**	**1,631,463**	**620**	**1,632,083**

The notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

in € thousands	Notes	2017	2016
Profit/(loss) before tax		212,784	211,591
Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities			
Depreciation, depletion, amortization and impairment	2	140,331	135,457
Amortization of government grants	4	(586)	(1,432)
Write-down/(reversal of write-down) of inventories, net		(2,500)	(8,825)
Increase/(decrease) in provisions, net		6,475	(4,249)
(Profit)/loss from the sale of intangible assets and property, plant and equipment	4	(452)	(3,958)
Write-off of receivables and addition/(reversal) of impairment, net		428	4,372
Write-off of liabilities		(42)	-
Net foreign exchange (gain)/loss on receivables and payables	8	(23,087)	8,222
Interest revenue	8	(238)	(833)
Interest expense on borrowings	8	1,472	4,540
Net foreign exchange (gain)/loss on borrowings	8	(1,275)	3,028
Net foreign exchange loss on cash and cash equivalents	8	1,214	1,220
Other finance (profit)/loss, net		4,811	(2,847)
Share of (profit)/loss of associates	9	(10,709)	4,061
Dividends received	8	(17)	(6)
Book value of surrendered emission quotas		3,705	7,223
Revaluation of emission quotas	7	791	4,185
Other non-cash items		1,875	(596)
Operating cash flow before changes in working capital		**334,980**	**361,153**
(Increase)/decrease in inventories		(12,107)	(43,207)
(Increase)/decrease in trade receivables		(24,832)	(90,696)
(Increase)/decrease in other assets		(22,169)	4,527
Increase/(decrease) in trade payables		147,614	61,465
Increase/(decrease) in other liabilities		3,075	(7,360)
Corporate income tax paid		(23,931)	(83,283)
Net cash provided by/(used in) operating activities		**402,630**	**202,599**
Payments for intangible assets and property, plant and equipment		(127,209)	(111,784)
Proceeds from disposal of intangible assets and property, plant and equipment		475	5,720
Short-term loans (granted)/repaid, net		300	300
Interest received		168	769
Other finance income		2	4
Dividends received		5,267	176
Net cash provided by/(used in) investing activities		**(120,997)**	**(104,815)**
Repayments of long-term bank borrowings	19.3	(2,941)	(2,941)
Repayments of long-term non-bank borrowings	19.3	(135,280)	(33,474)
Proceeds/(payments) from derivative transactions, net		(3,160)	3,215
Proceeds from/(repayment of) short-term non-bank borrowings, net	19.3	7,686	-
Proceeds from/(repayments of) short-term bank borrowings, net	19.3	6,000	5,557
Interest paid		(2,696)	(4,477)
Other finance costs		(510)	(189)
Acquisition of non-controlling interest	12	-	(82,295)
Dividends paid to shareholders		(82,366)	(41,197)
Dividends paid to non-controlling interests		-	(156)
Net cash provided by/(used in) financing activities		**(213,267)**	**(155,957)**
Increase/(decrease) in cash and cash equivalents		**68,366**	**(58,173)**
Cash and cash equivalents at the beginning of the period	17	97,122	155,874
Effects of exchange rate changes		(1,808)	(579)
Cash and cash equivalents at the end of the period	17	163,680	97,122

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING INFORMATION, POLICIES AND SIGNIFICANT ESTIMATES

1.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS issued and effective on 31 December 2017.

SLOVNAFT, a.s. prepares its statutory unconsolidated financial statements in accordance with IFRS.

For the purpose of the application of the historical cost convention, the consolidated 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 consolidated financial statements are presented in thousands of Euro.

The notes form an integral part of these consolidated financial statements.

1.2 Information on consolidated group

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

1.3 Principles of consolidation

The consolidated financial statements include the accounts of the Company and the subsidiaries that it controls. Control is evidenced when the Group is exposed or has rights to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affect its returns.

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the settlement date. Non-controlling interests are stated at the non-controlling interests' proportion of the fair values of net assets. The income and expenses of companies acquired or disposed of during the period are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Intragroup balances and transactions, including intragroup profits and unrealized profits and losses are eliminated unless the losses indicate impairment of the related asset. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

1.4 Changes in accounting policies

The accounting policies adopted are consistent with those applied in the consolidated financial statements at 31 December 2016.

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

- IAS 7 Statement of Cash Flows - Amendment resulting from the disclosure initiative
- IAS 12 Income Taxes – Amendments regarding the recognition of deferred tax assets for unrealized losses
- Annual Improvements to IFRSs (issued in December 2016 with effective date 1 January 2017)

Application of the amendments did not have any impact on the financial statements of the Group apart for some disclosure changes in the Notes.

1.5 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)
- 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 9 Financial Instruments: Classification and Measurement - Amendment regarding prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019, this amendment has not been approved by EU yet)
- 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)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, this standard has not been approved by EU yet)
- IAS 19 Employee Benefits – Amendments regarding plan amendments, curtailments or settlements (effective for annual periods beginning on or after 1 January 2019, this standard 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 28 Investments in Associates and Joint Ventures - Amendment regarding long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019, this standard 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)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019, 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 2018)
- Annual Improvements to IFRSs (issued in December 2017, effective for annual periods beginning on or after 1 January 2019, these amendments have not been approved by EU yet)

The principal effects of these changes are as follows:

IFRS 9 Financial Instruments - Classification and Measurement

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. The adoption of IFRS 9 will have the following effect on the financial statements of the Group:

Consolidated statement of financial position *in € thousands*	**1 January 2018**
Decrease of trade receivables	(75)
Net impact on equity	**(75)**
Equity holders of the parent	(75)
Non-controlling interests	-

IFRS 15 Revenue from Contracts with Customers

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. Application of the standard will not have material impact on the financial statements of the Group.

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 Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date. It is expected the application of the standard could have the following effect on the financial statements of the Group:

Consolidated statement of financial position *in € thousands*	**1 January 2019**
Increase of property, plant and equipment	86,500
Increase of long-term debt	(86,500)
Net impact on equity	**-**

This estimate was based on a review of valid lease contracts of the Group in June 2017. The actual effect from the application of IFRS 16 can significantly differ from this estimate.

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

1.6 Summary of significant accounting policies

Presentation currency

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

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.

Financial statements of foreign entities are translated to the functional currency at periodend exchange rates with respect to the statement of financial position and at the weighted average exchange rates for the period with respect to revenues and expenses. All resulting translation differences are included in the translation reserve in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation shall be recognized in the profit/loss for the period. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit/loss for the period.

In case of a partial disposal of a subsidiary without any loss of control in the foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognized in profit or loss for the period. For all other disposals such as associates or jointly controlled entities not involving a change of accounting basis, the proportionate share of accumulated exchange differences is reclassified to profit/loss for the period.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.7 Significant accounting judgments and estimates

Critical judgments in applying the accounting policies

In the process of applying the accounting policies, 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.

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.

2 SEGMENTAL INFORMATION

Accounting policies

The Group 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 Group 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.

Operating segments

For management purposes the Group manages its operations in the following segments: Refining and Marketing, Retail, Gas and Power, Maintenance 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. Maintenance segment runs reparation and maintenance for the other segments' production units. Corporate Services segment includes corporate services and financing of other segments.

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

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

2017 *in € thousands*	Refining and Marketing	Retail	Other segments	Intersegment transfers	Total
Revenues from external customers	2,891,551	517,113	8,414	-	3,417,078
Inter-segment revenues	392,414	2,263	137,873	(532,550)	-
Segment revenues	**3,283,965**	**519,376**	**146,287**	**(532,550)**	**3,417,078**
Profit/(loss) from operations	**167,692**	**43,953**	**(26,241)**	**895**	**186,299**
Other information:					
Income from associates	-	-	10,709	-	10,709
Additions to non-current assets *	95,076	19,440	11,668	-	126,184
Depreciation, depletion, amortization and impairment	(120,760)	(15,207)	(4,729)	365	(140,331)
out of it: (impairment losses)/ reversal of impairment losses, net	*(75)*	*8*	*1,111*	-	*1,044*
Other non-cash revenues/(expenses), net	(1,551)	(162)	(2,822)	(8)	(4,543)

2016 *in € thousands*	Refining and Marketing	Retail	Other segments	Intersegment transfers	Total
Revenues from external customers	2,562,012	410,656	8,080	-	2,980,748
Inter-segment revenues	314,030	2,549	122,756	(439,335)	-
Segment revenues	**2,876,042**	**413,205**	**130,836**	**(439,335)**	**2,980,748**
Profit/(loss) from operations	**207,793**	**39,632**	**(15,986)**	**(1,158)**	**230,281**
Other information:					
Income from associates	-	-	(4,061)	-	(4,061)
Additions to non-current assets *	86,570	14,594	10,076	-	111,240
Depreciation, depletion, amortization and impairment	(116,601)	(13,707)	(5,514)	365	(135,457)
out of it: (impairment losses)/ reversal of impairment losses, net	*(2,772)*	-	*432*	-	*(2,340)*
Other non-cash revenues/(expenses), net	5,199	410	405	(8)	6,006

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

The Group 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.

2017 *in € thousands*	Refining and Marketing	Retail	Other segments	Intersegment transfers	Not allocated items	Total
ASSETS						
Non-current assets						
Intangible assets	14,936	11	8,242	(611)	-	22,578
Property, plant and equipment	1,147,392	199,634	79,270	(2,929)	-	1,423,367
Investments in associated companies	-	-	79,389	-	-	79,389
Available-for-sale financial assets	-	-	95	-	-	95
Deferred tax asset	-	-	-	-	2,271	2,271
Other non-current assets	56,888	5	369	-	-	57,262
Total non-current assets	**1,219,216**	**199,650**	**167,365**	**(3,540)**	**2,271**	**1,584,962**
Current assets						
Inventories	231,741	6,149	34,610	(1,897)	-	270,603
Trade receivables	340,113	3,316	24,306	(22,912)	-	344,823
Income tax receivable	-	-	-	-	5,795	5,795
Other current assets	3,521	504	6,548	-	46,831	57,404
Cash and cash equivalents	-	-	-	-	163,680	163,680
Total current assets	**575,375**	**9,969**	**65,464**	**(24,809)**	**216,306**	**842,305**
TOTAL ASSETS	**1,794,591**	**209,619**	**232,829**	**(28,349)**	**218,577**	**2,427,267**
LIABILITIES						
Non-current liabilities						
Long-term debt, net of current portion	-	-	-	-	17,714	17,714
Provisions	41,433	31	16,206	-	-	57,670
Deferred tax liabilities	-	-	-	-	66,287	66,287
Other non-current liabilities	17,018	80	1,914	(211)	-	18,801
Total non-current liabilities	**58,451**	**111**	**18,120**	**(211)**	**84,001**	**160,472**
Current liabilities						
Trade payables and other current liabilities	359,158	42,084	131,076	(22,856)	89,089	598,551
Provisions	10,842	-	1,878	-	-	12,720
Short-term debt	-	-	-	-	19,671	19,671
Current portion of long-term debt	-	-	-	-	3,506	3,506
Income tax payable	-	-	-	-	264	264
Total current liabilities	**370,000**	**42,084**	**132,954**	**(22,856)**	**112,530**	**634,712**
TOTAL LIABILITIES	**428,451**	**42,195**	**151,074**	**(23,067)**	**196,531**	**795,184**

The notes form an integral part of these consolidated financial statements.

2016 *in € thousands*	Refining and Marketing	Retail	Other segments	Intersegment transfers	Not allocated items	Total
ASSETS						
Non-current assets						
Intangible assets	15,687	21	5,291	(647)	-	20,352
Property, plant and equipment	1,178,759	195,319	75,324	(3,055)	-	1,446,347
Investments in associated companies	-	-	71,803	-	-	71,803
Available-for-sale financial assets	-	-	97	-	-	97
Deferred tax asset	-	-	-	-	1,741	1,741
Other non-current assets	45,547	30	720	-	-	46,297
Total non-current assets	**1,239,993**	**195,370**	**153,235**	**(3,702)**	**1,741**	**1,586,637**
Current assets						
Inventories	227,112	137	30,975	(2,610)	-	255,614
Trade receivables	312,991	5,504	31,173	(30,828)	-	318,840
Income tax receivable	-	-	-	-	9,680	9,680
Other current assets	5,035	987	1,806	-	34,313	42,141
Cash and cash equivalents	-	-	-	-	97,672	97,672
Total current assets	**545,138**	**6,628**	**63,954**	**(33,438)**	**141,665**	**723,947**
TOTAL ASSETS	**1,785,131**	**201,998**	**217,189**	**(37,140)**	**143,406**	**2,310,584**
LIABILITIES						
Non-current liabilities						
Long-term debt, net of current portion	-	-	-	-	98,731	98,731
Provisions	38,764	-	13,225	-	-	51,989
Deferred tax liabilities	-	-	-	-	48,676	48,676
Other non-current liabilities	18,823	88	1,800	(219)	-	20,492
Total non-current liabilities	**57,587**	**88**	**15,025**	**(219)**	**147,407**	**219,888**
Current liabilities						
Trade payables and other current liabilities	347,384	27,157	46,184	(30,743)	78,610	468,592
Provisions	9,499	87	993	-	-	10,579
Short-term debt	-	-	-	-	6,007	6,007
Current portion of long-term debt	-	-	-	-	61,936	61,936
Income tax payable	-	-	-	-	1,307	1,307
Total current liabilities	**356,883**	**27,244**	**47,177**	**(30,743)**	**147,860**	**548,421**
TOTAL LIABILITIES	**414,470**	**27,332**	**62,202**	**(30,962)**	**295,267**	**768,309**

Not allocated items involve cash and cash equivalents, received and provided loan facilities, income tax 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. Segmental figures contain the results of the fully consolidated subsidiaries engaged in the respective segments.

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 Group'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 Group 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.

The notes form an integral part of these consolidated financial statements.

Non-current assets by geographical areas

in € thousands	2017	2016
Slovak Republic	1,454,798	1,475,860
The Netherlands (Note 9)	73,561	66,039
Poland	53,919	42,597
Total	**1,582,278**	**1,584,496**

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

3 NET REVENUE

Accounting policies

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).

Revenues 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.

Sales by product lines

in € thousands	2017	2016
Motor diesel	1,609,712	1,386,730
Motor gasoline	791,435	714,321
Other refined products	388,771	363,376
Plastics	508,821	439,433
Other petrochemical products	59	5,470
Services	61,865	58,505
Other	56,415	12,913
Total	**3,417,078**	**2,980,748**

Sales by geographical areas

in € thousands	2017	2016
Slovak Republic	1,236,153	1,093,119
Czech Republic	735,613	622,887
Austria	386,430	325,552
Hungary	378,590	316,755
Poland	272,262	277,521
Germany	166,780	136,645
Italy	57,248	37,409
Croatia	30,680	13,105
Romania	30,530	38,317
The Netherlands	25,100	36,467
Serbia	22,581	26,903
Other	75,111	56,068
Total	**3,417,078**	**2,980,748**

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, amounts to €1,432,877 thousand which represents 41.9% of the total net revenue in 2017 (2016: €1,211,133 thousand, 40.6%). The revenue is reported in all reportable operating segments.

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

4 OTHER OPERATING INCOME

in € thousands	2017	2016
Government grants for compensation of expenses	1,755	37
Penalties and late payment interest	1,217	1,071
Amortization of government grants	586	1,432
Profit from the sale of intangible assets and property, plant and equipment	452	3,958
Compensation of the cost of economic mobilization	392	458
Compensation for damages	162	698
Net gain from non-hedge commodity derivatives	-	1,017
Deferred compensation for property, plant and equipment	-	589
Other	402	23
Total other operating income	**4,966**	**9,283**

5 PERSONNEL EXPENSES

in € thousands	2017	2016
Wages and salaries	89,129	81,216
Social and health insurance	33,929	29,907
Other personnel expenses	10,835	11,302
Provision for retirement and jubilee benefits (Note 20)	3,486	1,613
Expenses of share-based payments	1,378	994
Total personnel expenses	**138,757**	**125,032**

Share-based payments

Accounting policies

Certain employees of the Group 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.

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

Performance Share Plan

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

- Program starts each year with a three-year vesting period.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and the Dow Jones 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 three years.
- Payout rates are defined based on the over / underperformance of MOL share price.
- Payments are due after the third year.

Expenses arising from the Performance Share Plan program amounted to €619 thousand in 2017 (2016: €333 thousand). Liabilities in respect of the Performance Share Plan program amounted to €929 thousand as at 31 December 2017 (31 December 2016: €699 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 four-year period (two-year vesting and two-year exercising period for the incentive plan valid from 1 January 2017) and five-year period (two-year vesting and three-year exercising period for the incentive plan valid till 31 December 2016) starting annually.
- Its rate is defined by the quantity of units specified by the Group job category.
- The value of the units is set annually.

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 fourth and the fifth year respectively.

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:

	2017		2016*	
	Shares in option rights *number of shares*	Weighted average exercise price per share *€*	Shares in option rights *number of shares*	Weighted average exercise price per share *€*
Outstanding at the beginning of the period	295,616	5.74	393,304	6.33
Granted during the period	105,600	7.45	85,152	5.33
Forfeited during the period	(800)	5.38	(40)	4.73
Exercised during the period	(111,448)	6.44	(182,800)	6.87
Expired during the period	-	-	-	-
Outstanding at the end of the period	**288,968**	**6.12**	**295,616**	**5.74**
Exercisable at the end of the period	104,168	5.32	132,128	6.61

** Recalculated due to MOL Nyrt. one to eight share split in 2017 to enable comparability.*

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 €759 thousand in 2017 (2016: expenses €661 thousand). Liabilities in respect of the share-based payment plans amounted to €1,048 thousand as at 31 December 2017 (31 December 2016: €657 thousand), recorded in other non-current liabilities and other current liabilities. The intrinsic value of the exercisable option rights amounted to €455 thousand as at 31 December 2017 (31 December 2016: €223 thousand).

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

The notes form an integral part of these consolidated financial statements.

The inputs to the model were as follows:

in € thousands	2017	2016*
Weighted average exercise price per share (€)	6.12	5.74
Weighted average share price at the date of exercise for share options exercised during the period (€)	9.41	7.84
Spot share price (€)	9.69	8.29
Expected volatility based on historical data (%)	22.40	22.76
Expected dividend yield (%)	2.93	3.03
Expected life (years)	2.46	2.58
Risk free interest rate for HUF (%)	0.56	0.86

** Recalculated due to MOL Nyrt. one to eight share split in 2017 to enable comparability.*

6 VALUE OF SERVICES USED

in € thousands	2017	2016
Transportation and storage expenses	52,862	51,271
Maintenance expenses	30,890	39,088
Commission fees paid	23,929	19,547
Services related to administration	11,646	8,923
Fire protection expenses	5,219	5,108
Catalysts liquidation	-	813
Other	8,155	6,994
Total value of services used	**132,701**	**131,744**

7 OTHER OPERATING EXPENSES

in € thousands	2017	2016
Fees for ensuring the maintenance of emergency stocks of crude oil and oil products	53,801	35,755
Rental expenses	15,853	14,910
Taxes, duties and fees	8,271	6,988
Technology expert fees	6,868	7,266
Cleaning costs and waste disposal	5,202	5,252
Provision for greenhouse gas emissions	5,123	1,189
Environmental provision (Note 20)	5,043	4,032
Accounting, advisory and similar services fees	4,871	3,696
Security expenses	4,787	4,483
Marketing costs	4,462	6,098
Insurance premium	3,740	3,567
Cost of procurement of nitrogen	2,694	3,284
Fees paid to financial institutions	1,896	1,644
Training expenses	1,348	1,136
Net loss from non-hedge commodity derivatives	991	-
Loss from revaluation of emission quotas	791	4,185
Gifts	455	472
Provision for doubtful receivables, write-off of receivables, net	428	-
Provision for litigation	324	(150)
Fines, penalties, damages and compensations for damages	54	245
Provision for long-term inventories, net	(3,379)	4,372
Other	6,447	5,734
Total other operating expenses	**130,070**	**114,158**

The notes form an integral part of these consolidated financial statements.

The expenses for services provided by auditors were as follows:

in € thousands	2017	2016
Audit of the financial statements	213	220
Other assurance services	34	35
Total	**247**	**255**

8 FINANCE REVENUES AND EXPENSES

Accounting policies

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.

in € thousands	2017	2016
Net foreign exchange gain on receivables and payables	23,087	-
Net foreign exchange gain on borrowings	1,275	-
Interest revenue	238	833
Dividends	17	6
Net gain from derivatives	-	3,311
Other	3	3
Total finance revenues	**24,620**	**4,153**
Net loss from derivatives	(3,433)	-
Interest expense on borrowings	(1,472)	(4,540)
Interest expense on provisions (Note 20)	(1,344)	(1,304)
Net foreign exchange loss on cash and cash equivalents	(1,214)	(1,220)
Fees related to loan received	(935)	(406)
Fee for early repayment of the loan	(433)	-
Net foreign exchange loss on receivables and payables	-	(8,222)
Net foreign exchange loss on borrowings	-	(3,028)
Other	(13)	(62)
Total finance expenses	**(8,844)**	**(18,782)**
Finance revenues/(expenses), net	**15,776**	**(14,629)**

9 ASSOCIATES

Accounting policies

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

A goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The profit/loss for the period includes the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments in associates are assessed to determine whether there is any objective evidence of impairment. If there is evidence of impairment the recoverable amount of the investment is determined to identify any impairment loss to be recognized. Where losses were made in previous periods, an assessment of the factors is made to determine if any loss may be reversed.

Company name	Country	Range of activity	Ownership 2017 %	Ownership 2016 %	Net book value 2017 € thousands	Net book value 2016 € thousands
Messer Slovnaft s.r.o.	Slovakia	Production of technical gases	49.00	49.00	2,357	2,315
MOL CZ Downstream Investment B.V.	the Netherlands	Financial services	45.00	45.00	73,561	66,039
MEROCO, a.s.	Slovakia	Production and sale of biofuels	25.00	25.00	3,471	3,449
Total investments in associated companies					**79,389**	**71,803**

All associates are valued using at-equity method. No associated company is listed on stock exchange.

MOL CZ Downstream Investment B.V. is the parent company of MOL Česká republika, s.r.o. and covers the retail business of oil products in the Czech Republic.

The Company purchases from Messer Slovnaft s.r.o. nitrogen and from MEROCO, a.s. components to biofuels.

Summarized financial information for the associated companies:

in € thousands	Messer Slovnaft s.r.o. 2017	Messer Slovnaft s.r.o. 2016	MOL CZ Downstream Investment B.V. group 2017	MOL CZ Downstream Investment B.V. group 2016	MEROCO, a.s. 2017	MEROCO, a.s. 2016
Non-current assets	4,566	5,045	236,074	212,761	24,063	25,414
Current assets	1,232	1,114	201,131	130,699	24,419	17,410
Total assets	**5,798**	**6,159**	**437,205**	**343,460**	**48,482**	**42,824**
Non-current liabilities	270	209	10,421	10,089	209	183
Current liabilities	718	1,225	285,935	209,238	34,389	28,844
Total liabilities	**988**	**1,434**	**296,356**	**219,327**	**34,598**	**29,027**
Net assets	**4,810**	**4,725**	**140,849**	**124,133**	**13,884**	**13,797**
Share of net assets of associate	2,357	2,315	63,382	55,860	3,471	3,449

in € thousands	Messer Slovnaft s.r.o. 2017	Messer Slovnaft s.r.o. 2016	MOL CZ Downstream Investment B.V. group 2017	MOL CZ Downstream Investment B.V. group 2016*	MEROCO, a.s. 2017	MEROCO, a.s. 2016
Operating income	4,812	4,952	1,051,462	864,650	122,525	100,928
Operating expenses	(4,252)	(4,466)	(1,031,977)	(857,936)	(117,829)	(94,672)
Finance revenues/(expenses), net	(16)	(50)	(475)	(3,818)	(431)	(1,207)
Income tax expense	(115)	(91)	2,396	(14,521)	(878)	(1,126)
Profit/(loss) for the period	**429**	**345**	**21,406**	**(11,625)**	**3,387**	**3,923**
Other comprehensive income	-	(2)	-	-	-	-
Total comprehensive income	**429**	**343**	**21,406**	**(11,625)**	**3,387**	**3,923**
Share of profit/(loss) for the period of associate	229	189	9,633	(5,231)	847	981
Share of total comprehensive income of associate	229	188	9,633	(5,231)	847	981
Dividends received	187	171	5,062	-	825	-

** The balances represent post acquisition values.*

The Company provided long-term loan to MEROCO, a.s. (Note 16). 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.

10 INCOME TAXES

Accounting policies

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 consolidated 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 Group 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, except:

- *Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.*
- *In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.*

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- *Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.*
- *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 by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.*

At each end of the reporting period, the Group reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Group 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 Group 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities which relate to income taxes imposed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Critical accounting estimates and judgements

Availability of taxable income against which deferred tax assets can be recognized

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized deferred tax assets amounts to €2,271 thousand and €1,741 thousand at 31 December 2017 and 31 December 2016, respectively.

Total applicable income taxes reported in these consolidated financial statements in 2017 and 2016 include the following components:

in € thousands	2017	2016
Current corporate income tax	26,757	34,188
Deferred corporate income tax	17,378	10,095
Total income tax expense	**44,135**	**44,283**

The applicable average corporate income tax rate on the taxable income of the companies of the Group was 21% during 2017 (2016: 22%). The Group's current income tax is determined on the basis of taxable statutory profit of the individual companies comprising the Group.

The deferred tax balances as at 31 December 2017 and 2016 and movements in 2017 and 2016 were as follows:

in € thousands	1 January 2017	Recognized in profit/ (loss)	Recognized in other comprehen- sive income	Exchange differences	31 December 2017
Property, plant and equipment	(83,435)	(8,339)	-	-	(91,774)
Provisions	12,480	885	283	-	13,648
Tax losses carried forward	13,747	(8,648)	-	-	5,099
Other	10,273	(1,276)	-	14	9,011
Total	**(46,935)**	**(17,378)**	**283**	**14**	**(64,016)**

in € thousands	1 January 2016	Recognized in profit/ (loss)	Recognized in other comprehen- sive income	Exchange differences	31 December 2016
Property, plant and equipment	(82,907)	(528)	-	-	(83,435)
Provisions	12,238	26	216	-	12,480
Tax losses carried forward	23,370	(9,623)	-	-	13,747
Other	10,215	30	22	6	10,273
Total	**(37,084)**	**(10,095)**	**238**	**6**	**(46,935)**

The deferred tax assets and liabilities are reflected in the consolidated statement of financial position as follows:

in € thousands	2017	2016
Deferred tax assets	2,271	1,741
Deferred tax liabilities	(66,287)	(48,676)
Net deferred tax liability	**(64,016)**	**(46,935)**

In 2017 the Group utilized the cumulative tax losses in the amount of €41,176 thousand (2016: €41,176 thousand).

The Group has recognized deferred tax assets in the amount of €5,099 thousand as at 31 December 2017 (31 December 2016: €13,747 thousand) to cumulative tax losses that is available to offset against future taxable profits of the companies in which the losses arose. These tax losses can be utilized during 2018 - 2019.

The Group has not recognized deferred tax assets in the amount of €92 thousand as at 31 December 2017 (31 December 2016: €0 thousand) to cumulative tax losses arisen in subsidiaries that have been loss-making for some time as it is improbable that future taxable profits would be available against which they can be utilized.

The Group does not record any temporary differences associated with investments in subsidiaries, associates and joint ventures, 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	2017	2016
Profit/(loss) before tax	212,784	211,591
Tax at the applicable tax rate 21% (2016: 22%)	44,685	46,550
Permanent differences	(748)	14
Adjustments in respect of current income tax of previous periods	106	53
Effect of tax losses of the current period for which deferred tax assets were not recognized	92	-
Effect of change in tax rate	-	(2,245)
Recognition of deferred tax assets to tax losses of previous periods	-	(67)
Effect of utilization of prior year tax losses carried forward to which deferred tax was not recognized	-	(22)
Total income tax expense	**44,135**	**44,283**
Effective tax rate (%)	**20.74**	**20.93**

11 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

11.1 Intangible assets

Accounting policies

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 Group; 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.

Greenhouse gas emissions

The Group 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 Group is required to remit rights equal to its actual emissions. The Group 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 treated as a reimbursement right. The emission rights are initially recorded at cost, and subsequently remeasured to fair value using quoted prices. Any gains or losses arising from changes in fair value are taken directly to profit/loss.

The notes form an integral part of these consolidated financial statements.

in € thousands	Emission rights	Rights and software	Total
Cost			
1 January 2016	6,298	92,622	98,920
Additions	5,571	4,038	9,609
Revaluation	(4,185)	-	(4,185)
Disposals	(7,223)	(895)	(8,118)
Transfers	-	70	70
Exchange differences	-	(42)	(42)
31 December 2016	**461**	**95,793**	**96,254**
Additions	4,038	5,580	9,618
Revaluation	(791)	-	(791)
Disposals	(3,705)	(265)	(3,970)
Transfers	-	(4)	(4)
Exchange differences	-	68	68
31 December 2017	**3**	**101,172**	**101,175**
Amortization and impairment			
1 January 2016	-	73,035	73,035
Amortization	-	3,618	3,618
Impairment	-	172	172
Disposals	-	(885)	(885)
Exchange differences	-	(38)	(38)
31 December 2016	**-**	**75,902**	**75,902**
Amortization	-	2,911	2,911
Impairment	-	2	2
Disposals	-	(266)	(266)
Transfers	-	(19)	(19)
Exchange differences	-	67	67
31 December 2017	**-**	**78,597**	**78,597**
Net book value			
31 December 2017	3	22,575	22,578
31 December 2016	461	19,891	20,352
1 January 2016	6,298	19,587	25,885

Software is being amortized evenly over its useful economic life.

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

11.2 Property, plant and equipment

Accounting policies

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.

The notes form an integral part of these
consolidated financial statements.

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.

in € thousands	Land and buildings	Machinery and equipment	Other	Construction in progress	Total
Cost					
1 January 2016	1,188,451	1,928,222	92,198	253,072	3,461,943
Additions	-	-	-	98,704	98,704
Put to use	107,497	167,216	7,959	(282,672)	-
Disposals	(2,395)	(42,568)	(14,443)	(154)	(59,560)
Transfers	384	(2,067)	193	1,420	(70)
Exchange differences	(2)	(5)	(2)	-	(9)
31 December 2016	**1,293,935**	**2,050,798**	**85,905**	**70,370**	**3,501,008**
Additions	-	-	-	116,566	116,566
Put to use	30,557	91,964	8,815	(131,336)	-
Disposals	(4,485)	(57,035)	(6,642)	(1,164)	(69,326)
Transfers	-	37	-	(33)	4
Exchange differences	4	6	2	-	12
31 December 2017	**1,320,011**	**2,085,770**	**88,080**	**54,403**	**3,548,264**
Depreciation and impairment					
1 January 2016	509,550	1,393,171	77,573	497	1,980,791
Depreciation	38,614	84,695	5,657	-	128,966
Impairment	717	38	-	1,979	2,734
Reversal of impairment	(565)	(1)	-	-	(566)
Disposals	(637)	(42,232)	(14,322)	(64)	(57,255)
Transfers	16	(125)	109	-	-
Exchange differences	(3)	(4)	(2)	-	(9)
31 December 2016	**547,692**	**1,435,542**	**69,015**	**2,412**	**2,054,661**
Depreciation	39,576	91,001	6,699	-	137,276
Impairment	54	25	-	388	467
Reversal of impairment	(1,226)	(279)	-	(8)	(1,513)
Disposals	(3,658)	(54,771)	(6,458)	(1,138)	(66,025)
Transfers	-	19	-	-	19
Exchange differences	4	6	2	-	12
31 December 2017	**582,442**	**1,471,543**	**69,258**	**1,654**	**2,124,897**
Net book value					
31 December 2017	737,569	614,227	18,822	52,749	1,423,367
31 December 2016	746,243	615,256	16,890	67,958	1,446,347
1 January 2016	678,901	535,051	14,625	252,575	1,481,152

Borrowing costs

Accounting policies

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.

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 2017 and 2016 the Group did not capitalize borrowing costs for acquisition of property, plant and equipment as IAS 23 conditions for capitalization were not fulfilled. In 2017 the Group capitalized borrowing cost from general purpose borrowings at capitalization rate of 0.57% (2016: 0%).

Government grants

Accounting policies

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 instalments.

Property, plant and equipment includes assets with the carrying value of €12,052 thousand (31 December 2016: €12,637 thousand) financed from the government grants (Note 21). Part of these assets with the carrying value of €4,291 thousand (31 December 2016: €4,291thousand) 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 Group did not receive any government grants for financing of property, plant and equipment in 2017 and 2016.

Insurance

Property, plant and equipment is insured in the amount of €5,709,217 thousand. The insurance covers all risks of direct material losses or damages, including machinery and equipment failure. In 2017 the Group 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 €162 thousand (2016: €701 thousand).

11.3 Leased assets

Accounting polices

The determination whether an arrangement contains or is a lease depends on the substance of the arrangement at inception date. If fulfilment 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 Group 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.

Intangible assets and property, plant and equipment acquired on finance lease:

in € thousands	Rights and software	Buildings	Machinery and equipment	Other	Total
31 December 2017					
Cost	65	1,208	6,813	318	8,404
Accumulated depreciation and impairment	(3)	(201)	(2,255)	(11)	(2,470)
Net book value	**62**	**1,007**	**4,558**	**307**	**5,934**
31 December 2016					
Cost	-	1,208	6,813	-	8,021
Accumulated depreciation and impairment	-	(141)	(1,781)	-	(1,922)
Net book value	**-**	**1,067**	**5,032**	**-**	**6,099**

Additions during the year 2017 include €65 thousand (2016: €0 thousand) of intangible assets and €318 thousand (2016: €0 thousand) of property, plant and equipment under finance leases..

11.4 Depreciation, depletion and amortization

Accounting policies

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:

Software:	*3 – 5 years*
Buildings:	*30 – 50 years*
Machinery and equipment:	*8 – 20 years*
Other fixed assets:	*4 – 8 years*

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.

Review of useful lives and residual values of intangible assets and property, plant and equipment

The Group annually reviews the estimated useful lives and residual values of intangible assets and property, plant and equipment. The financial effect of the annual review represents following increase/(decrease) of depreciation expense in 2017 and in following years:

in € thousands	2017	2018	2019	2020	2021	After 2021
Depreciation, depletion, amortization and impairment	(869)	(705)	94	573	597	311

11.5 Impairment of intangible assets and property, plant and equipment

Accounting policies

Intangible assets and property, plant and equipment are reviewed for impairment 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 Group 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.

Critical accounting estimates and judgement

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 Group has recorded revenue from reversal of impairment of intangible assets and property, plant and equipment of €1,044 thousand in 2017 (2016: impairment €2,340 thousand) (Note 11.1 and 11.2).

The notes form an integral part of these consolidated financial statements.

12 BUSINESS COMBINATIONS, TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Accounting policies

Business combinations are accounted for using the acquisition method. This involves assessing all assets and liabilities assumed for appropriate classification in accordance with the contractual terms and economic conditions and recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value as at the acquisition date. Acquisition-related costs are recognized in profit/loss for the period as incurred.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is recognized in profit/loss for the period.

Contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition, only if they qualify as period measurement adjustments and occur within 12 months from the acquisition date. All other subsequent changes in the fair value of contingent consideration are accounted for either in profit or loss or as changes to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognized.

A goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities. If the consideration transferred is lower than the fair value of the net assets of the acquiree, the fair valuation, as well as the cost of the business combination are reassessed. Should the difference remain after such reassessment, it is then recognized in profit or loss for the period as other income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit (or group of units) is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and un-amortized goodwill is recognized in the profit/loss for the period.

Company name	Country	Range of activity	Ownership 2017 %	Ownership 2016 %
APOLLO Rafinéria, s.r.o.	Slovakia	Wholesale	100.00	100.00
CM European Power Slovakia, s. r. o.	Slovakia	Production of electricity and heat	100.00	100.00
MOL-Slovensko spol. s r.o.	Slovakia	Wholesale	100.00	100.00
SLOVNAFT MONTÁŽE A OPRAVY a.s.	Slovakia	Repairs & maintenance	100.00	100.00
Slovnaft Polska S.A.	Poland	Wholesale	100.00	100.00
SLOVNAFT TRANS a.s.	Slovakia	Transport	100.00	100.00
VÚRUP, a.s.	Slovakia	Research & development	100.00	100.00
Zväz pre skladovanie zásob, a.s.	Slovakia	Storage	100.00	100.00
SWS spol. s r.o.	Slovakia	Transport support services	51.15	51.15

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

In November 2016, the Group acquired all non-controlling interests in CM European Power Slovakia, s. r. o. from their owners CM European Power International B.V. and ČEZ, a. s. The Group had a control over the company already before the acquisition of 100% share through long-term energy supply contract.

Non-controlling interests

Accounting policies

Non-controlling interests represent the profit or loss and net assets not held by the Group and are shown separately in the consolidated statement of financial position and the profit/loss for the period, respectively. Acquisitions of non-controlling interests are accounted for as equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the amount of the investment acquired shall be recognized directly in equity.

Proportion of equity interest held by non-controlling interests:

in %	2017	2016
CM European Power Slovakia, s. r. o.	-	-
SWS spol. s r.o.	48.85	48.85

The non-controlling interests' balances as at 31 December 2017 and 2016 and movements in 2017 and 2016 were as follows:

in € thousands	CM European Power Slovakia, s. r. o.	SWS spol. s r.o.	Spolu
1 January 2016	52,475	1,009	53,484
Profit/(loss) allocated to non-controlling interests	9,111	9	9,120
Other comprehensive income allocated to non-controlling interests	(9)	(15)	(24)
Dividends to non-controlling interests	-	(156)	(156)
Acquisition of non-controlling interests	(61,577)	-	(61,577)
Other	-	1	1
31 December 2016	**-**	**848**	**848**
Profit/(loss) allocated to non-controlling interests	-	(227)	(227)
Other comprehensive income allocated to non-controlling interests	-	(1)	(1)
31 December 2017	**-**	**620**	**620**

Acquisition of non-controlling interests in CM European Power Slovakia, s. r. o.:

in € thousands	
Cash consideration paid to non-controlling owners	82,295
Carrying value of the acquired interest	(61,577)
Difference recognized in retained earnings	**20,718**

The notes form an integral part of these consolidated financial statements.

13 OTHER NON-CURRENT ASSETS

in € thousands	2017	2016
Other non-current financial assets		
Long-term financial collaterals granted	318	302
Total other non-current financial assets	**318**	**302**
Other non-current non-financial assets		
Long-term inventories	53,867	42,543
Advance payments for assets under construction	3,077	3,451
Other	-	1
Total other non-current non-financial assets	**56,944**	**45,995**
Total other non-current assets	**57,262**	**46,297**

in € thousands	2017	2016
Other non-current financial assets	318	302
Provision to other non-current financial assets	-	-
Total other non-current financial assets	**318**	**302**

According to Polish legislation, the subsidiary Slovnaft Polska S.A. as an importer of liquid fuels is required to maintain obligatory reserves of inventories. At 31 December 2017 these amounted to 85,586 m3 of liquid fuels with the carrying value of €53,867 thousand (31 December 2016: 90,356 m3, €42,543 thousand).

14 INVENTORIES

Accounting policies

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. Obligatory stock, held by the Group as required by state legislations which are not used within the operating cycle of the business meaning that these assets are not available in short-term to be converted into cash, is classified as other non-current asset.

in € thousands	Cost 2017	Book value 2017	Cost 2016	Book value 2016
Raw materials	52,039	50,385	42,556	41,083
Purchased crude oil	47,178	47,178	49,628	49,628
Work in progress and semi-finished goods	96,512	96,512	96,024	96,024
Finished goods	68,854	68,657	65,636	65,275
Goods for resale	7,876	7,871	3,606	3,604
Total inventories	**272,459**	**270,603**	**257,450**	**255,614**

Movements in the provision for inventories were as follows:

in € thousands	2017	2016
At the beginning of the period	**1,836**	**11,271**
Additions	7,934	632
Reversal	(74)	(6,534)
Use	(7,840)	(3,533)
At the end of the period	**1,856**	**1,836**

15 TRADE RECEIVABLES

Accounting policies

Receivables are initially recognized at fair value less transaction costs and subsequently measured at amortized cost 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 Group 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.

in € thousands	2017	2016
Trade receivables	349,082	324,818
Provision for doubtful trade receivables	(4,259)	(5,978)
Total trade receivables	**344,823**	**318,840**

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	2017	2016
At the beginning of the period	**5,978**	**6,492**
Additions	1,698	329
Reversal	(525)	(529)
Amounts written off	(2,837)	(450)
Currency differences	(55)	136
At the end of the period	**4,259**	**5,978**

The Group did not have any impairment booked to receivables to related parties as at 31 December 2017 and 2016, neither booked any impairment to receivables to related parties during 2017 and 2016.

The notes form an integral part of these consolidated financial statements.

16 OTHER CURRENT ASSETS

in € thousands	2017	2016
Other current financial assets		
Collateral granted regarding derivative transactions	2,500	-
Current portion of long-term loans granted	2,142	2,070
Receivables from dividends	825	-
Financial collaterals granted	312	312
Receivables from matured unsettled derivative transactions	162	518
Short-term loans granted	-	301
Other	396	392
Total other current financial assets	**6,337**	**3,593**
Financial assets held for trading - derivatives	**121**	**88**
Other current non-financial assets		
Receivables from VAT, duties and other taxes	37,410	24,974
Receivables from excise taxes	7,189	6,965
Advances	4,545	2,662
Prepaid expenses	1,714	2,366
Change in fair value of hedged items (Note 23.2)	-	1,482
Other	88	11
Total other current non-financial assets	**50,946**	**38,460**
Total other current assets	**57,404**	**42,141**

Current portion of the long-term loan in amount of €2,142 thousand (31 December 2016: €2,070 thousand) represents loan provided to the associated company MEROCO, a.s. for financing its working capital with the weighted average interest rate of 1.99% (31 December 2016: 2.00%) and the maturity in 2018.

in € thousands	2017	2016
Other current financial assets	6,337	3,595
Provision to other current financial assets	(1)	(2)
Total other current financial assets	**6,336**	**3,593**

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

in € thousands	2017	2016
At the beginning of the period	**2**	**15**
Amounts written off	(1)	(10)
Reversal	-	(3)
At the end of the period	**1**	**2**

17 CASH AND CASH EQUIVALENTS

Accounting policies

Cash and cash equivalents include cash on hand, cash at banks, cash pool receivables, short-term bank deposits and 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.

Cash pool liabilities and bank overdrafts repayable on demand, in case where the use of short-term overdrafts forms an integral part of the Company's cash management practices, are included as component of cash and cash equivalent for the purposes of cash flow statement.

2017 *in € thousands*	EUR	PLN	USD	CZK	Other	Total
Cash at bank	22,537	4,810	737	9,019	-	37,103
Short-term bank deposits	109,230	4,945	-	-	-	114,175
Cash on hand	12,366	-	-	1	1	12,368
Other cash equivalents	34	-	-	-	-	34
Total cash and cash equivalents	**144,167**	**9,755**	**737**	**9,020**	**1**	**163,680**

2016 *in € thousands*	EUR	PLN	USD	CZK	Other	Total
Cash at bank	21,837	2,589	-	40	-	24,466
Short-term bank deposits	65,352	3,056	1,580	-	-	69,988
Cash on hand	3,171	-	-	1	1	3,173
Other cash equivalents	45	-	-	-	-	45
Total cash and cash equivalents	**90,405**	**5,645**	**1,580**	**41**	**1**	**97,672**

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

in € thousands	2017	2016	2015
Cash at bank	37,103	24,466	33,436
Short-term bank deposits	114,175	69,988	120,330
Cash on hand	12,368	3,173	2,086
Other cash equivalents	34	45	22
Overdrafts	-	(550)	-
Total cash and cash equivalents	**163,680**	**97,122**	**155,874**

The notes form an integral part of these consolidated financial statements.

18 EQUITY

Accounting policies

Dividends

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

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.

Translation reserve

The translation reserve represents translation differences arising on consolidation of financial statements of foreign entities. Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a foreign entity are classified within other components of equity in the consolidated financial statements until the disposal of the net investment. Upon disposal of the corresponding assets, the translation reserve is reclassified to profit/loss in the same period in which the gain or loss on disposal is recognized.

Fair valuation reserve

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

18.1 Share capital

The Company's authorized share capital is 20,625,229 ordinary shares (31 December 2016: 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.

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

	2017 *€ thousands*	2017 *%*	2016 *€ thousands*	2016 *%*
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**

18.2 Retained earnings

Legal reserve fund

Retained earnings comprise the legal reserve fund of SLOVNAFT, a.s. of €136,952 thousand (31 December 2016: €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 based on the separate financial statements of SLOVNAFT, a.s. were €344,485 thousand as at 31 December 2017 (31 December 2016: €268,766 thousand).

Dividends

The dividends approved by the shareholders at the Annual General Meeting on 6 April 2017 were €82,501 thousand, equivalent to €4 per share. Dividends were paid out from retained earnings.

18.3 Other components of equity

in € thousands	2017	2016	2015
Actuarial gains/(losses)	-	-	-
Exchange differences on translating foreign operations	(9,068)	(13,806)	(12,952)
Cash flow hedges	-	-	77
Other components of equity	**(9,068)**	**(13,806)**	**(12,875)**

Movements in the actuarial gains/(losses) charged or credited to other comprehensive income were as follows:

in € thousands	2017	2016
At the beginning of the period	**-**	**-**
Actuarial gains/(losses)	(1,348)	(1,030)
Income tax related to actuarial gains/(losses)	283	216
Non-controlling interests' share of actuarial gains/(losses)	1	30
Income tax related to non-controlling interests' share of actuarial gains/(losses)	-	(6)
Share of actuarial gains/(losses) of associates after tax	-	(1)
Reclassification to retained earnings	1,064	791
At the end of the period	**-**	**-**

Movements in the exchange differences on translating foreign operations were as follows:

in € thousands	2017	2016
At the beginning of the period	**(13,806)**	**(12,952)**
Exchange differences on translating foreign operations	4,738	(854)
At the end of the period	**(9,068)**	**(13,806)**

Movements in the cash flow hedges charged or credited to other comprehensive income were as follows:

in € thousands	2017	2016
At the beginning of the period	**-**	**77**
Fair value changes	-	189
Income tax related to fair value changes	-	(41)
Transferred to profit/(loss)	-	(288)
Income tax related to items transferred to profit/(loss)	-	63
At the end of the period	**-**	**-**

The notes form an integral part of these consolidated financial statements.

19 BORROWINGS

Accounting policies

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.

19.1 Long-term debt

in € thousands	Currency	Maturity	Weighted average interest rate (%) 2017	2016	2017	2016
Finance lease liabilities	EUR	2027	4.56	4.56	5,032	5,440
Finance lease liabilities	EUR	2034	8.10	8.10	1,142	1,165
Finance lease liabilities	EUR	2022	0.87	-	368	-
Unsecured bank loan	EUR	2022	0.80	1.65	14,678	17,613
Unsecured corporate loan	USD	2022	-	2.71	-	96,363
Unsecured corporate loans	EUR	2022	-	2.10	-	40,086
Total long-term debt					**21,220**	**160,667**
Current portion of long-term debt					(3,506)	(61,936)
Total long-term debt, net of current portion					**17,714**	**98,731**

Finance lease liabilities

The Group signed with its associated company Messer Slovnaft s.r.o. long-term contract on purchase of nitrogen. The contract contains a lease in accordance with IFRIC 4. According to IAS 17 the lease was classified as finance one.

In 2014 the Group signed with the company REDBONE s.r.o. contract on the long-term rental of a filling station, and in 2017 with the company Konica Minolta Slovakia spol s r. o. contract on the long-term rental of the multifunctional copiers.

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

in € thousands	Minimum lease payments 2017	Present value of minimum lease payments 2017	Minimum lease payments 2016	Present value of minimum lease payments 2016
Up to 1 year	883	864	804	786
From 1 to 5 years	3,359	2,927	3,057	2,634
Over 5 years	4,471	2,750	5,238	3,185
Total minimum lease payments	**8,713**	**6,541**	**9,099**	**6,605**
Less amounts of financial charges	(2,172)	-	(2,494)	-
Present value of minimum lease payments	**6,541**	**6,541**	**6,605**	**6,605**

Unsecured bank loan

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

Unsecured corporate loans

On 30 January 2017 the Group repaid unsecured corporate loans obtained from MOL Nyrt. to finance the construction of a petrochemical unit LDPE4. Its value at 31 December 2016 amounted to €96,363 thousand. .

The notes form an integral part of these consolidated financial statements.

19.2 Short-term debt

in € thousands	Currency	2017	2016
Unsecured corporate loan	PLN	13,671	5,457
Overdrafts	EUR	-	550
Unsecured bank loan	EUR	6,000	-
Total short-term debt		**19,671**	**6,007**

Unsecured corporate loan represents loan of Slovnaft Polska S.A. for financing its working capital.

19.3 Reconciliation of liabilities arising from financing activities

in € thousands	Long-term bank borrowings	Long-term non-bank borrowings	Short-term bank borrowings	Short-term non-bank borrowings
1 January 2017	17,613	143,054	-	5,457
Cash flows *	(2,941)	(135,280)	6,000	7,686
Non-cash changes				
Foreign exchange differences	-	(1,259)	-	518
Finance lease additions	-	382	-	-
Other changes **	6	(356)	-	10
31 December 2017	**14,678**	**6,541**	**6,000**	**13,671**

** The cash flows are recognized in the net amount of proceeds and repayments of borrowings in the statement of cash flows.*

*** Other changes include interest and fee accruals and payments.*

20 PROVISIONS

Accounting policies

A provision is recognized when the Group 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 Group 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.

Provision for environmental expenditures

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.

Provision for redundancy

The employees of the companies within the Group are eligible for redundancy payment immediately upon termination, pursuant to a local legislation (in Slovak Republic: Labor Code, § 63, sec.1, point a), b), c)) and the terms of the collective agreements between the companies and its employees. The amount of such a liability is recorded as a provision when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provision for retirement benefits

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 Group 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 Group operates benefit schemes that provide a lump sum benefit to all employees at the time of their retirement. The Group 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 Group contributes to the government and private defined contribution pension plans.

The Group 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. The cost of these statutory contributions made by the Group 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 Group makes contributions to the supplementary scheme amounting to 3% - 6% (2016: 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 Group 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 Group 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.

Greenhouse gas emissions

The Group recognizes provision for the estimated CO_2 emissions costs when actual emission exceeds the emission rights granted and still held. When actual emission exceeds the amount of emission rights granted, provision is recognized for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

Critical accounting estimates and judgements

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. 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 fulfilment of such obligations.

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.

Outcome of certain litigations

The Group entities are parties 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.

in € thousands	Environ-mental	Redun-dancy	Retirement benefits	Jubilee benefits	Other	Total
1 January 2016	39,447	62	13,549	1,211	11,517	65,786
Provision made during the period and revision of previous estimates	4,032	-	2,529	114	1,039	7,714
Unwinding of the discount (Note 8)	1,029	-	253	22	-	1,304
Provision used during the period	(3,860)	-	(1,019)	(134)	(7,223)	(12,236)
31 December 2016	**40,648**	**62**	**15,312**	**1,213**	**5,333**	**62,568**
Provision made during the period and revision of previous estimates	5,043	-	1,876	2,958	5,451	15,328
Unwinding of the discount (Note 8)	1,031	-	273	40	-	1,344
Provision used during the period	(3,984)	-	(731)	(426)	(3,709)	(8,850)
31 December 2017	**42,738**	**62**	**16,730**	**3,785**	**7,075**	**70,390**
Current portion at 31 December 2016	4,043	-	1,062	141	5,333	10,579
Non-current portion at 31 December 2016	36,605	62	14,250	1,072	-	51,989
Current portion at 31 December 2017	3,840	-	1,286	519	7,075	12,720
Non-current portion at 31 December 2017	38,898	62	15,444	3,266	-	57,670

Environmental provision

As at 31 December 2017 the Group operated 253 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 Group, including containment of evaporative losses on filling of the station tanks, treatment of effluent, and protection of soil and groundwater. The Group recognized environmental provisions of €405 thousand as at 31 December 2017 (31 December 2016: €611 thousand) to eliminate the deficiencies stated above.

The utilization of the provision related to petrol stations is expected to be during 2024. The provision related to non-compliant warehousing capacities is expected to be used in the years 2018 - 2029.

In accordance with its environment policies the Group 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 Group'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 2017 the present value of liability related to the provision amounted to €42,333 thousand (31 December 2016: €40,037 thousand). The utilization of this provision is expected to be during the years 2018 - 2029.

The closing amount of the environmental provisions as at 31 December 2017 is €42,738 thousand (31 December 2016: €40,648 thousand).

Provision for retirement and jubilee benefits

As at 31 December 2017 the Group has recognized a provision for retirement benefits of €16,730 thousand (31 December 2016: €15,312 thousand) to cover its estimated obligation regarding future retirement benefits payable to current employees expected to retire from the Group entities.

According to provisions of § 76a of the Labor Code and the Collective Agreement for the period May 2017 - March 2018, the Group 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 Group 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 Group 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 Group.

In addition to provision for retirement the Group creates the provision for jubilee benefits. The amount of this provision as at 31 December 2017 represented €3,785 thousand (31 December 2016: €1,213 thousand).

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

in € thousands	Retirement benefits		Jubilee benefits	
	2017	2016	2017	2016
At the beginning of the period	**15,312**	**13,549**	**1,213**	**1,211**
Past service cost	(310)	726	2,661	7
Current service cost	838	773	126	65
Unwinding of the discount	273	253	40	22
Provision used during the period	(731)	(1,019)	(426)	(134)
Actuarial (gains) and losses	1,348	1,030	171	42
At the end of the period	**16,730**	**15,312**	**3,785**	**1,213**

The notes form an integral part of these consolidated financial statements.

Actuarial (gains) and losses for the year 2017 and 2016 comprised of the following items:

in € thousands	Retirement benefits		Jubilee benefits	
	2017	2016	2017	2016
Actuarial (gains) and losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains) and losses arising from changes in financial assumptions	40	1,222	(38)	107
Actuarial (gains) and losses arising from experience adjustments	1,308	(192)	209	(65)
Total actuarial (gains) and losses	**1,348**	**1,030**	**171**	**42**

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	2017	2016
Past service cost	2,351	733
Current service cost	964	838
Actuarial (gains) and losses	171	42
Net benefit expense (Note 5)	**3,486**	**1,613**

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate (% p.a.)	1.93	1.70
Future salary increases (%)	2.00 - 4.50	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 Group obtained quotas for greenhouse gas emission for 2017 in the amount of 1,402,218 tons of CO_2 (2016: 1,432,571 tons of CO_2). The actual volume of emissions released for 2017 was 2,208,681 tons of CO_2 (2016: 2,199,078 tons of CO_2). In the financial statements as for the year ended 31 December 2017 the Group created the provision in the amount of €6,751 thousand (31 December 2016: €5,333 thousand).

21 OTHER NON-CURRENT LIABILITIES

in € thousands	2017	2016
Other non-current non-financial liabilities		
Government grants	12,052	12,637
Deferred compensation for property, plant and equipment	5,885	7,062
Other	864	793
Total other non-current non-financial liabilities	**18,801**	**20,492**
Total other non-current liabilities	**18,801**	**20,492**

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 11.2).

22 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

in € thousands	2017	2016
Trade payables and other current financial liabilities		
Trade payables	474,111	352,945
Security deposit received from petrol station lessees	3,169	3,450
Financial guarantees received from holders of fleet cards	1,370	1,344
Liabilities to shareholders (dividends)	1,246	1,112
Other	3,349	549
Total trade payables and other current financial liabilities	**483,245**	**359,400**
Financial liabilities held for trading - derivatives	**2,875**	**31**
Fair value of derivatives designated as effective hedging instruments	**-**	**1,482**
Other current non-financial liabilities		
Taxes, contributions payable, penalties	64,069	65,788
Amounts due to employees	21,593	18,638
Customs fees payable	10,971	12,232
Liabilities from loyalty scheme BONUS	5,923	4,971
Advances from customers	4,656	1,579
Public health and social insurance	3,973	3,455
Other	1,246	1,016
Total other current non-financial liabilities	**112,431**	**107,679**
Total trade payables and other current liabilities	**598,551**	**468,592**

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	2017	2016
At the beginning of the period	**517**	**446**
Legal creation through expenses	1,080	1,046
Other creation	30	62
Use	(1,086)	(1,037)
At the end of the period	**541**	**517**

The notes form an integral part of these consolidated financial statements.

23 FINANCIAL INSTRUMENTS

Accounting policies

Classification and measurement of financial instruments

Financial assets and financial liabilities carried on the consolidated 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.

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 Group 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.

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 Group considers whether a contract contains an embedded derivative when the Group 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 Group'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 Group 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 Group 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.

Derecognition of financial instruments

The derecognition of a financial asset takes place when the Group 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 Group 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.

Derivative financial instruments

The Group 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.*

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 Group 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 Group 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:

Fair value hedge

Fair value hedge is a hedge of the Group'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 Group 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 Group revokes the designation.

Cash flow hedge

Cash flow hedge is a hedge of the Group'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 Group 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.

Impairment of financial assets

The Group 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 Group 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 Group. 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.

Critical accounting estimates and judgements

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.

23.1 Reconciliation of financial instruments

Book value of financial instruments:

in € thousands	Notes	2017	2016
Other non-current financial assets	13	318	302
Trade receivables	15	344,823	318,840
Other current financial assets	16	6,337	3,593
Cash and cash equivalents	17	163,680	97,672
Loans and receivables		**515,158**	**420,407**
Available-for-sale financial assets		**95**	**97**
Financial assets held for trading - derivatives (Level 2)	16	121	88
Financial assets at fair value through profit or loss		**121**	**88**
Total financial assets		**515,374**	**420,592**

in € thousands	Notes	2017	2016
Long-term debt, net of current portion	19.1	17,714	98,731
Trade payables and other current financial liabilities	22	483,245	359,400
Short-term debt	19.2	19,671	6,007
Current portion of long-term debt	19.1	3,506	61,936
Financial liabilities measured at amortized cost		**524,136**	**526,074**
Financial liabilities held for trading - derivatives (Level 2)	22	2,875	31
Financial liabilities at fair value through profit or loss		**2,875**	**31**
Negative fair value of commodity price fair value hedge derivative transactions (Level 2)	22	-	1,482
Negative fair value of derivatives designated as effective hedging instruments		**-**	**1,482**
Total financial liabilities		**527,011**	**527,587**

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

2017 *in € thousands*	Net gains/ (losses)	Interest income/ (expense)	(Loss)/ reversal of loss from impairment	Net fee income/ (expense)
Loans and receivables	525	238	(946)	2
Available-for-sale financial assets	-	17	-	-
Financial assets/liabilities at fair value through profit or loss	(4,424)	-	-	-
Financial liabilities measured at amortized cost	21,970	(1,472)	-	(1,368)
Total	**18,071**	**(1,217)**	**(946)**	**(1,366)**

The notes form an integral part of these consolidated financial statements.

2016 *in € thousands*	Net gains/ (losses)	Interest income/ (expense)	(Loss)/ reversal of loss from impairment	Net fee income/ (expense)
Loans and receivables	2,134	833	(124)	3
Available-for-sale financial assets	-	6	(56)	-
Financial assets/liabilities at fair value through profit or loss	4,328	-	-	-
Financial liabilities measured at amortized cost	(15,199)	(4,540)	-	(406)
Total	**(8,737)**	**(3,701)**	**(180)**	**(403)**

In 2016 the Group has recognized in other comprehensive income loss of €189 thousand from cash flow hedge derivatives.

23.2 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 Group 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 Group's risk management policy, no speculative dealings are allowed. Any derivative transaction the Group may enter is under ISDA (International Swaps and Derivatives Association) agreements.

For the purpose of commodity derivatives and trades with CO_2 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 Group 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 Group'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 2017 the Group recorded the financial assets that would otherwise be past due or impaired whose terms have been renegotiated in amount of €38 thousand (31 December 2016: €144 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 €132,965 thousand as at 31 December 2017 (31 December 2016: €106,312 thousand). Fair value of accepted guarantees does not significantly differ from its nominal value.

The Group obtained compensations for impaired financial assets from insurance companies and financial institutions in the amount of €521 thousand in 2017 (2016: €646 thousand).

Analysis of unimpaired loans and receivables:

in € thousands	Net book value 2017	Net book value 2016
Neither past due nor impaired	496,635	406,645
Past due not impaired:		
Up to 30 days	4,726	5,459
Over 30 days	197	2,388
Total	**501,558**	**414,492**

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

Analysis of impaired loans and receivables:

2017 *in € thousands*	Nominal value	Provisions	Net book value
Not past due and impaired	-	-	-
Past due and impaired:			
Up to 30 days	11,564	96	11,468
From 31 to 90 days	2,239	195	2,044
From 91 to 180 days	172	94	78
Over 180 days	3,885	3,875	10
Total	**17,860**	**4,260**	**13,600**

2016 *in € thousands*	Nominal value	Provisions	Net book value
Not past due and impaired	-	-	-
Past due and impaired:			
Up to 30 days	5,694	239	5,455
From 31 to 90 days	318	21	297
From 91 to 180 days	203	58	145
Over 180 days	5,680	5,662	18
Total	**11,895**	**5,980**	**5,915**

ii) Liquidity risk

The Group'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 2017 and 2016 were as follows:

2017 *in € thousands*	Total credit facilities	Drawn loans	Customs guarantees	Other guarantees	Undrawn credit facilities
Long-term credit facilities					
Other	21,220	(21,220)	-	-	-
Total long-term credit facilities	**21,220**	**(21,220)**	**-**	**-**	**-**
Short-term credit facilities					
MOL Group	25,850	(13,646)	-	-	12,204
Other	165,876	(6,000)	(89,570)	(11,420)	58,886
Total short-term credit facilities	**191,726**	**(19,646)**	**(89,570)**	**(11,420)**	**71,090**
Total credit facilities	**212,946**	**(40,866)**	**(89,570)**	**(11,420)**	**71,090**

2016 *in € thousands*	Total credit facilities	Drawn loans	Customs guarantees	Other guarantees	Undrawn credit facilities
Long-term credit facilities					
MOL Group	108,736	(108,736)	-	-	-
Other	50,675	(50,675)	-	-	-
Total long-term credit facilities	**159,411**	**(159,411)**	**-**	**-**	**-**
Short-term credit facilities					
MOL Group	5,500	-	-	-	5,500
Other	349,371	-	(89,570)	(8,723)	251,078
Total short-term credit facilities	**354,871**	**-**	**(89,570)**	**(8,723)**	**256,578**
Total credit facilities	**514,282**	**(159,411)**	**(89,570)**	**(8,723)**	**256,578**

Of the undrawn credit facilities, the resources of €54,132 thousand as at 31 December 2017 (31 December 2016: €219,819 thousand) were uncommitted.

Analysis of liquidity risk:

2017 *in € thousands*	Loans and receivables	Financial assets at fair value through profit or loss	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	77,000	-	7,288	-	-
Up to 1 month	345,420	2	318,925	-	-
From 1 to 3 months	85,766	-	170,669	300	-
From 3 to 12 months	5,798	119	4,520	2,575	-
From 1 to 5 years	319	-	14,088	-	-
Over 5 years	-	-	3,628	-	-
Without maturity	855	-	5,018	-	-
Total	**515,158**	**121**	**524,136**	**2,875**	**-**

2016 *in € thousands*	Loans and receivables	Financial assets at fair value through profit or loss	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	62,981	-	2,619	-	-
Up to 1 month	281,488	-	276,142	-	-
From 1 to 3 months	65,707	-	85,045	-	-
From 3 to 12 months	10,150	88	58,303	31	1,482
From 1 to 5 years	63	-	82,895	-	-
Over 5 years	-	-	15,838	-	-
Without maturity	18	-	5,232	-	-
Total	**420,407**	**88**	**526,074**	**31**	**1,482**

Available-for-sale financial assets as at 31 December 2017 and 31 December 2016 represent capital instruments, which do not have determined maturity.

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

2017 *in € thousands*	Long-term debt	Trade payables and other current financial liabilities	Short-term debt	Financial liabilities at fair value through profit or loss	Negative fair value of derivatives designed as effective hedging instruments	Total
On demand	-	7,288	-	-	-	7,288
Up to 1 month	118	299,159	19,683	-	-	318,960
From 1 to 3 months	886	169,853	-	300	-	171,039
From 3 to 12 months	2,888	1,927	-	2,575	-	7,390
From 1 to 5 years	15,323	-	-	-	-	15,323
Over 5 years	4,471	-	-	-	-	4,471
Without maturity	-	5,018	-	-	-	5,018
Total	**23,686**	**483,245**	**19,683**	**2,875**	**-**	**529,489**

2016 *in € thousands*	Long-term debt	Trade payables and other current financial liabilities	Short-term debt	Financial liabilities at fair value through profit or loss	Negative fair value of derivatives designed as effective hedging instruments	Total
On demand	-	2,619	-	-	-	2,619
Up to 1 month	10,226	266,179	30	-	-	276,435
From 1 to 3 months	1,133	83,723	608	-	-	85,464
From 3 to 12 months	53,660	1,647	5,560	31	1,482	62,380
From 1 to 5 years	91,075	-	-	-	-	91,075
Over 5 years	17,075	-	-	-	-	17,075
Without maturity	-	5,232	-	-	-	5,232
Total	**173,169**	**359,400**	**6,198**	**31**	**1,482**	**540,280**

The notes form an integral part of these consolidated financial statements.

iii) Market risks

Interest rate risk

The Group'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:

	2017		2016	
in € thousands	Increase/ (decrease) of interest rate *(%)*	Impact on profit before taxes	Increase/ (decrease) of interest rate *(%)*	Impact on profit before taxes
LIBOR (USD)	-	-	0.25	(241)
LIBOR (USD)	-	-	(0.25)	238
EURIBOR (EUR)	0.25	(33)	0.25	(48)
EURIBOR (EUR)	(0.25)	33	(0.25)	48
WIBOR (PLN)	0.25	(3)	0.25	(8)
WIBOR (PLN)	(0.25)	3	(0.25)	8

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 Group 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 Group has a net long USD operating cash flow position. The Group'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 Group 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:

	2017		2016	
in € thousands	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes
USD	5.3	(15,167)	5.0	(13,415)
USD	(4.8)	13,721	(4.5)	12,200
HUF	5.1	3	5.1	1
HUF	(4.6)	(3)	(4.6)	(1)
CZK	6.2	4,717	5.9	3,469
CZK	(5.5)	(4,193)	(5.3)	(3,104)
PLN	5.0	737	4.8	792
PLN	(4.6)	(670)	(4.3)	(723)

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.

Commodity risk

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

The Group 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 in 2016 has been recognized in Finance expenses and offset with similar gain on revaluation of hedged items. The ineffectiveness recognized in 2017 and 2016 was immaterial.

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

in € thousands	
1 January 2016	(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**
Change in fair value	-
Realized revaluation of inventory - revenue/(expense)	(1,482)
Adjustment of revenues for sold products - revenue/(expense)	-
31 December 2017	**-**

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

in € thousands	2017	2016
Change in fair value of hedged items - receivable (Note 16)	-	1,482
Change in fair value of hedged items - liability	-	-
Change in fair value of hedged items, net	**-**	**1,482**

23.3 Capital management

Capital of the Group 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 Group is as follows:

in € thousands	2017	2016
Long-term debt, net of current portion	17,714	98,731
Short-term debt	19,671	6,007
Current portion of long-term debt	3,506	61,936
Less: cash and cash equivalents	(163,680)	(97,672)
Net debt	**(122,789)**	**69,002**
Equity attributable to equity holders of the parent	1,631,463	1,541,427
Non-controlling interests	620	848
Total capital	**1,632,083**	**1,542,275**
Capital and net debt	**1,509,294**	**1,611,277**
Gearing ratio (%)	**(8.14)**	**4.28**

24 COMMITMENTS AND CONTINGENT LIABILITIES

Accounting policies

Contingent assets are not recognized in the consolidated financial statements but disclosed in the Notes when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the consolidated 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.

Guarantees

The total value of guarantees granted to parties outside the Group as at 31 December 2017 is €176 thousand (31 December 2016: €194 thousand).

Capital and contractual commitments

The total value of capital commitments as at 31 December 2017 is €43,992 thousand (31 December 2016: €37,593 thousand) and relates to obligations to purchase property, plant and equipment in the amount of €42,980 thousand (31 December 2016: €35,664 thousand) and intangible assets in the amount of €1,012 thousand (31 December 2016: €1,929 thousand).

Operating leases

The operating lease liabilities are as follows:

in € thousands	2017	2016
Up to 1 year	9,467	10,026
From 1 to 5 years	23,127	24,202
Over 5 years	1,276	2,418
Total	**33,870**	**36,646**
Minimum lease payments recognized in the profit/loss for the period	10,237	9,692

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 2017.

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 €42,738 thousand for the estimated cost as at 31 December 2017 (31 December 2016: €40,648 thousand) for probable and quantifiable costs of rectifying past environmental damage (Note 20). 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.

25 EARNINGS PER SHARE

Accounting policies

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

The Company does not have any potential ordinary shares and therefore the diluted earnings per share are the same as the basic earnings per share.

	2017	2016
Profit/(loss) for the period attributable to equity holders of the parent (€ thousands)	168,876	158,188
Weighted average number of shares	20,625,229	20,625,229
Basic/diluted earnings per share (€)	8.19	7.67

26 RELATED PARTY TRANSACTIONS

The Group is controlled by MOL Nyrt. Following the integration process within the MOL Group, the Group 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 in 2017 he became Chairman of the Supervisory Board at MET Slovakia, a.s., which is also an associated company in the MOL Group.

Mr. Tibor Kaczor, a former member of the Supervisory Board of the Company (until December 15, 2017), is statutory representative of APOLKA, s.r.o.

Mr. Slavomír Hatina, a member of the Supervisory Board of the Company, is Chairman of the Supervisory Board at Granitol, a. s.

Companies reported as other related parties are under the controlling influence of one of the key management members.

The notes form an integral part of these consolidated financial statements.

The transactions with related parties:

in € thousands	2017	2016
Sales - products, goods and materials		
MOL Group	786,821	691,027
Associated companies	638,382	516,475
Granitol, a.s.	11,637	13,468
Other related parties	77	2
Sales - services and other operating revenues		
MOL Group	7,100	6,872
Associated companies	3,685	2,394
APOLKA, s.r.o.	46	46
Other related parties	5	2
Sales - intangible assets and property, plant and equipment		
MOL Group	4,077	54
Interest revenue		
MOL Group	26	358
Associated companies	113	131
Other finance revenues		
Associated companies	2	2
Dividends received		
MOL Group	-	6
Associated companies (Note 9)	6,074	171

in € thousands	2017	2016
Purchases - raw materials, goods and energy		
MOL Group	374,672	276,636
Associated companies	50,529	49,236
MET Slovakia a.s.	75,546	258
Other related parties	25	1
Purchases - services and other operating expenses		
MOL Group	7,510	5,536
Associated companies	2,754	3,342
Ružička Csekes s. r. o.	149	83
APOLKA, s.r.o.	48	74
Other related parties	53	112
Purchases - property, plant and equipment		
MOL Group	1,276	-
Purchases - intangible assets		
MOL Group	4,038	5,574
Purchases - acquisition of non-controlling interests		
MOL Group	-	55,590
Interest expense		
MOL Group	665	3,067
Associated companies	240	258
Other finance costs		
MOL Group	2,771	3,875

in € thousands	2017	2016
Receivables		
MOL Group	84,607	78,800
Associated companies	68,007	60,623
Granitol, a.s.	2,297	1,847
Other related parties	10	-
Loans granted		
Associated companies (Note 16)	2,142	2,371
Receivables from dividends		
Associated companies	825	-
Payables		
MOL Group	42,102	31,983
Associated companies	5,092	7,067
MET Slovakia a.s.	9,542	23
Ružička Csekes s. r. o.	36	13
Other related parties	13	18
Loans received		
MOL Group (Note 19.2)	13,671	115,909
Associated companies (Note 19.1)	5,032	5,440

Statutory boards of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2017 the Company's statutory boards had the following composition:

The Board of Directors: Oszkár Világi, Chairman of the Board
Gabriel Szabó
Ferenc Horváth
Miika Eerola
Timea Reicher
Mihály Kupa
Zsolt Pethö

The Supervisory Board: György Mosonyi, Chairman of the Board
Zsuzsanna Éva Ortutay
Szabolcs István Ferencz
Slavomír Hatina
Matúš Horváth
Martina Darnadiová

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

The Board of Directors' total remuneration amounted to €255 thousand in 2017 (2016: €159 thousand). The total remuneration of members of the Supervisory Board amounted to €88 thousand in 2017 (2016: €144 thousand).

Key management compensation

in € thousands	2017	2016
Salaries	948	1,120
Legal and voluntary retirement contributions	80	66
Public health insurance	119	20
Other social insurance	83	23
Other personnel expenses	128	124
Provision for retirement and jubilee benefits	52	24
Expenses of share-based payments	1,209	930
Total	**2,619**	**2,307**

The notes form an integral part of these consolidated financial statements.

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

	2017		2016*	
	Shares in option rights *number of shares*	Weighted average exercise price per share *€*	Shares in option rights *number of shares*	Weighted average exercise price per share *€*
Outstanding at the beginning of the period	256,880	6.22	318,040	6.23
Granted during the period	84,800	7.45	76,880	5.33
Forfeited during the period	(800)	5.38	-	-
Exercised during the period	(81,680)	6.44	(138,040)	6.82
Expired during the period	-	-	-	-
Outstanding at the end of the period	**259,200**	**6.03**	**256,880**	**6.22**
Exercisable at the end of the period	103,200	5.33	108,000	6.56

** Recalculated due to MOL Nyrt. one to eight share split in 2017 to enable comparability.*

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 5).

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 2017 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.

27 EVENTS AFTER THE REPORTING PERIOD

No events have occurred after 31 December 2017 that would require adjustment to, or disclosure in the financial statements.

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU AND INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2017

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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 Financial Statements

Opinion

We have audited the financial statements of SLOVNAFT, a.s. ("The Company"), which comprise the statement of financial position as at 31 December 2017, statement of comprehensive income, changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2017, 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") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Revenue recognition

The Company's net revenue for 2017 amounted to EUR 3,419 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. Due to the existence of the diversity in revenue categories considering the differences between retail and wholesale sales, we identified the recognition in the correct accounting period, occurrence and completeness of revenues as a 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 operation effectiveness of key controls within the sales processes. We also used the assistance of 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 recognition in the correct accounting period 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 2017 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 3 of notes to the separate financial statements and whether they are compliant with IFRS EU.

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Inventories net realizable value

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2017, 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 a key audit matter as the assessment of the net realizable value of inventories is complex and judgmental especially in periods of changing external business environment.

We tested the design and the operation effectiveness 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 were used in the determination of the valuation, and procedures to obtain insight into the calculation model used to determine the net realizable value. We obtained the source data, discussed the assumptions used with the management and 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 2017 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 14 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 Financial Statements

Management is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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 financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the 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 financial statements or our knowledge obtained in the audit of the 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 financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2017 is consistent with the 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 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.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Company on 22 June 2017 based on our approval by the General Meeting of Shareholders of the Company on 6 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 14 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company and its controlled undertakings.

1 March 2018
Bratislava, Slovak Republic

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

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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU

for the year ended 31 December 2017

Bratislava, 1 March 2018

JUDr. Oszkár Világi
Chairman of the Board of Directors

Ing. Gabriel Szabó
Member of the Board of Directors

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 2017, the Company had 2,389 employees (31 December 2016: 2,297). Average calculated number of employees as at 31 December 2017 was 2,341 (31 December 2016: 2,316), 119 of which were management (31 December 2016: 113 managers).

AUTHORIZATION AND STATEMENT OF COMPLIANCE

These separate financial statements were approved and authorized for issue by the Board of Directors on 1 March 2018.

The separate financial statements of the Company for the previous period were approved by the Annual General Meeting of the Company held on 6 April 2017.

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.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

in € thousands	Notes	2017	2016
Net revenue	3	3,418,786	2,906,029
Other operating income	4	4,702	8,880
Total operating income		**3,423,488**	**2,914,909**
Raw materials and consumables used		(2,730,298)	(2,239,706)
Personnel expenses	5	(103,001)	(92,149)
Depreciation, depletion, amortization and impairment	2	(137,043)	(132,615)
Value of services used	6	(162,331)	(158,783)
Other operating expenses	7	(121,258)	(99,925)
Change in inventories of finished goods and work in progress		2,462	32,928
Total operating expenses		**(3,251,469)**	**(2,690,250)**
Profit/(loss) from operations	**2**	**172,019**	**224,659**
Finance revenues	8	33,776	5,905
Finance expenses	8	(19,617)	(29,582)
Finance revenues/(expenses), net		**14,159**	**(23,677)**
Profit/(loss) before tax		**186,178**	**200,982**
Income tax expense	9	(39,454)	(41,913)
Profit/(loss) for the period		**146,724**	**159,069**
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit pension plans	20	(1,059)	(745)
Income tax relating to items that will not be reclassified to profit/(loss)	9	222	156
Total items that will not be reclassified to profit/(loss)		**(837)**	**(589)**
Cash flow hedges			
Fair value changes		-	189
Transferred to profit/(loss)		-	(288)
Income tax relating to items that may be reclassified subsequently to profit/(loss)	9	-	22
Total items that may be reclassified subsequently to profit/(loss)		**-**	**(77)**
Other comprehensive income for the period		**(837)**	**(666)**
Total comprehensive income for the period		**145,887**	**158,403**
Basic/diluted earnings per share (€)	**25**	**7.11**	**7.71**

The notes form an integral part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

in € thousands	Notes	2017	2016
ASSETS			
Non-current assets			
Intangible assets	10.1	23,050	20,804
Property, plant and equipment	10.2	1,401,369	1,423,806
Investments in subsidiaries	11	137,152	137,154
Investments in associated companies	12	71,918	71,918
Available-for-sale financial assets		76	76
Other non-current assets	13	28,778	3,456
Total non-current assets		**1,662,343**	**1,657,214**
Current assets			
Inventories	14	259,810	245,088
Trade receivables	15	348,345	316,058
Income tax receivable		4,747	9,388
Other current assets	16	61,620	103,249
Cash and cash equivalents	17	142,593	75,222
Total current assets		**817,115**	**749,005**
TOTAL ASSETS		**2,479,458**	**2,406,219**
EQUITY AND LIABILITIES			
Equity			
Share capital	18.1	684,758	684,758
Share premium		121,119	121,119
Retained earnings	18.2	793,812	730,438
Total equity		**1,599,689**	**1,536,315**
Non-current liabilities			
Long-term debt, net of current portion	19.1	138,302	232,034
Provisions	20	52,820	47,980
Deferred tax liabilities	9	59,387	43,893
Other non-current liabilities	21	13,127	13,649
Total non-current liabilities		**263,636**	**337,556**
Current liabilities			
Trade payables and other current liabilities	22	587,266	491,754
Provisions	20	6,249	5,273
Short-term debt	19.2	6,000	-
Current portion of long-term debt	19.1	16,618	35,321
Total current liabilities		**616,133**	**532,348**
TOTAL EQUITY AND LIABILITIES		**2,479,458**	**2,406,219**

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

in € thousands	Share capital	Share premium	Retained earnings	Other components of equity	**Total equity**
1 January 2016	**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	-	-	16,113	-	**16,113**
Dividends	-	-	(41,250)	-	**(41,250)**
31 December 2016	**684,758**	**121,119**	**730,438**	**-**	**1,536,315**
Profit/(loss) for the period	-	-	146,724	-	**146,724**
Other comprehensive income for the period	-	-	(837)	-	**(837)**
Total comprehensive income for the period	**-**	**-**	**145,887**	**-**	**145,887**
Dividends (Note 18.2)	-	-	(82,501)	-	**(82,501)**
Other changes	-	-	(12)	-	**(12)**
31 December 2017	**684,758**	**121,119**	**793,812**	**-**	**1,599,689**

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

in € thousands	Notes	2017	2016
Profit/(loss) before tax		186,178	200,982
Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities			
Depreciation, depletion, amortization and impairment	2	137,043	132,615
Amortization of government grants	4	(586)	(1,432)
Write-down/(reversal of write-down) of inventories, net		917	(8,731)
Increase/(decrease) in provisions, net		4,757	(5,082)
(Profit)/loss from the sale of intangible assets and property, plant and equipment	4	(1,103)	(4,334)
Write-off of receivables and addition/(reversal) of impairment, net		404	(27)
Write-off of liabilities		(42)	(21)
Net foreign exchange (gain)/loss on receivables and payables		(23,095)	8,094
Impairment/(reversal of impairment) of investments in subsidiaries	8	2	12
Impairment of available-for-sale financial assets	8	-	44
Interest revenue	8	(743)	(1,147)
Interest expense on borrowings	8	12,377	15,624
Net foreign exchange (gain)/loss on borrowings	8	(1,275)	3,028
Net foreign exchange loss on cash and cash equivalents	8	1,214	1,220
Other finance (profit)/loss, net		4,746	(3,015)
Dividends received	8	(8,652)	(1,427)
Book value of surrendered emission quotas		289	3,925
Revaluation of emission quotas	7	791	4,185
Other non-cash items		944	443
Operating cash flow before changes in working capital		**314,166**	**344,956**
(Increase)/decrease in inventories		(14,070)	(43,840)
(Increase)/decrease in trade receivables		(32,190)	(97,423)
(Increase)/decrease in other assets		27,670	8,860
Increase/(decrease) in trade payables		120,345	58,145
Increase/(decrease) in other liabilities		(1,374)	(3,342)
Corporate income tax paid		(19,097)	(81,496)
Net cash provided by/(used in) operating activities		**395,450**	**185,860**
Payments for intangible assets and property, plant and equipment		(123,400)	(98,217)
Proceeds from disposal of intangible assets and property, plant and equipment		4,527	9,956
Acquisition of subsidiaries	11	-	(82,295)
Long-term loans granted		(46,500)	-
Long-term loans repaid		33,785	5,268
Short-term loans (granted)/repaid, net		1,867	(4,870)
Interest received		695	1,107
Other finance income		11	21
Dividends received and income from the decrease of share capital of the subsidiaries		7,827	3,915
Cash and cash equivalents received in a business combination		-	328
Net cash provided by/(used in) investing activities		**(121,188)**	**(164,787)**
Repayments of long-term bank borrowings	19.3	(2,941)	(2,941)
Proceeds from/(repayments of) short-term bank borrowings, net	19.3	6,000	-
Repayments of long-term non-bank borrowings	19.3	(109,220)	(30,506)
Proceeds/(payments) from derivative transactions, net		(3,160)	3,215
Interest paid		(13,522)	(15,603)
Other finance costs		(468)	(109)
Dividends paid to shareholders		(82,366)	(41,197)
Net cash provided by/(used in) financing activities		**(205,677)**	**(87,141)**
Increase/(decrease) in cash and cash equivalents		**68,585**	**(66,068)**
Cash and cash equivalents at the beginning of the period	17	75,222	142,510
Effects of exchange rate changes	8	(1,214)	(1,220)
Cash and cash equivalents at the end of the period	17	142,593	75,222

The notes form an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING INFORMATION, POLICIES AND SIGNIFICANT ESTIMATES

1.1 Basis of preparation

These separate financial statements have been prepared in accordance with IFRS issued and effective on 31 December 2017.

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.

The notes form an integral part of these separate financial statements.

1.2 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.

1.3 Changes in accounting policies

The accounting policies adopted are consistent with those applied in the separate financial statements at 31 December 2016 apart from some minor modifications in the classification of certain items in the separate statement of comprehensive income, 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:

- IAS 7 Statement of Cash Flows - Amendment resulting from the disclosure initiative
- IAS 12 Income Taxes – Amendments regarding the recognition of deferred tax assets for unrealized losses

Annual Improvements to IFRSs (issued in December 2016 with effective date 1 January 2017)

Application of the amendments did not have any impact on the financial statements of the Company apart for some disclosure changes in the Notes.

1.4 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)
- 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 disclo-sures 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 9 Financial Instruments: Classification and Measurement - Amendment regarding prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019, this amendment has not been approved by EU yet)
- 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)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, this standard has not been approved by EU yet)
- IAS 19 Employee Benefits – Amendments regarding plan amendments, curtailments or settlements (effective for annual periods beginning on or after 1 January 2019, this standard 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 28 Investments in Associates and Joint Ventures - Amendment regarding long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019, this standard has not been approved by EU yet)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment defines exceptions to appli-cation 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)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019, 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 2018)
- Annual Improvements to IFRSs (issued in December 2017, effective for annual periods beginning on or after 1 January 2019, these amendments have not been approved by EU yet)

The principal effects of these changes are as follows:

IFRS 9 Financial Instruments - Classification and Measurement

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. The adoption of IFRS 9 will have the following effect on the financial statements of the Company:

Separate statement of financial position *in € thousands*	**1 January 2018**
Decrease of trade receivables	76
Decrease of equity	76

IFRS 15 Revenue from Contracts with Customers

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. Application of the standard will not have material impact on the financial statements of the Company.

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. It is expected the application of the standard could have the following effect on the financial statements of the Company:

Separate statement of financial position *in € thousands*	**1 January 2019**
Increase of property, plant and equipment	78,000
Increase of long-term debt	78,000

This estimate was based on a review of valid lease contracts of the Company in June 2017. The actual effect from the application of IFRS 16 can significantly differ from this estimate.

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

1.5 Summary of significant accounting policies

Presentation currency

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

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.

1.6 Significant accounting judgments and estimates

Critical judgments in applying the accounting policies

In the process of applying the accounting policies, 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.

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.

2 SEGMENTAL INFORMATION

Accounting policies

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.

Operating segments

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

2017 *in € thousands*	Refining and Marketing	Retail	Other segments	Intersegment transfers	Total
Revenues from external customers	2,888,148	519,376	11,262	-	3,418,786
Inter-segment revenues	391,808	-	31,482	(423,290)	-
Segment revenues	**3,279,956**	**519,376**	**42,744**	**(423,290)**	**3,418,786**
Profit/(loss) from operations	**155,735**	**44,026**	**(27,742)**	**-**	**172,019**
Other information:					
Additions to non-current assets *	93,436	19,440	10,938	-	123,814
Depreciation, depletion, amortization and impairment	(117,604)	(15,134)	(4,305)	-	(137,043)
out of it: (impairment losses)/ reversal of impairment losses, net	*(58)*	*8*	*1,111*	-	*1,061*
Other non-cash revenues/(expenses), net	(3,699)	(161)	(2,302)	-	(6,162)

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

** 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.

2017 *in € thousands*	Refining and Marketing	Retail	Other segments	Not allocated items	Total
ASSETS					
Non-current assets					
Intangible assets	14,846	11	8,193	-	23,050
Property, plant and equipment	1,124,264	199,148	77,957	-	1,401,369
Investments in subsidiaries	-	-	137,152	-	137,152
Investments in associated companies	-	-	71,918	-	71,918
Available-for-sale financial assets	-	-	76	-	76
Other non-current assets	2,704	5	369	25,700	28,778
Total non-current assets	**1,141,814**	**199,164**	**295,665**	**25,700**	**1,662,343**
Current assets					
Inventories	224,435	6,149	29,226	-	259,810
Trade receivables	343,108	3,316	1,921	-	348,345
Income tax receivable	-	-	-	4,747	4,747
Other current assets	3,165	642	6,185	51,628	61,620
Cash and cash equivalents	-	-	-	142,593	142,593
Total current assets	**570,708**	**10,107**	**37,332**	**198,968**	**817,115**
TOTAL ASSETS	**1,712,522**	**209,271**	**332,997**	**224,668**	**2,479,458**
LIABILITIES					
Non-current liabilities					
Long-term debt, net of current portion	-	-	-	138,302	138,302
Provisions	38,867	31	13,922	-	52,820
Deferred tax liabilities	-	-	-	59,387	59,387
Other non-current liabilities	11,133	80	1,914	-	13,127
Total non-current liabilities	**50,000**	**111**	**15,836**	**197,689**	**263,636**
Current liabilities					
Trade payables and other current liabilities	367,907	43,255	109,138	66,966	587,266
Provisions	4,655	-	1,594	-	6,249
Short-term debt	-	-	-	6,000	6,000
Current portion of long-term debt	-	-	-	16,618	16,618
Total current liabilities	**372,562**	**43,255**	**110,732**	**89,584**	**616,133**
TOTAL LIABILITIES	**422,562**	**43,366**	**126,568**	**287,273**	**879,769**

The notes form an integral part of these separate financial statements.

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	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	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**

Not allocated items involve cash and cash equivalents, received and provided loan facilities, income tax 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.

The notes form an integral part of these separate financial statements.

Non-current assets by geographical areas

in € thousands	2017	2016
Slovak Republic	1,529,754	1,550,326
The Netherlands (Note 12)	68,350	68,350
Poland (Note 11)	38,463	38,463
Total	**1,636,567**	**1,657,139**

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

3 NET REVENUE

Accounting policies

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).

Revenues 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.

Sales by product lines

in € thousands	2017	2016
Motor diesel	1,591,568	1,313,687
Motor gasoline	774,103	693,054
Other refined products	428,359	385,533
Plastics	508,821	439,432
Services	49,379	47,063
Other	66,556	27,260
Total	**3,418,786**	**2,906,029**

Sales by geographical areas

in € thousands	2017	2016
Slovak Republic	1,283,024	1,126,411
Czech Republic	731,991	616,345
Austria	386,273	325,324
Hungary	378,269	316,277
Poland	231,296	176,868
Germany	166,719	136,623
Italy	57,246	37,406
Croatia	30,680	13,070
Romania	30,530	38,317
The Netherlands	25,075	36,436
Serbia	22,580	26,894
Other	75,103	56,058
Total	**3,418,786**	**2,906,029**

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 €1,430,318 thousand (41.8%) of the total net revenue in 2017 (2016: €1,377,402 thousand, 47.4%). 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 revenue. A group of entities known to be under common control is considered a single customer for this purpose.

4 OTHER OPERATING INCOME

in € thousands	2017	2016
Government grants for compensation of expenses	1,681	-
Profit from the sale of intangible assets and property, plant and equipment	1,103	4,334
Penalties and late payment interest	625	435
Amortization of government grants	586	1,432
Compensation of the cost of economic mobilization	392	458
Compensation for damages	59	649
Net gain from non-hedge commodity derivatives	-	1,017
Other	256	555
Total other operating income	**4,702**	**8,880**

5 PERSONNEL EXPENSES

in € thousands	2017	2016
Wages and salaries	64,951	60,087
Legal and voluntary retirement contributions	11,021	10,100
Public health insurance	7,017	6,355
Other social insurance	8,211	6,739
Other personnel expenses	7,905	7,595
Provision for retirement and jubilee benefits (Note 20)	2,518	279
Expenses of share-based payments	1,378	994
Total personnel expenses	**103,001**	**92,149**

Share-based payments

Accounting policies

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.

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. share price. It comprises of the Stock Option Plan and the Performance Share Plan.

Performance Share Plan

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

- Program starts each year with a three-year vesting period.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and the Dow Jones 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 three years.
- Payout rates are defined based on the over / underperformance of MOL share price.
- Payments are due after the third year.

Expenses arising from the Performance Share Plan program amounted to €619 thousand in 2017 (2016: €333 thousand). Liabilities in respect of the Performance Share Plan program amounted to €929 thousand as at 31 December 2017 (31 December 2016: €699 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 four-year period (two-year vesting and two-year exercising period for the incentive plan valid from 1 January 2017) and five-year period (two-year vesting and three-year exercising period for the incentive plan valid till 31 December 2016) 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.

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 fourth and the fifth year respectively.

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:

	2017		2016*	
	Shares in option rights *number of shares*	Weighted average exercise price per share *€*	Shares in option rights *number of shares*	Weighted average exercise price per share *€*
Outstanding at the beginning of the period	295,616	5.74	393,304	6.33
Granted during the period	105,600	7.45	85,152	5.33
Forfeited during the period	(800)	5.38	(40)	4.73
Exercised during the period	(111,448)	6.44	(182,800)	6.87
Expired during the period	-	-	-	-
Outstanding at the end of the period	**288,968**	**6.12**	**295,616**	**5.74**
Exercisable at the end of the period	104,168	5.32	132,128	6.61

** Recalculated due to MOL Nyrt. one to eight share split in 2017 to enable comparability.*

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 €759 thousand in 2017 (2016: expenses €661 thousand). Liabilities in respect of the share-based payment plans amounted to €1,048 thousand as at 31 December 2017 (31 December 2016: €657 thousand), recorded in other non-current liabilities and other current liabilities. The intrinsic value of the exercisable option rights amounted to €455 thousand as at 31 December 2017 (31 December 2016: €223 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:

	2017	2016*
Weighted average exercise price per share (€)	6.12	5.74
Weighted average share price at the date of exercise for share options exercised during the period (€)	9.41	7.84
Spot share price (€)	9.69	8.29
Expected volatility based on historical data (%)	22.40	22.76
Expected dividend yield (%)	2.93	3.03
Expected life (years)	2.46	2.58
Risk free interest rate for HUF (%)	0.56	0.86

** Recalculated due to MOL Nyrt. one to eight share split in 2017 to enable comparability.*

6 VALUE OF SERVICES USED

in € thousands	2017	2016
Maintenance expenses	54,092	62,204
Transportation and storage expenses	52,680	50,602
Commission fees paid	23,827	19,564
Services related to administration	11,274	8,674
Chemical analysis of products and raw materials	7,141	5,728
Fire protection expenses	4,021	3,936
Traveling cost	765	616
Catalysts liquidation	-	813
Other	8,531	6,646
Total value of services used	**162,331**	**158,783**

7 OTHER OPERATING EXPENSES

in € thousands	2017	2016
Fees for ensuring the maintenance of emergency stocks of crude oil and oil products	53,790	35,737
Rental expenses	14,933	14,107
Technology expert fees	6,188	6,721
Environmental provision (Note 20)	5,043	4,032
Cleaning costs and waste disposal	4,832	4,884
Marketing costs	4,435	6,144
Taxes, duties and fees	4,146	3,952
Accounting, advisory and similar services fees	3,906	2,765
Security expenses	3,755	3,539
Insurance premium	3,343	3,145
Cost of procurement of nitrogen	2,694	3,284
Fees paid to financial institutions	1,839	1,581
Environmental protection costs	1,488	1,767
Expenses to liquidation of unneeded property, plant and equipment	1,061	551
Training expenses	1,011	873
Net loss from non-hedge commodity derivatives	991	-
Loss from revaluation of emission quotas	791	4,185
Provision for greenhouse gas emission, net	699	(1,869)
Technical inspections of vehicles and railway cars	575	560
Gifts	505	523
Provision for doubtful receivables, write-off of receivables, net	404	-
Provision for litigation	324	(150)
Fines, penalties, damages and compensations for damages	26	178
Other	4,479	3,416
Total other operating expenses	**121,258**	**99,925**

The expenses for services provided by auditors were as follows:

in € thousands	2017	2016
Audit of the financial statements	124	128
Other assurance services	32	34
Total	**156**	**162**

The notes form an integral part of these separate financial statements.

8 FINANCE REVENUES AND EXPENSES

Accounting policies

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.

in € thousands	2017	2016
Net foreign exchange gain on receivables and payables	23,094	-
Dividends	8,652	1,427
Net foreign exchange gain on borrowings	1,275	-
Interest revenue	743	1,147
Net gain from derivatives	-	3,311
Other	12	20
Total finance revenues	**33,776**	**5,905**
Interest expense on borrowings	(12,377)	(15,624)
Net loss from derivatives	(3,433)	-
Interest expense on provisions (Note 20)	(1,266)	(1,244)
Net foreign exchange loss on cash and cash equivalents	(1,214)	(1,220)
Fees related to loan received	(882)	(311)
Fee for early repayment of the loan	(433)	-
Impairment of investments in subsidiaries (Note 11)	(2)	(12)
Net foreign exchange loss on receivables and payables	-	(8,094)
Net foreign exchange loss on borrowings	-	(3,028)
Impairment of available-for-sale financial assets	-	(44)
Other	(10)	(5)
Total finance expenses	**(19,617)**	**(29,582)**
Finance revenues/(expenses), net	**14,159**	**(23,677)**

9 INCOME TAXES

Accounting policies

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.

Total applicable income taxes reported in these separate financial statements in 2017 and 2016 include the following components:

in € thousands	2017	2016
Current corporate income tax	23,738	29,673
Deferred corporate income tax	15,716	12,240
Total income tax expense	**39,454**	**41,913**

In 2017, the applicable corporate income tax rate on the taxable income of the Company was 21% (2016: 22%).

The deferred tax balances as at 31 December 2017 and 2016 and movements in 2017 and 2016 were as follows:

in € thousands	1 January 2017	Recognized in profit/ (loss)	Recognized in other compre-hensive income	31 December 2017
Property, plant and equipment and intangible assets	(109,086)	(4,275)	-	(113,361)
Provisions	11,097	914	222	12,233
Finance lease liabilities	32,210	(2,759)	-	29,451
Tax losses carried forward	13,682	(8,625)	-	5,057
Other	8,204	(971)	-	7,233
Total	**(43,893)**	**(15,716)**	**222**	**(59,387)**

in € thousands	1 January 2016	Recognized in profit/ (loss)	Recognized in other compre-hensive income	Business combina-tions	31 December 2016
Property, plant and equipment and intangible assets	(111,897)	2,790	-	21	(109,086)
Provisions	11,272	(331)	156	-	11,097
Finance 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 2017 the Company utilized the cumulative tax losses in the amount of €41,075 thousand (2016: €41,075 thousand).

The Company has recognized deferred tax assets in the amount of €5,057 thousand as at 31 December 2017 (31 December 2016: €13,682 thousand) to cumulative tax losses that is available to offset against future taxable profits. These tax losses can be utilized during 2018 - 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 notes form an integral part of these separate financial statements.

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	2017	2016
Profit/(loss) before tax	186,178	200,982
Tax at the applicable tax rate 21% (2016: 22%)	39,097	44,216
Permanent differences	252	(196)
Adjustments in respect of current income tax of previous periods	106	-
Effect of different tax rates	(1)	(9)
Effect of change in tax rate	-	(2,098)
Total income tax expense	**39,454**	**41,913**
Effective tax rate (%)	**21.19**	**20.85**

10 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

10.1 Intangible assets

Accounting policies

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.

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 treated as a reimbursement right. The emission rights are initially recorded at cost, and subsequently remeasured to fair value using quoted prices. Any gains or losses arising from changes in fair value are taken directly to profit/loss.

in € thousands	Emission rights	Rights	Software	Total
Cost				
1 January 2016	6,298	35,532	53,881	95,711
Additions	5,571	304	3,670	9,545
Business combinations	-	-	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**
Additions	4,038	19	5,522	9,579
Revaluation	(791)	-	-	(791)
Disposals	(3,705)	(182)	(65)	(3,952)
Transfers	-	-	(4)	(4)
31 December 2017	**3**	**35,673**	**62,872**	**98,548**
Amortization and impairment				
1 January 2016	-	25,084	44,390	69,474
Amortization	-	570	2,920	3,490
Business combinations		-	202	202
Impairment		172	-	172
Disposals		-	(426)	(426)
31 December 2016	**-**	**25,826**	**47,086**	**72,912**
Amortization	-	570	2,283	2,853
Disposals	-	(182)	(66)	(248)
Transfers	-	-	(19)	(19)
31 December 2017	**-**	**26,214**	**49,284**	**75,498**
Net book value				
31 December 2017	3	9,459	13,588	23,050
31 December 2016	461	10,010	10,333	20,804
1 January 2016	6,298	10,448	9,491	26,237

Software is being amortized evenly over its useful economic life.

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

10.2 Property, plant and equipment

Accounting policies

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.

in € thousands	Land and buildings	Machinery and equipment	Other	Construction in progress	Total
Cost					
1 January 2016	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	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**
Additions	-	-	-	113,865	113,865
Put to use	30,557	87,986	8,631	(127,174)	-
Disposals	(4,478)	(56,256)	(6,565)	(1,163)	(68,462)
Transfers	-	37	-	(33)	4
31 December 2017	**1,293,253**	**2,001,837**	**85,054**	**53,637**	**3,433,781**
Depreciation and impairment					
1 January 2016	491,429	1,324,824	75,156	497	1,891,906
Depreciation	38,082	82,706	5,465	-	126,253
Business combinations	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**
Depreciation	39,042	88,498	6,525	-	134,065
Impairment	54	10	-	388	452
Reversal of impairment	(1,226)	(279)	-	(8)	(1,513)
Disposals	(3,651)	(54,008)	(6,382)	(1,138)	(65,179)
Transfers	-	19	-	-	19
31 December 2017	**564,182**	**1,399,876**	**66,700**	**1,654**	**2,032,412**
Net book value					
31 December 2017	729,071	601,961	18,354	51,983	1,401,369
31 December 2016	737,211	604,434	16,431	65,730	1,423,806
1 January 2016	636,928	525,481	13,655	251,275	1,427,339

Borrowing costs

Accounting policies

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.

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 2017 and 2016, the Company did not capitalize borrowing costs for acquisition of property, plant and equipment as IAS 23 conditions for capitalization were not fulfilled. In 2017, the Company capitalized borrowing cost from general purpose borrowings at capitalization rate of 0.57% (2016: 0%).

Government grants

Accounting policies

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.

Property, plant and equipment includes assets with the carrying value of €12,052 thousand (31 December 2016: €12,637 thousand) financed from the government grants (Note 21). Part of these assets with the carrying value of €4,291 thousand (31 December 2016: €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 2017 and 2016.

Insurance

Property, plant and equipment is insured in the amount of €4,727,135 thousand. The insurance covers all risks of direct material losses or damages, including machinery and equipment failure. In 2017, 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 €50 thousand (2016: €623 thousand).

10.3 Leased assets

Accounting policies

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.

Intangible assets and property, plant and equipment acquired on finance lease:

in € thousands	Rights	Software	Land and buildings	Machinery and equipment	Other	Total
31 December 2017						
Cost	16	1,551	72,758	126,587	6,718	207,630
Accumulated amortization/depreciation and impairment	(16)	(1,444)	(15,481)	(44,007)	(3,978)	(64,926)
Net book value	**-**	**107**	**57,277**	**82,580**	**2,740**	**142,704**
31 December 2016						
Cost	26	1,457	72,938	126,182	6,284	206,887
Accumulated amortization/depreciation and impairment	(26)	(1,394)	(12,642)	(33,890)	(2,933)	(50,885)
Net book value	**-**	**63**	**60,296**	**92,292**	**3,351**	**156,002**

Additions during the year 2017 include €94 thousand (2016: €59 thousand) of intangible assets and €1,169 thousand (2016: €2,615 thousand) of property, plant and equipment under finance leases.

The notes form an integral part of these separate financial statements.

10.4 Depreciation, depletion and amortization

Accounting policies

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:

Software:	*3 – 5 years*
Buildings:	*30 – 50 years*
Machinery and equipment:	*8 – 20 years*
Other fixed assets:	*4 – 8 years*

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.

Review of useful lives and residual values of intangible assets and property, plant and equipment

The Company annually reviews the estimated useful lives and residual values of intangible assets and property, plant and equipment. The financial effect of the annual review represents following increase/(decrease) of depreciation expense in 2017 and in following years:

in € thousands	2017	2018	2019	2020	2021	After 2021
Depreciation, depletion, amortization and impairment	(869)	(705)	94	573	597	311

10.5 Impairment of intangible assets and property, plant and equipment

Accounting policies

Intangible assets and property, plant and equipment are reviewed for impairment 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.

Critical accounting estimates and judgements

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 revenue from reversal of impairment of intangible assets and property, plant and equipment of €1,061 thousand in 2017 (2016: impairment €2,340 thousand) (Note 10.1 and 10.2).

The notes form an integral part of these separate financial statements.

11 INVESTMENTS IN SUBSIDIARIES

Accounting policies

Subsidiary is an entity over which the Company has control. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are recognized in carrying value representing acquisition cost less potential accumulated losses of impairment. Acquisition cost of investments in subsidiaries is the purchase price of acquired securities or shares.

Investments in subsidiaries are subject of impairment test when indicator of potential impairment exists. When an external or internal indicator of impairment exists, recoverable amount has to be determined and compared with net investment. If the recoverable amount is materially or permanently lower than net investment, impairment should be recorded. If the recoverable amount is materially or permanently higher than net investment, impairment reversal should be recorded.

Company name	Country	Range of activity	Ownership 2017 %	Ownership 2016 %	Net book value 2017 *€ thousands*	Net book value 2016 *€ 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	100.00	91,916	91,916
MOL-Slovensko spol. s r.o.	Slovakia	Wholesale	100.00	100.00	12	14
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
Total investments in subsidiaries					**137,152**	**137,154**

Equity and profit/loss of subsidiaries were as follows:

Company name	Equity 2017 *€ thousands*	Equity 2016 *€ thousands*	Profit/(loss) 2017 *€ thousands*	Profit/(loss) 2016 *€ thousands*
APOLLO Rafinéria, s.r.o.	1	1	-	-
CM European Power Slovakia, s. r. o.	96,933	84,821	8,131	10,815
MOL-Slovensko spol. s r.o.	12	14	(2)	(4)
SLOVNAFT MONTÁŽE A OPRAVY a.s.	3,104	2,880	944	720
Slovnaft Polska S.A.	45,105	41,270	1,521	5,462
SLOVNAFT TRANS a.s.	3,487	3,815	(329)	(214)
VÚRUP, a.s.	4,072	5,327	585	2,045
Zväz pre skladovanie zásob, a.s.	21,069	17,835	3,234	2,839
SWS spol. s r.o.	1,270	1,736	(466)	198
Total investments in subsidiaries	**175,053**	**157,699**	**13,618**	**21,861**

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 2016	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**
Impairment		(2)	(2)
31 December 2017	**148,357**	**(11,205)**	**137,152**

12 INVESTMENTS IN ASSOCIATED COMPANIES

Accounting policies

Associated company is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associated companies are recognized in carrying value representing acquisition cost less potential accumulated losses of impairment. Acquisition cost of investments in associated companies is the purchase price of acquired securities or shares.

Investments in associated companies are subject of impairment test when indicator of potential impairment exists. When an external or internal indicator of impairment exists, recoverable amount has to be determined and compared with net investment. If the recoverable amount is materially or permanently lower than net investment, impairment should be recorded. If the recoverable amount is materially or permanently higher than net investment, impairment reversal should be recorded.

Company name	Country	Range of activity	Ownership 2017 %	Ownership 2016 %	Net book value 2017 € thousands	Net book value 2016 € 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.

MOL CZ Downstream Investment B.V. is the parent company of MOL Česká republika, s.r.o. and covers the retail business of oil products in the Czech Republic.

The Company purchases from Messer Slovnaft s.r.o. nitrogen and from MEROCO, a.s. components to biofuels.

Development of the Company's interest in associated companies:

in € thousands	Acquisition cost	Impairment	Net book value
1 January 2016	71,918	-	71,918
31 December 2016	**71,918**	**-**	**71,918**
31 December 2017	**71,918**	**-**	**71,918**

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

2017 *in € thousands*	Assets	Equity	Liabilities	Revenues	Profit/(loss)
Messer Slovnaft s.r.o.	5,798	4,810	988	4,822	428
MOL CZ Downstream Investment B.V.	160,141	160,123	18	5,128	5,078
MEROCO, a.s.	48,482	13,884	34,598	124,901	3,376
Total	**214,421**	**178,817**	**35,604**	**134,851**	**8,882**

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**

The Company provided long-term loan to MEROCO, a.s. (Note 13). 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.

13 OTHER NON-CURRENT ASSETS

in € thousands	2017	2016
Other non-current financial assets		
Long-term loans granted	25,700	-
Total other non-current financial assets	**25,700**	**-**
Other non-current non-financial assets		
Advance payments for assets under construction	3,071	3,451
Other	7	5
Total other non-current non-financial assets	**3,078**	**3,456**
Total other non-current assets	**28,778**	**3,456**

Long-term loans granted as at 31 December 2017 and 2016 consist of the following items:

in € thousands	Currency	Maturity	Weighted average interest rate (%) 2017	Weighted average interest rate (%) 2016	2017	2016
Unsecured loan granted	EUR	2019	1.37	2.10	25,700	13,009
Unsecured loan granted	EUR	2018	1.99	2.00	2,142	2,070
Total long-term loans granted					**27,842**	**15,079**
Current portion of long-term loans (Note 16)					(2,142)	(15,079)
Total long-term loans granted, net of current portion					**25,700**	**-**

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	2017	2016
Other non-current financial assets	25,700	-
Provision to other non-current financial assets	-	-
Total other non-current financial assets	**25,700**	**-**

14 INVENTORIES

Accounting policies

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.

in € thousands	Cost 2017	Book value 2017	Cost 2016	Book value 2016
Raw materials	45,709	45,546	37,069	36,980
Purchased crude oil	47,178	47,178	49,628	49,628
Work in progress and semi-finished goods	96,391	96,391	95,945	95,945
Finished goods	63,353	63,157	61,502	61,142
Goods for resale	7,543	7,538	1,394	1,393
Total inventories	**260,174**	**259,810**	**245,538**	**245,088**

Movements in the provision for inventories were as follows:

in € thousands	2017	2016
At the beginning of the period	**450**	**9,936**
Additions	7,675	477
Business combinations	-	4
Reversal	(13)	(6,492)
Use	(7,748)	(3,475)
At the end of the period	**364**	**450**

15 TRADE RECEIVABLES

Accounting policies

Receivables are initially recognized at fair value less transaction costs and subsequently measured at amortized cost 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.

in € thousands	2017	2016
Trade receivables	352,270	321,709
Provision for doubtful trade receivables	(3,925)	(5,651)
Total trade receivables	**348,345**	**316,058**

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	2017	2016
At the beginning of the period	**5,651**	**5,984**
Additions	1,680	295
Business combinations	-	155
Reversal	(509)	(361)
Amounts written off	(2,835)	(405)
Currency differences	(62)	(17)
At the end of the period	**3,925**	**5,651**

The Company did not have any impairment booked to receivables to related parties as at 31 December 2017 and 2016, neither booked any impairment to receivables to related parties during 2017 and 2016.

16 OTHER CURRENT ASSETS

in € thousands	2017	2016
Other current financial assets		
Short-term loans granted	5,088	6,954
Collateral granted regarding derivative transactions	2,500	-
Current portion of long-term loans granted (Note 13)	2,142	15,079
Receivables from dividends	825	-
Financial collaterals granted	312	312
Receivables from matured unsettled derivative transactions	162	518
Other	327	312
Total other current financial assets	**11,356**	**23,175**
Financial assets held for trading - derivatives	**121**	**88**
Other current non-financial assets		
Receivables from VAT, duties and other taxes	36,941	24,707
Receivables from excise taxes	7,106	6,880
Advances	4,222	45,626
Prepaid expenses	1,535	1,205
Change in fair value of hedged items (Note 23.2)	-	1,482
Other	339	86
Total other current non-financial assets	**50,143**	**79,986**
Total other current assets	**61,620**	**103,249**

Short-term loan granted in amount of €2,482 thousand (31 December 2016: €5,003 thousand) represents unsecured loan in EUR granted to subsidiary SLOVNAFT MONTÁŽE A OPRAVY a.s.

Short-term loan granted in amount of €2,606 thousand (31 December 2016: €1,650 thousand) represents unsecured loan in EUR granted to subsidiary SLOVNAFT TRANS a.s.

The loans were granted for financing of working capital.

in € thousands	2017	2016
Other current financial assets	11,357	23,177
Provision to other current financial assets	(1)	(2)
Total other current financial assets	**11,356**	**23,175**

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

in € thousands	2017	2016
At the beginning of the period	**2**	**15**
Amounts written off	(1)	(10)
Reversal	-	(3)
At the end of the period	**1**	**2**

17 CASH AND CASH EQUIVALENTS

Accounting policies

Cash and cash equivalents include cash on hand, cash at banks, cash pool receivables, short-term bank deposits and 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.

Cash pool liabilities and bank overdrafts repayable on demand, in case where the use of short-term overdrafts forms an integral part of the Company's cash management practices, are included as component of cash and cash equivalent for the purposes of cash flow statement.

2017 *in € thousands*	EUR	PLN	USD	CZK	Total
Cash at bank	15,303	-	737	9,019	25,059
Short-term bank deposits	100,221	4,945	-	-	105,166
Cash on hand	12,346	-	-	-	12,346
Other cash equivalents	22	-	-	-	22
Total cash and cash equivalents	**127,892**	**4,945**	**737**	**9,019**	**142,593**

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**

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

in € thousands	2017	2016	2015
Cash at bank	25,059	7,447	20,102
Short-term bank deposits	105,166	64,586	120,330
Cash on hand	12,346	3,152	2,063
Other cash equivalents	22	37	15
Total cash and cash equivalents	**142,593**	**75,222**	**142,510**

18 EQUITY

Accounting policies

Dividends

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

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.

18.1 Share capital

The Company's authorized share capital is 20,625,229 ordinary shares (31 December 2016: 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.

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

	2017 *€ thousands*	2017 *%*	2016 *€ thousands*	2016 *%*
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**

18.2 Retained earnings

Legal reserve fund

Retained earnings comprise the legal reserve fund of €136,952 thousand (31 December 2016: €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 2017 were €344,485 thousand (31 December 2016: €268,766 thousand).

Distribution of profit from the previous accounting period

The profit of the previous accounting period in the amount of €159,069 thousand was transferred to retained earnings.

Dividends

The dividends approved by the shareholders at the Annual General Meeting on 6 April 2017 were €82,501 thousand, equivalent to €4 per share. Dividends were paid out from retained earnings.

The notes form an integral part of these separate financial statements.

18.3 Other components of equity

in € thousands	2017	2016	2015
Actuarial gains/(losses)	-	-	-
Cash flow hedges	-	-	77
Other components of equity	**-**	**-**	**77**

Movements in the actuarial gains/(losses) charged or credited to other comprehensive income were as follows:

in € thousands	2017	2016
At the beginning of the period	**-**	**-**
Actuarial gains/(losses)	(1,059)	(745)
Income tax related to actuarial gains/(losses)	222	156
Reclassification to retained earnings	837	589
At the end of the period	**-**	**-**

Movements in the cash flow hedges charged or credited to other comprehensive income were as follows:

in € thousands	2017	2016
At the beginning of the period	**-**	**77**
Fair value changes	-	189
Income tax related to fair value changes	-	(41)
Transferred to profit/(loss)	-	(288)
Income tax related to items transferred to profit/(loss)	-	63
At the end of the period	**-**	**-**

19 BORROWINGS

Accounting policies

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.

19.1 Long-term debt

in € thousands	Currency	Maturity	Weighted average interest rate (%) 2017	Weighted average interest rate (%) 2016	2017	2016
Finance lease liabilities	EUR	2034	8.10	8.10	133,701	146,774
Finance lease liabilities	EUR	2027	4.56	4.56	5,032	5,440
Finance lease liabilities	EUR	2034	8.10	8.10	1,141	1,165
Finance lease liabilities	EUR	2022	0.87	-	368	-
Unsecured bank loan	EUR	2022	0.80	1.65	14,678	17,613
Unsecured corporate loan	USD	2022	-	2.71	-	96,363
Total long-term debt					**154,920**	**267,355**
Current portion of long-term debt					(16,618)	(35,321)
Total long-term debt, net of current portion					**138,302**	**232,034**

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, and in 2017 with the company Konica Minolta Slovakia spol. s r. o. contract on the long-term rental of the multifunctional copiers.

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

in € thousands	Minimum lease payments 2017	Present value of minimum lease payments 2017	Minimum lease payments 2016	Present value of minimum lease payments 2016
Up to 1 year	24,334	23,330	25,665	24,597
From 1 to 5 years	81,465	64,782	86,768	68,928
Over 5 years	108,595	52,130	126,761	59,854
Total minimum lease payments	**214,394**	**140,242**	**239,194**	**153,379**
Less amounts of financial charges	(74,152)	-	(85,815)	-
Present value of minimum lease payments	**140,242**	**140,242**	**153,379**	**153,379**

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

On 30 January 2017 the Company repaid unsecured corporate loan obtained from MOL Nyrt. to finance the construction of a petrochemical unit LDPE4.

19.2 Short-term debt

in € thousands	2017	2016
Unsecured bank loan	6,000	-
Total short-term debt	**6,000**	**-**

19.3 Reconciliation of liabilities arising from financing activities

in € thousands	Long-term bank borrowings	Long-term non-bank borrowings	Short-term bank borrowings	Short-term non-bank borrowings
1 January 2017	17,613	249,742	-	-
Cash flows *	(2,941)	(109,220)	6,000	-
Non-cash changes				
Foreign exchange differences	-	(1,259)	-	-
Finance lease additions	-	1,263	-	-
Other changes **	6	(284)	-	-
31 December 2017	**14,678**	**140,242**	**6,000**	**-**

** The cash flows are recognized in the net amount of proceeds and repayments of borrowings in the statement of cash flows.*
*** Other changes include interest and fee accruals and payments.*

The notes form an integral part of these separate financial statements.

20 PROVISIONS

Accounting policies

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.

Provision for environmental expenditures

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.

Provision for redundancy

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 when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provision for retirement benefits

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. 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% (2016: 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.

Greenhouse gas emissions

The Company recognizes provision for the estimated CO_2 emissions costs when actual emission exceeds the emission rights granted and still held. When actual emission exceeds the amount of emission rights granted, provision is recognized for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

Critical accounting estimates and judgements

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. 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.

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.

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.

in € thousands	Envi-ron-mental	Retirement benefits	Jubilee benefits	Other	Total
1 January 2016	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	-	-	-	150	150
Unwinding of the discount (Note 8)	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**
Provision made during the period and revision of previous estimates	5,043	1,444	2,133	1,023	9,643
Unwinding of the discount (Note 8)	1,031	204	31	-	1,266
Provision used during the period	(3,984)	(525)	(290)	(294)	(5,093)
31 December 2017	**42,738**	**12,460**	**2,732**	**1,139**	**59,069**
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
Current portion at 31 December 2017	3,840	899	371	1,139	6,249
Non-current portion at 31 December 2017	38,898	11,561	2,361	-	52,820

Environmental provision

As at 31 December 2017 the Company operated 253 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 €405 thousand as at 31 December 2017 (31 December 2016: €611 thousand) to eliminate the deficiencies stated above.

The utilization of the provision related to petrol stations is expected to be during 2024. The provision related to non-compliant warehousing capacities is expected to be used in the years 2018 - 2029.

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 2017 the present value of liability related to the provision amounted to €42,333 thousand (31 December 2016: €40,037 thousand). The utilization of this provision is expected to be during the years 2018 - 2029.

The closing amount of the environmental provisions as at 31 December 2017 is €42,738 thousand (31 December 2016: €40,648 thousand).

Provision for retirement and jubilee benefits

As at 31 December 2017 the Company has recognized a provision for retirement benefits of €12,460 thousand (31 December 2016: €11,337 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 May 2017 - March 2018, 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 2017 represented €2,732 thousand (31 December 2016: €858 thousand).

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

	Retirement benefits		Jubilee benefits	
in € thousands	2017	2016	2017	2016
At the beginning of the period	**11,337**	**10,862**	**858**	**927**
Past service cost	(210)	(337)	1,923	(62)
Current service cost	595	600	96	49
Unwinding of the discount	204	199	31	16
Provision used during the period	(525)	(732)	(290)	(101)
Actuarial (gains) and losses	1,059	745	114	29
At the end of the period	**12,460**	**11,337**	**2,732**	**858**

Actuarial (gains) and losses for the year 2017 and 2016 comprised of the following items:

	Retirement benefits		Jubilee benefits	
in € thousands	2017	2016	2017	2016
Actuarial (gains) and losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains) and losses arising from changes in financial assumptions	26	1,081	(30)	96
Actuarial (gains) and losses arising from experience adjustments	1,033	(336)	144	(67)
Total actuarial (gains) and losses	**1,059**	**745**	**114**	**29**

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	2017	2016
Past service cost	1,713	(399)
Current service cost	691	649
Actuarial (gains) and losses	114	29
Net benefit expense (Note 5)	**2,518**	**279**

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate (% p.a.)	1.93	1.70
Future salary increases (%)	2.00 - 4.50	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 2017 in the amount of 1,379,238 tons of CO_2 (2016: 1,405,896 tons of CO_2). The actual volume of emissions released for 2017 was 1,479,399 tons of CO_2 (2016: 1,445,408 tons of CO_2). In the financial statements as for the year ended 31 December 2017 the Company created the provision in the amount of €815 thousand (31 December 2016: €410 thousand).

21 OTHER NON-CURRENT LIABILITIES

in € thousands	2017	2016
Other non-current non-financial liabilities		
Government grants	12,052	12,637
Other	1,075	1,012
Total other non-current non-financial liabilities	**13,127**	**13,649**
Total other non-current liabilities	**13,127**	**13,649**

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 10.2).

22 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

in € thousands	2017	2016
Trade payables and other current financial liabilities		
Trade payables	485,427	392,057
Security deposit received from petrol station lessees	3,169	3,450
Financial guarantees received from holders of fleet cards	1,370	1,344
Liabilities to shareholders (dividends)	1,246	1,112
Other	3,641	451
Total trade payables and other current financial liabilities	**494,853**	**398,414**
Financial liabilities held for trading - derivatives	**2,875**	**31**
Fair value of derivatives designated as effective hedging instruments	**-**	**1,482**
Other current non-financial liabilities		
Taxes, contributions payable, penalties	58,337	60,314
Amounts due to employees	16,740	14,051
Liabilities from loyalty scheme BONUS	5,923	4,971
Advances from customers	5,567	2,401
Public health and social insurance	2,952	2,784
Other	19	7,306
Total other current non-financial liabilities	**89,538**	**91,827**
Total trade payables and other current liabilities	**587,266**	**491,754**

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	2017	2016
At the beginning of the period	**438**	**382**
Legal creation through expenses	827	784
Business combinations	-	1
Other creation	28	61
Use	(842)	(790)
At the end of the period	**451**	**438**

The notes form an integral part of these separate financial statements.

23 FINANCIAL INSTRUMENTS

Accounting policies

Classification and measurements 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.

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.

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.

Derecognition of financial instruments

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.

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.*

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:

Fair value hedge

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.

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.

Critical accounting estimates and judgements

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.

23.1 Reconciliation of financial instruments

Book value of financial instruments:

in € thousands	Notes	2017	2016
Other non-current financial assets	13	25,700	-
Trade receivables	15	348,345	316,058
Other current financial assets	16	11,356	23,175
Cash and cash equivalents	17	142,593	75,222
Loans and receivables		**527,994**	**414,455**
Available-for-sale financial assets		**76**	**76**
Financial assets held for trading - derivatives (Level 2)	16	121	88
Financial assets at fair value through profit or loss		**121**	**88**
Total financial assets		**528,191**	**414,619**

in € thousands	Notes	2017	2016
Long-term debt, net of current portion	19.1	138,302	232,034
Trade payables and other current financial liabilities	22	494,853	398,414
Short-term debt	19.2	6,000	-
Current portion of long-term debt	19.1	16,618	35,321
Financial liabilities measured at amortized cost		**655,773**	**665,769**
Financial liabilities held for trading - derivatives (Level 2)	22	2,875	31
Financial liabilities at fair value through profit or loss		**2,875**	**31**
Negative fair value of commodity price fair value hedge derivative transactions (Level 2)	22	-	1,482
Negative fair value of derivatives designated as effective hedging instruments		**-**	**1,482**
Total financial liabilities		**658,648**	**667,282**

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

2017 *in € thousands*	Net gains/ (losses)	Interest income/ (expense)	(Loss)/ reversal of loss from impairment	Net fee income/ (expense)
Loans and receivables	647	743	(1,171)	(91)
Available-for-sale financial assets	-	17	-	-
Financial assets/liabilities at fair value through profit or loss	(4,424)	-	-	-
Financial liabilities measured at amortized cost	23,869	(12,377)	-	(3,051)
Total	**20,092**	**(11,617)**	**(1,171)**	**(3,142)**

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)**

In 2016 the Company has recognized in other comprehensive income gain of €189 thousand from cash flow hedge derivatives.

The notes form an integral part of these separate financial statements.

23.2 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 CO_2 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 2017 the Company recorded the financial assets that would otherwise be past due or impaired whose terms have been renegotiated in amount of €38 thousand (31 December 2016: €144 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 €125,601 thousand as at 31 December 2017 (31 December 2016: €98,792 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 €521 thousand in 2017 (2016: €646 thousand).

Analysis of unimpaired loans and receivables:

in € thousands	Net book value 2017	Net book value 2016
Neither past due nor impaired	510,290	400,818
Past due not impaired:		
Up to 30 days	3,955	5,381
Over 30 days	194	2,387
Total	**514,439**	**408,586**

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

Analysis of impaired loans and receivables:

2017 *in € thousands*	Nominal value	Provisions	Net book value
Not past due and impaired	-	-	-
Past due and impaired			
Up to 30 days	11,534	96	11,438
From 31 to 90 days	2,221	188	2,033
From 91 to 180 days	170	94	76
Over 180 days	3,556	3,548	8
Total	**17,481**	**3,926**	**13,555**

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**

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 2017 and 2016 were as follows:

2017 *in € thousands*	Total credit facilities	Drawn loans	Customs guarantees	Other guarantees	Undrawn credit facilities
Long-term credit facilities					
SLOVNAFT Group	133,701	(133,701)	-	-	-
Other	21,220	(21,220)	-	-	-
Total long-term credit facilities	**154,921**	**(154,921)**	**-**	**-**	**-**
Short-term credit facilities					
MOL Group	5,000	-	-	-	5,000
Other	154,100	(6,000)	(87,370)	(6,598)	54,132
Total short-term credit facilities	**159,100**	**(6,000)**	**(87,370)**	**(6,598)**	**59,132**
Total credit facilities	**314,021**	**(160,921)**	**(87,370)**	**(6,598)**	**59,132**

The notes form an integral part of these separate financial statements.

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**

Of the undrawn credit facilities, the resources of €54,132 thousand as at 31 December 2017 (31 December 2016: €219,819 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 €8,317 thousand as at 31 December 2017 (31 December 2016: €1,150 thousand).

Analysis of liquidity risk:

2017 *in € thousands*	Loans and receivables	Financial assets at fair value through profit or loss	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	55,132	-	7,311	-	-
Up to 1 month	352,605	2	317,761	-	-
From 1 to 3 months	87,925	-	173,331	300	-
From 3 to 12 months	5,795	119	14,078	2,575	-
From 1 to 5 years	25,700	-	60,739	-	-
Over 5 years	-	-	77,563	-	-
Without maturity	837	-	4,990	-	-
Total	**527,994**	**121**	**655,773**	**2,875**	**-**

2016 *in € thousands*	Loans and receivables	Financial assets at fair value through profit or loss	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**

Available-for-sale financial assets as at 31 December 2017 and 2016 represent capital instruments, which do not have determined maturity.

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

2017 *in € thousands*	Long-term debt	Trade payables and other current financial liabilities	Short-term debt	Financial liabilities at fair value through profit or loss	Negative fair value of derivatives designed as effective hedging instruments	Total
On demand	-	7,311	-	-	-	7,311
Up to 1 month	2,151	310,536	6,000	-	-	318,687
From 1 to 3 months	4,889	170,293	-	300	-	175,482
From 3 to 12 months	20,302	1,723	-	2,575	-	24,600
From 1 to 5 years	93,430	-	-	-	-	93,430
Over 5 years	108,595	-	-	-	-	108,595
Without maturity	-	4,990	-	-	-	4,990
Total	**229,367**	**494,853**	**6,000**	**2,875**	**-**	**733,095**

2016 *in € thousands*	Long-term debt	Trade payables and other current financial liabilities	Short-term debt	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**

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:

	2017		2016	
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)
LIBOR 6M (USD)	-	-	(0.25)	238
EURIBOR 1M (EUR)	0.25	68	0.25	10
EURIBOR 1M (EUR)	(0.25)	(69)	(0.25)	(10)
EURIBOR 3M (EUR)	-	-	0.25	4
EURIBOR 3M (EUR)	-	-	(0.25)	(4)
EURIBOR 6M (EUR)	0.25	(37)	0.25	(44)
EURIBOR 6M (EUR)	(0.25)	37	(0.25)	44

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:

	2017		2016	
in € thousands	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes
USD	5.3	(15,165)	5.0	(13,353)
USD	(4.8)	13,720	(4.5)	12,143
HUF	5.1	4	5.1	1
HUF	(4.6)	(4)	(4.6)	(1)
CZK	6.2	4,718	5.9	3,469
CZK	(5.5)	(4,195)	(5.3)	(3,104)
PLN	5.0	1,102	4.8	822
PLN	(4.6)	(1,001)	(4.3)	(751)

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 in 2016 has been recognized in Finance expenses and offset with similar gain on revaluation of hedged items. The ineffectiveness recognized in 2017 and 2016 was immaterial.

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

in € thousands	
1 January 2016	(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**
Change in fair value	-
Realized revaluation of inventory - revenue/(expense)	(1,482)
Adjustment of revenues for sold products - revenue/(expense)	-
31 December 2017	**-**

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

in € thousands	2017	2016
Change in fair value of hedged items - receivable (Note 16)	-	1,482
Change in fair value of hedged items - liability	-	-
Change in fair value of hedged items, net	**-**	**1,482**

23.3 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	2017	2016
Long-term debt, net of current portion	138,302	232,034
Short-term debt	6,000	-
Current portion of long-term debt	16,618	35,321
Less: cash and cash equivalents	(142,593)	(75,222)
Net debt	**18,327**	**192,133**
Equity	1,599,689	1,536,315
Capital and net debt	**1,618,016**	**1,728,448**
Gearing ratio (%)	**1.13**	**11.12**

24 COMMITMENTS AND CONTINGENT LIABILITIES

Accounting policies

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.

Guarantees

The total value of guarantees granted as at 31 December 2017 is €2,526 thousand (31 December 2016: €2,394 thousand).

The guarantees granted are as follows:

	2017		
Debtor	Purpose	Valid until	Guarantee *€ thousands*
SWS spol. s r.o.	customs guarantee	31 July 2018	2,200
ADOM. M STUDIO, s.r.o.	loan	14 December 2020	176
SLOVNAFT MONTÁŽE A OPRAVY a.s.	trade payables	7 November 2020	150

	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

Capital and contractual commitments

The total value of capital commitments as at 31 December 2017 is €87,332 thousand (31 December 2016: €36,788 thousand) and relates to obligations to purchase property, plant and equipment in the amount of €86,320 thousand (31 December 2016: €34,859 thousand) and intangible assets in the amount of €1,012 thousand (31 December 2016: €1,929 thousand).

Operating leases

The operating lease liabilities are as follows:

in € thousands	2017	2016
Up to 1 year	9,369	9,934
From 1 to 5 years	22,842	23,883
Over 5 years	1,276	2,418
Total	**33,487**	**36,235**
Minimum lease payments recognized in the profit/loss for the period	10,138	9,581

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 2017.

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 €42,738 thousand for the estimated cost as at 31 December 2017 (31 December 2016: €40,648 thousand) for probable and quantifiable costs of rectifying past environmental damage (Note 20). 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.

25 EARNINGS PER SHARE

Accounting policies

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.

The Company does not have any potential ordinary shares and therefore the diluted earnings per share are the same as the basic earnings per share.

	2017	2016
Profit/(loss) for the period (€ thousands)	146,724	159,069
Weighted average number of shares	20,625,229	20,625,229
Basic/diluted earnings per share (€)	7.11	7.71

26 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 in 2017 he became Chairman of the Supervisory Board at MET Slovakia, a.s., which is also an associated company in the MOL Group.

Mr. Tibor Kaczor, a former member of the Supervisory Board of the Company (until December 15, 2017), is statutory representative of APOLKA, s.r.o.

Mr. Slavomír Hatina, a member of the Supervisory Board of the Company, is Chairman of the Supervisory Board at Granitol, a. s.

Companies reported as other related parties are under the controlling influence of the key management members.

The transactions with related parties:

in € thousands	2017	2016
Sales - products, goods and materials		
SLOVNAFT Group	203,428	157,307
MOL Group	786,820	691,027
Associated companies	638,319	516,368
Granitol, a.s.	11,637	13,468
Other related parties	76	2
Sales - services and other operating revenues		
SLOVNAFT Group	11,026	11,352
MOL Group	6,492	6,048
Associated companies	1,748	1,021
APOLKA, s.r.o.	46	46
Ružička Csekes s. r. o.	-	2
Sales - intangible assets and property, plant and equipment		
SLOVNAFT Group	4,077	6,591
MOL Group	-	54
Interest revenue		
SLOVNAFT Group	560	356
MOL Group	17	354
Associated companies	113	131
Other finance revenues		
SLOVNAFT Group	9	2
MOL Group	-	16
Associated companies	2	-
Dividends received		
SLOVNAFT Group	2,560	1,251
MOL Group	-	6
Associated companies	6,074	171

in € thousands	2017	2016
Purchases - raw materials, goods and energy		
SLOVNAFT Group	72,979	58,854
MOL Group	355,116	270,903
Associated companies	50,529	49,233
MET Slovakia a.s.	75,546	258
Other related parties	22	1
Purchases - services and other operating expenses		
SLOVNAFT Group	79,342	83,759
MOL Group	7,076	5,350
Associated companies	2,710	3,315
Ružička Csekes s. r. o.	42	83
APOLKA, s.r.o.	24	74
Other related parties	22	112
Purchases - property, plant and equipment		
SLOVNAFT Group	40,604	19,401
MOL Group	1,276	-
Purchases - intangible assets		
SLOVNAFT Group	223	91
MOL Group	4,038	5,574
Purchases - acquisition of subsidiary		
MOL Group	-	55,590
Interest expense		
SLOVNAFT Group	11,429	12,316
MOL Group	217	2,592
Associated companies	240	258
Other finance costs		
MOL Group	2,732	3,819

in € thousands	2017	2016
Receivables		
SLOVNAFT Group	23,067	20,833
MOL Group	84,512	78,659
Associated companies	67,663	60,388
Granitol, a.s.	2,297	1,847
Other related parties	8	-
Loans granted		
SLOVNAFT Group (Note 13 and 16)	30,788	19,662
Associated companies (Note 13)	2,142	2,371
Receivables from dividends		
Associated companies	825	-
Payables		
SLOVNAFT Group	38,018	39,840
MOL Group	41,438	26,433
Associated companies	5,092	7,063
MET Slovakia a.s.	9,542	23
Ružička Csekes s. r. o.	33	13
Other related parties	14	18
Loans received		
SLOVNAFT Group (Note 19.1)	133,701	146,774
MOL Group (Note 19.1)	-	96,363
Associated companies (Note 19.1)	5,032	5,440

The notes form an integral part of these separate financial statements.

Statutory boards of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2017 the Company's statutory boards had the following composition:

The Board of Directors:	Oszkár Világi, Chairman of the Board
	Gabriel Szabó
	Ferenc Horváth
	Miika Eerola
	Timea Reicher
	Mihály Kupa
	Zsolt Pethö
The Supervisory Board:	György Mosonyi, Chairman of the Board
	Zsuzsanna Éva Ortutay
	Szabolcs István Ferencz
	Slavomír Hatina
	Matúš Horváth
	Martina Darnadiová

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

The Board of Directors' total remuneration amounted to €255 thousand in 2017 (2016: €159 thousand). The total remuneration of members of the Supervisory Board amounted to €88 thousand in 2017 (2016: €144 thousand).

Key management compensation

in € thousands	2017	2016
Salaries	948	1,120
Legal and voluntary retirement contributions	80	66
Public health insurance	119	20
Other social insurance	83	23
Other personnel expenses	128	124
Provision for retirement and jubilee benefits	52	24
Expenses of share-based payments	1,209	930
Total	**2,619**	**2,307**

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

	2017		2016*	
	Shares in option rights *number of shares*	Weighted average exercise priceper share *€*	Shares in option rights *number of shares*	Weighted average exercise priceper share *€*
Outstanding at the beginning of the period	256,880	6.22	318,040	6.23
Granted during the period	84,800	7.45	76,880	5.33
Forfeited during the period	(800)	5.38	-	-
Exercised during the period	(81,680)	6.44	(138,040)	6.82
Expired during the period	-	-	-	-
Outstanding at the end of the period	**259,200**	**6.03**	**256,880**	**6.22**
Exercisable at the end of the period	103,200	5.33	108,000	6.56

** Recalculated due to MOL Nyrt. one to eight share split in 2017 to enable comparability.*

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 5).

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 2017 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.

27 EVENTS AFTER THE REPORTING PERIOD

On 1 January 2018 the Company merged with its 100% subsidiary CM European Power Slovakia, s. r. o. Net assets of CM European Power Slovakia, s. r. o. at the date of the merger amounted to €93,576 thousand.

The opening statement of financial position as at 1 January 2018 was as follows:

in € thousands	SLOVNAFT, a.s.	CM European Power Slovakia, s. r. o.	Eliminations, reclassifications	Total
ASSETS				
Non-current assets				
Intangible assets	23,050	-	-	23,050
Property, plant and equipment	1,401,369	107	-	1,401,476
Investments in subsidiaries	137,152	-	(91,916)	45,236
Investments in associated companies	71,918	-	-	71,918
Available-for-sale financial assets	76	-	-	76
Other non-current assets	28,778	120,634	(146,334)	3,078
Total non-current assets	**1,662,343**	**120,741**	**(238,250)**	**1,544,834**
Current assets				
Inventories	259,810	1,084	-	260,894
Trade receivables	348,345	12,790	(18,980)	342,155
Income tax receivable	4,747	151	-	4,898
Other current assets	61,620	13,230	(13,155)	61,695
Cash and cash equivalents	142,593	2,694	-	145,287
Total current assets	**817,115**	**29,949**	**(32,135)**	**814,929**
TOTAL ASSETS	**2,479,458**	**150,690**	**(270,385)**	**2,359,763**
EQUITY AND LIABILITIES				
Equity				
Share capital	684,758	39,744	(39,744)	684,758
Share premium	121,119	-	-	121,119
Retained earnings	793,812	53,832	(52,172)	795,472
Total equity	**1,599,689**	**93,576**	**(91,916)**	**1,601,349**
Non-current liabilities				
Long-term debt, net of current portion	138,302	25,700	(146,288)	17,714
Provisions	52,820	589	-	53,409
Deferred tax liabilities	59,387	7,717	-	67,104
Other non-current liabilities	13,127	5,885	-	19,012
Total non-current liabilities	**263,636**	**39,891**	**(146,288)**	**157,239**
Current liabilities				
Trade payables and other current liabilities	587,266	11,268	(19,068)	579,466
Provisions	6,249	5,955	-	12,204
Short-term debt	6,000	-	-	6,000
Current portion of long-term debt	16,618	-	(13,113)	3,505
Current liabilities	**616,133**	**17,223**	**(32,181)**	**601,175**
TOTAL EQUITY AND LIABILITIES	**2,479,458**	**150,690**	**(270,385)**	**2,359,763**

The different between the value of financial investment and the equity of CM European Power Slovakia, s.r.o. was reposted to the retained earnings.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate Governance principles are an integral part of SLOVNAFT Group operations.

SLOVNAFT, a.s., is well aware of the fact that clearly defined relationships and effective communication with shareholders, company management and employees are prerequisites of good corporate governance.

The Company adheres to the Corporate Governance Code for Slovakia. The Code comprises the principles of governance for companies with shares traded on the Bratislava Stock Exchange and is based on corporate governance principles used in OECD countries. The Code is to be found on the Bratislava Stock Exchange website. The Company's declaration on compliance with the Code is available on the Company website www.slovnaft.sk.

The Company insists on ethical business principles as stated in the SLOVNAFT Group Code of Ethics, which is also available on the above-mentioned website.

THE COMPANY'S MANAGEMENT SYSTEM

SLOVNAFT, a.s., is an integral part of MOL Group, which operates a matrix management model based on a system of process-based regulations. Management of the Company is executed by two parallel interconnected groups of units – Business Units and Functional Units. The task of Business Units is to create and implement competitive strategies that increase business value in compliance with SLOVNAFT Group strategy and to operate under internal as well as external regulations and legal requirements. Functional Units perform tasks that involve supporting business processes and increasing individual units' effectiveness.

The main MOL Group management documents are the Operational & Organizational Rules (OOR), which describe basic MOL Group operative rules and standard principles, the Description of Tasks & Responsibilities (DTR), which defines the organizational structure of Business and Functional Units and the List of Decision-making Authorities (LDA) that defines the most important decision points and authorities for decision-making. These operative regulations are continually evaluated and revised in cooperation with the Business and Functional Units to conform to current MOL Group objectives and strategies.

Operative regulations are detailed documents containing specific activities that represent the basis of the Operative Regulation System. These regulations assign responsibilities to organizational units, document information systems pertaining to specific process steps and contain any additional information required for the proper performance of a process. In 2017, the Company continued to minimize the number and narrow the scope of each operative regulation to the smallest group of professional staff possible. Further information is to be found on the Company website www.slovnaft.sk.

At its operational level, the Company maintains and develops certified management systems based on standards in all areas where customers expect this. To ensure that the quality of its services and products is high, SLOVNAFT, a.s., has a certified quality management system in place. In June 2017, the Company successfully passed the supervisory audit according to ISO 9001:2008, thus confirming the suitability and efficiency of its individual processes. With effect for all of its companies, MOL Group issued a new Executive Management's Statement – the QUALITY POLICY – in 2017. The Quality Policy was updated in accordance with MOL Group's 2030 Strategy, and its primary objective is to make the Company the number one choice for employees, customers and investors.

THE COMPANY BODIES' WORK PRINCIPLES AND RELATIONS WITH SHAREHOLDERS

In compliance with the Company's Articles of Association, the General Meeting is the highest Company body. Its scope of powers covers the following areas:

a) amending Company's Articles of Association, unless otherwise provided by law
b) resolutions on increases and reductions in share capital; authorizing the Board of Directors to increase share capital; issuing priority or convertible bonds
c) resolutions on the winding up of the Company and on changes in its legal form
d) electing and revoking members of the Company's Supervisory Board, except for Supervisory Board members elected or revoked by Company employees in accordance with Article 200 of the Commercial Code
e) electing and revoking members of the Board of Directors
f) approving ordinary individual, extraordinary individual and consolidated financial statements; deciding on distribution of profit, or coverage of losses; specifying the amount of royalties
g) deciding on conversion of shares issued as paper securities into book-entered securities and vice versa
h) deciding on the discontinue the trading of the shares of the Company on the stock exchange and deciding to transfer the Company from public joint stock company
i) deciding on any other issues that the Articles of Association and/or legal regulations entrust to the authority of the General Meeting.

The Board of Directors convenes the General Meeting by publishing a notice of the General Meeting. The notice of the General Meeting intended for Company shareholders holding bearer shares must be published at least 30 days before the General Meeting takes place. Publication of the notice must appear in a daily newspaper with a nationwide circulation publishing stock exchange news, on the Company website and in any other medium as permitted and/or required by relevant legal regulations. Materials regarding the General Meeting are also to be found on the Company website.

The Annual General Meeting of the Company takes place at least once a year. It is convened by the Board of Directors and must take place within five months of the end of the previous calendar year. The General Meeting is usually held in the headquarters of the Company, but, based on the Board of Directors' decision, may take place elsewhere.

The relevant date for the exercise of the right to participate in the General Meeting, to vote in it, to request information and explanations from the General Meeting and to submit proposals shall be the date as determined in the notice of the General Meeting, i.e. the third day before such General Meeting takes place. The shareholders' right to dispose of securities in respect of all dematerialized shares issued by the Company shall not be suspended during the period starting on the relevant date and ending on the date the General Meeting is held.

The right of a shareholder holding bearer shares to participate in the General Meeting shall be verified on the basis of a list of security holders kept by the relevant central securities depository or in any other trustworthy manner in compliance with relevant legislation, provided that such relevant legislation enables the verification of the shareholder's right to participate in the General Meeting in any other manner. Unless otherwise laid down by law, decisions taken by the General Meeting are valid if voted for by a majority of shareholders attending the General Meeting.

The Annual General Meeting of the Company held on the 6th of April 2017 discussed the Annual report, took note of the Supervisory Board's report, approved the ordinary individual and consolidated financial statements for the year 2016, approved a proposal to distribute profits and rules for paying out dividends for 2016, approved the amendment to the Company's Articles of Association, elected members of the Board of Directors and approved the Company auditor for 2017.

Detailed information on resolutions adopted by the Annual General Meeting may be found at the following link: https://slovnaft.sk/en/about-us/for-investors.

The supreme body of the Company is the Board of Directors, which is collectively responsible for affairs of the Company, unless reserved by Company's Articles of Association or by legal regulations to other Company bodies. The Board of Directors performs its activities in the interests of all shareholders, with due care and in accordance with legal regulations.

The professional backgrounds of Board of Directors' members cover the most important areas of the Company's business and operations and underpin the competent performance of Board of Directors' duties.

In compliance with Company's Articles of Association, the Board of Directors is the Company's statutory body. It is entitled to act on behalf of the Company in all matters and represents the Company vis-à-vis third parties, and before courts of law and other authorities.

Members of the Board of Directors must observe the ban on competitive conduct stipulated by the Commercial Code as amended. The members of the Board of Directors are elected by the General Meeting and election to the Board requires

a majority of votes of the shareholders present. Members are elected for a five-year term of office.

The Board of Directors is not entitled to decide on issues of shares or their buy back.

The Supervisory Board monitors corporate governance, together with the Internal Audit Department.

The main role of Internal Audit is to provide independent and objective assessment of the internal audit system instituted in the Company and to enhance processes for the purpose of improving efficiency in risk management, management and control mechanisms and corporate governance. Based on risks identified by the Risk Management Department and inputs from senior management, Internal Audit prepares annual audit plans comprising process audits and audits of subsidiaries. Internal Audit findings must also include a list of corrective measures to be taken. Their fulfillment is evaluated on a monthly basis. Information on delays in corrective measures is submitted to the Company's Board of Directors and Supervisory Board. Internal Audit maintains relationships with external auditors and internal departments of the Company, i.e. HSE departments and the Protection & Defense department among others.

The Internal Management & Audit System comprises several interconnected management and control mechanisms – organization, communication, personnel relations, administration, operative regulations, operations and monitoring. Risks connected with these management and control mechanisms are regularly evaluated by specialized internal departments, based on which corrective measures are proposed and then implemented.

Supervisory Board Members, except for Members elected by employees, and the Board of Directors Members, are elected by the General Meeting through a majority of votes of the shareholders present. All Supervisory Board and Board of Directors Members have direct access to all relevant information relating to the Company. At present, two Supervisory Board Members are elected by Company employees.

Rules for remuneration of the Board of Directors and the Supervisory Board is approved by the Supervisory Board. During 2017, the Board of Directors and the Supervisory Board met five times.

A Secretary to the Board of Directors and to the Supervisory Board keeps records of resolutions adopted by Company bodies.

The rights and obligations of the Company's shareholders are laid down by legal regulations and Company's Articles of Association. Any natural or legal person may be a Company shareholder. Ownership of shares establishes the right of a shareholder to participate in the management of the Company. This right is exercised in the General Meeting, but organizational measures governing the General Meeting's organization have to be respected. In the General Meeting a shareholder may vote; request information and explanations related to Company affairs or affairs of persons controlled by Company that are related to the General Meeting agenda; submit proposals to the General Meeting; ask for the inclusion of issues in the General Meeting agenda as specified by the shareholder, all in line with legal regulations in effect. Shareholders may exercise their rights in the General Meeting through a proxy. The proxy must be authorized to participate in the General Meeting by a written power of attorney that includes an officially authenticated signature of the shareholder in question. If a shareholder grants a power of attorney in relation to the exercise of voting rights attached to the same shares to more than one proxy in the same General Meeting, the Company will permit voting rights only of the proxy entered first in the General Meeting's register of attendance. If several shareholders grant written power of attorney to one proxy, that proxy may vote in the General Meeting for each shareholder represented, individually. If a shareholder holds shares in more than one securities account pursuant to a special regulation, the Company will permit such a person to be represented by one proxy for each such securities account pursuant to a special regulation. If the shareholder who issued the power of attorney attends the General Meeting, such power of attorney shall be deemed invalid. A member of the Board of Directors may not be a proxy. If a proxy is also a member of the Supervisory Board, conditions pursuant to the Commercial Code shall apply. Power of attorney is valid for one General Meeting only. Each shareholder's voting right depends on the nominal value of shares held, with each vote corresponding to the value of EUR 33.20 (thirty-three euros, twenty cents) of the Company's registered capital.

Shareholders are entitled to the share in Company's profits (dividend) the General Meeting appropriated for distribution. Shareholders are not obliged to return Company dividends received in good faith. Shareholders are not entitled to ask for return of their contributions to the Company, either during the Company's existence or in the case of its liquidation, but are entitled to a share of the liquidation balance in case of Company liquidation.

Amendments to Company's Articles of Association are approved by the Company's General Meeting. In compliance with Commercial Code provisions, where amendments to the Articles of Association are approved, a two-thirds majority of shareholder votes present in the General Meeting is required and a notary record must be drawn up.

The complete wording of the Company's Articles of Association is available free-of-charge at Company Headquarters and in the Collection of Documents at the relevant Register Court.

Company shares are booked as ordinary bearer shares and are admitted for trading on the listed securities market of the Bratislava Stock Exchange. No employee shares of the Company have been issued. The voting rights attached to Company shares are not limited. Owners of securities issued by the Company do not have special control rights.

The Company is not aware of any agreements between the owners of securities issued by the Company that can lead to the limitation of transferability of securities or limitation of voting rights.

The Company has concluded several loan agreements with banks that contain provisions related to a change of control in the Company as is standard in contracts of similar nature.

No agreements are concluded between Company and members of its bodies or employees where under they must receive compensation if their positions or employment relationships are terminated by resignation on the part of the employee, by their revocation, notice given on the part of the employer without stating a reason or if the position or employment relationship is terminated due to a takeover bid.

SLOVNAFT, a.s., does not have a branch office abroad.

INFORMATION DISCLOSURE AND TRANSPARENCY

The Company reports its business results and significant events and activities at regular intervals.

Pursuant to legal regulations and stock exchange rules, SLOVNAFT, a.s., regularly publishes its annual report, half-year financial report and quarterly reports of the results achieved.

Shareholders as well as any other stakeholders may obtain information on the Company through various media, the Company website: www.slovnaft.sk, the Bratislava Stock Exchange website or from the National Bank of Slovakia.

SLOVNAFT, a.s., also communicates with its shareholders in General Meetings.

To ensure transparency of operations, Company management is obliged to inform the Company of the facts that could possibly be perceived as being the cause for conflicts of interest on the part of managers in the performance of their duties.

The Company maintains records of members of Company bodies, as well as, employees that could potentially be seen as persons handling confidential regulated information (insiders).

COMPANY BODIES

BOARD OF DIRECTORS

Oszkár Világi
Chairman of the Board of Directors and CEO

Vladimír Kestler
Member of the Board of Directors (until 31th of May 2017)

Gabriel Szabó
Member of the Board of Directors and CEO

Ferenc Horváth
Member of the Board of Directors

Mihály Kupa
Member of the Board of Directors

Ábel Galácz
Member of the Board of Directors (until 19th of September 2017)

Zsolt Pethő
Member of the Board of Directors (since 1st of June 2017)

Tímea Reicher
Member of the Board of Directors

Miika Eerola
Member of the Board of Directors

SUPERVISORY BOARD

György Mosonyi
Chairman of the Supervisory Board

Szabolcs István Ferencz
Member of the Supervisory Board

Tibor Kaczor
Member of the Supervisory Board (until 8th of December 2017)

Matúš Horváth
Member of the Supervisory Board elected by employees (since 9th of December 2017)

Ján Sýkora
Member of the Supervisory Board (until 8th of December 2017)

Martina Darnadiová
Member of the Supervisory Board elected by employees (since 9th of December 2017)

Richard Austen
Member of the Supervisory Board (until 31st of May 2017)

Slavomír Hatina
Member of the Supervisory Board (since 1st of June 2017)

Zsuzsanna Éva Ortutay
Member of the Supervisory Board

Dr. Oszkár Világi

- Member of the Board of Directors since April 2009
- CEO of SLOVNAFT, a.s., since March 2006

Mr. Világi graduated from the Comenius University Faculty of Law, Bratislava, in 1985 and received his Doctorate in Law (JUDr.) in 1991. In 1992, he was cofounder of the Csekes, Világi, Drgonec & Partners law practice. In 1990 – 1992, he was a Member of the Czechoslovakian Parliament. From 1996, he was a member of supervisory and governing bodies of several leading Slovakian companies, including Poľnobanka, Slovenská poisťovňa, Slovak Railways (ŽSR) and health insurance company Apollo. In 1994, he cooperated in the establishment of the Central European Foundation and is a member of its Board. He was a legal advisor to foreign investors in major Slovakian industrial restructuring projects (U.S. Steel; France Telecom; OTP Bank; MOL Group). Before becoming a member of the Board of Directors at Slovnaft in 2005, he was a member of its Supervisory Board. On the 6th of March 2006, Mr. Világi was appointed as the CEO of Slovnaft. In April 2009, Mr. Világi was appointed the Chairman of the Board of Directors of Slovnaft and in April 2010, he became a member of MOL Group's Executive Board. In addition, he was appointed as a member of the Board of Directors of MOL Plc. in May 2011 and on the 1st May became a member of the Supervisory Board of INA d.d. Mr. Világi is the Chairman of the Slovakian – Hungarian Chamber of Commerce & Industry, founded in 2012, and is also a member of the Board of Directors of the Slovakian Chamber of Commerce. On the 1st of December 2016, Mr. Világi was appointed Executive Vice President of MOL Group.

Ferenc Horváth

- Member of the Board of Directors since May 2007

From November 2003, Mr. Horváth was the Executive Vice President of MOL Group's Refining & Marketing Division and then the Executive Vice President of MOL Group's Downstream Division from 1st of May 2011. Between 2011 and 2015 he was a member of the Board of Directors of TVK. He became the Chairman of the Board of Directors of IES Mantova in November 2007 and has been a member of the Board of Directors of SLOVNAFT, a.s., since May 2003. Since 2012, he has been a member of the Supervisory Board of INA, d.d. His professional career started in Mineralimpex, a Hungarian foreign trading company dealing in oil and mining products, where he worked from 1984 to 1991. From 1991 to 1997, he was the Executive Director of ALLCOM Trading Co., the Hungarian Mineralimpex-Phibro Energy joint venture, a company trading in crude oil and petroleum products in Europe. He began working in MOL Group in 1998 as the director of the LPG business unit. From January, 2001, he served as the Sales Director responsible for MOL's entire product line. In 2002 and 2003 he was the Commercial Director, expanding his activities to include purchasing of crude oil and raw materials needed for crude oil processing.

Gabriel Szabó

- Member of the Board of Directors since April 2010

Mr. Szabó graduated from the Faculty of Economy & Business in Košice at the Bratislava University of Economics, in 1999. His career started in 2000 at Kovohuty, a.s. He joined SLOVNAFT, a.s., in 2001, working as an economist in Resource Allocation. In 2002, he became the Director – Finance & Accounting at Slovnaft's subsidiary SLOVNAFT MONTÁŽE A OPRAVY, a.s. In 2006, he became Slovnaft's Corporate Services Manager. In 2009, he worked for INA in Croatia as Director of Procurement Services and since January 2010 he has been Vice President of MOL Group's Corporate Services in Budapest. Since July 2012, he has been the Vice President of Downstream at SLOVNAFT, a.s., being responsible for the following units: Production, Logistics, Trading, Downstream Sales, Asset Supply & Optimization, Securing Supply & Market Optimization, Securing Supply & Petrochemicals Optimization, Retail, Energy & Heat Production, Optimization of Processes and Project Management.
On 1st of December 2016, Mr. Szabó was appointed Chief Executive Officer of SLOVNAFT, a.s.

Mihály Kupa

- Member of the Board of Directors since May 2011

Mr. Kupa was Chairman of MOL. Supervisory Board from the 11th of October 2002 to the 30th of April 2010. As Chairman of the Control Committee, he also took part in running the Board and the Finance & Risk Control Department. From 1969 to 1975 he held various management positions at the Hungarian Institute of Statistics and later, from 1975 to 1984, he worked at the Financial Research Institute and then, from 1984 to 1990, at the Hungarian Ministry of Finance. He was the Minister of Finance 1990 – 1993 and from 1992 to 1993, he was Chairman of the Board of Governors and Representative Director of the World Bank and IMF for Hungary.

Zsolt Pethő

Member of the Board of Directors since June 2017

Mr. Pethö started his career at Prímagáz Zrt. In 1998 he joined MOL Group as LPG sales manager. After holding several positions in commercial area, he became MOL Group's Commercial Director. In 2011 he was appointed CEO for MOL Petrochemicals (formerly TVK), also successfully managing MOL Hungary's Downstream Division, established in 2012, including production, petrochemicals, sales and retail sectors. In 2016 he was appointed MOL Group's Vice-President for Supply, Trading & Optimization. After a year the scope of the organization was extended to include sales-related activities. In May, Zsolt Pethö became MOL Group's Vice President for Downstream Commerce & Optimization.

Tímea Reicher

Member of the Board of Directors since April 2013

She graduated from the Faculty of National Economy at the University of Economics in Bratislava, in 1998. Since 2006, she has been with MOL Group. In March 2006, she took a manager's position at the Corporate Center in SLOVNAFT, a.s. From 2009 to 2011, she worked as Head of Asset & Service Management and from 2011 to May 2014 she was Corporate Services Director. From May 2014, she has been Director of Retail. At the same time, from May to November 2015, she was a member of the Board of Directors of SLOVNAFT MONTÁŽE A OPRAVY, a.s. In 2007 she was awarded an MBA degree at the University of Minnesota – Carlson School of Management and at the Wirtschaftsuniversität, Vienna.

Miika Eerola

Member of the Board of Directors since May 2013

Mr. Eerola graduated from the Pori Institute of Technology and received an Executive MBA from the Helsinki School of Economics. He started his career as an Operating Engineer at the Porvoo Refinery for Neste Oil, then worked as a Plant Engineer for Borealis Polymers Oy steam cracker in Porvoo and then, as Plant Manager and Technical Manager, for the industrial gas company Messer, in Finland. Between 2000 – 2003, he worked as a Plant Manager at the Tampere paper chemical plant for the Hercules company and then returned to Neste Oil, first as a Production Manager at the Porvoo Refinery, then as the Vice President – Refining at the Naantali Refinery. Between the years 2009 – 2011 he was the Vice President – Refining at the Porvoo refinery. He joined Česká rafinérská in 2011, firstly as the Director Executive Technology & Investment and a member of the Board of Directors and then was appointed the Director Executive of Production & Maintenance. He has been the Senior Vice President – Production at MOL Group since February 2013.

REPORT ON THE SUPERVISORY BOARD OF SLOVNAFT, A.S., ACTIVITIES IN FISCAL YEAR 2017

The report submitted by the Supervisory Board for the financial year of 2017 has been prepared based on the reports of the Board of Directors and the company auditor in respect of the ordinary individual and consolidated financial statements for the year 2017 and the regular evaluation of the company's business operations.

The Supervisory Board was regularly informed about the economic results of the company via the CEO. The Supervisory Board discussed the reports on the activities carried out by the Internal Audit Department, concerning the administration of HSE Department (Sustainable Development, Occupational Safety and Health and Environmental Protection).

The Supervisory Board was concerned about whether the company's operation was being carried out in accordance with the relevant laws, Articles of Association and previous General Meeting resolutions.

The employee representatives in the Supervisory Board attended every meeting of the Supervisory Board.

The Supervisory Board examined and discussed the report of an independent auditor regarding the ordinary individual and consolidated financial statements of SLOVNAFT, a.s., for the year 2017, prepared in accordance with International Financial Reporting Standards adopted by the EU and audited by Ernst & Young Slovakia, spol. s r.o., in accordance with International Standards on Auditing.

According to the Supervisory Board, the ordinary individual and consolidated financial statements of SLOVNAFT, a.s., express the financial situation of the Company as of 31st of December 2017 and its financial results and cash flows for the year in all material respects.

After reviewing and discussing the report of the Board of Directors on the Company's activities in 2017, the Supervisory Board recommends that the General Meeting approve the ordinary individual and consolidated financial statements of SLOVNAFT, a.s., for 2017, in accordance with the proposal of Slovnaft's Board of Directors. The Supervisory Board also agrees that the net profit of SLOVNAFT, a.s., reported for 2017 be settled by allocating it to the retained profits from previous years.

György Mosonyi
Chairman of the Supervisory Board

APPROVAL OF THE ORDINARY INDIVIDUAL AND ORDINARY CONSOLIDATED FINANCIAL STATEMENTS OF SLOVNAFT, A.S., FOR THE YEAR ENDING ON 31ST OF DECEMBER 2017

In accordance with applicable legal regulations and Articles of Association of SLOVNAFT, a.s., the Board of Directors of SLOVNAFT, a.s., hereby proposes that the General Meeting to be held on 5th of April 2018 approve the following resolution:

The Annual General Meeting of SLOVNAFT, a.s., having its registered office at Vlčie hrdlo 1, 824 12 Bratislava, ID No.: 31 322 832, approves the ordinary individual financial statement for 2017 and ordinary consolidated financial statement for 2017.

PROPOSAL ON DISTRIBUTION OF THE 2017 PROFITS OF SLOVNAFT, A.S., PROPOSAL FOR DISTRIBUTION OF PROFITS AND RULES ON PAYMENT OF DIVIDENDS

As of the date of publication of the draft resolution, the Board of Directors is not putting forward a draft resolution for the payment of dividends and the rules for their payouts, as the decision regarding the submission of the proposal for payment of dividends and the rules for their payouts has not been adopted.

INFORMATION FOR SHAREHOLDERS

SLOVNAFT, a.s. is an issuer of 20 625 229 shares admitted for trading on the listed securities market of the Bratislava Stock Exchange with the following structure:

ISSUE 1 – ISIN CS0009004452

Type, form and version of a security: Ordinary bearer shares, dematerialized

Number of shares:	13 168 953
Nominal value of a share:	EUR 33.20
Percentage share in registered capital:	63.85%
Limited transferability of securities:	none

ISSUE 2 – ISIN CS1120001369

Type, form and version of a security: Ordinary bearer shares, dematerialized

Number of shares:	3 300 000
Nominal value of a share:	EUR 33.20
Percentage share in registered capital:	16.00%
Limited transferability of securities:	none

ISSUE 3 – ISIN CS1120005949

Type, form and version of a security: Ordinary bearer shares, dematerialized

Number of shares:	4 156 276
Nominal value of a share:	EUR 33.20
Percentage share in registered capital:	20.15%
Limited transferability of securities:	none

- As of 31st of December 2017, the company did not acquire its own shares, interim certificates, ownership interests, stocks, interim certificates and ownership interests in the parent accounting entity.
- Neither bonds nor employee shares were issued by the Company as of 31st of December 2017.
- No significant event occurred after the end of the accounting period.
- Shareholders Structure:

MOL Nyrt.	98.4%
Other shareholders	1.6%

More information for shareholders can be found at the following link:
https://slovnaft.sk/en/about-us/for-investors

CONTACTS FOR SHAREHOLDERS

COMPANY ADDRESS

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