Slovnaft
MEMBER OF MOLGROUP

Annual Report
2018

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

Refining and Marketing

The most important part of SLOVNAFT Group is the SLOVNAFT, a.s., company, which is engaged in processing crude oil, the manufacture of motor fuels, heating oils and other products, including their distribution and sales to wholesale customers as well as to end-customers through its own network of service stations. After its 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 neighbouring countries.

Petrochemicals

Since January 2013, following the integration of Slovnaft Petrochemicals, s.r.o., SLOVNAFT Group's Petrochemicals Division has been represented by SLOVNAFT, a.s. The company 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 quality fuels and a wide range of non-fuel goods and services to customers. An important part of Slovnaft's retail network of service stations is also the Fresh Corner gastro concept, which offers quality coffee and delicious snacks in almost 180 locations.

Mobility

According to the long-term 2030 strategy, one of the aims of Slovnaft and the entire MOL Group is to bring new mobility services. In cooperation with the Municipality of Bratislava, Slovnaft operates a bikesharing service under the name Slovnaft BAjk. It is available in four biggest city districts.

Energy

Until the 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 this company was incorporated into Slovnaft at the beginning of 2018.

2017 KEY HIGHLIGHTS

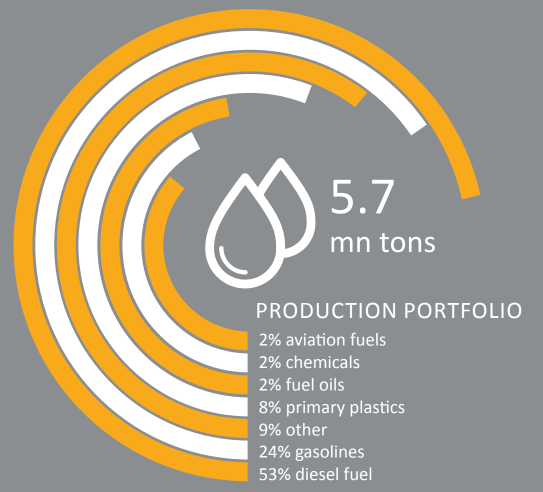
Net revenues

eur 3.89 bn

Net profit

eur 102.14 mn

Production



Investments

eur 146 mn

Processed crude oil

5.4 mn tons

Retail

253
service stations

BEST OF THE YEAR

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

Via Bona Slovakia – award in category
Well-managed Company
(given by foundation Pontis)

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

Via Bona Slovakia – award in category
Great Employer
(given by foundation Pontis)

The Customers' Friend medal
(given by Swiss organization ICERTIAS)

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,

Similarly to previous periods, last year can be viewed positively by the refining industry. The sector's results were supported by global economic growth reflected mainly in increased employment rates and household income, as well as an overall increase in consumption. The growth of energy and oil products consumption is proven by the statistics, according to which the average daily oil consumption came close to the goal of 100 million barrels. The same trend could be seen in crude oil production, despite its fluctuating prices – for BRENT, prices ranged from approx. USD 50 per barrel up to the four-year maximum of USD 85 per barrel.

The prices of other energies developed dynamically as well, which is especially true for electricity and gas, whose prices grew significantly last year. As prices of crude oil and energies are key cost factors for refineries, this negative trend had an impact on the entire petrochemical industry. On the other hand, this trend was compensated by increased demand for oil and petrochemical products, although their prices did not fully copy the development of energy prices. Internal initiatives of refineries aimed at cost and sale efficiency had a positive impact on overall results.

Last year, SLOVNAFT Group continued to fulfil the strategy of MOL Group to be achieved by 2030, with the aim of transferring from a traditional oil and gas company to a company with a wider presence. In its long-term strategy, Slovnaft expects a gradual decrease in the volume of fuel produced and an increase in the production of petrochemical products, as well as an increase in non-fuel goods sales in its network of petrol stations and the introduction of new mobility services. The aim of MOL Group is to be the first choice for customers, employees and investors.

Last year, Bratislava refinery processed 5.4 million tons of crude oil and produced 2.9 million tons of diesel oil and 1.4 million tons of car petrol. The majority of fuel was sold in highly competitive markets, especially in the Czech Republic, Poland, Austria and Hungary. Proceeds from the sale of these products grew both domestically and internationally given the development on quoted markets. At the same time, we managed to respond quickly and efficiently to new, unplanned market opportunities, e.g. temporary shut-downs of foreign refineries. In the area of plastic production, the operational availability of a new low-density polyethylene production line was increased, resulting in year-on-year increase in its production by more than 15%.

Positive results were seen in the retail, especially given the modernization of service stations and the increased number of Fresh Corner shops. From the 253 service stations, 178 had a Fresh Corner installed, with 65 new ones created last year. Significant expansion of this new gastro concept, which allows travellers to buy high-quality coffee and fast snacks, contributed to a general increase in non-fuel sales by 15%. We are proud that after the first Fresh Corner shops were opened in 2015 they quickly became the largest coffee seller in Slovakia with more than 20,000 cups of coffee sold every day. New Fresh Corner Restaurants were opened as well, bringing more comfort and an innovated meal selection to our clients.

Last year, good results were achieved in the sales of EVO fuels, which were launched on the market in the second half of 2017 with a new formula. Their total sales increased by 3%. In Slovnaft's retail network, the service station on Prístavná street in Bratislava had first electric plug installed within the NEXT-E project. This project is supported by the European Union and its objective is to create a charging network for electric cars across six countries in Central and Eastern Europe.

Apart from Slovakia, SLOVNAFT Group supervises operation of service stations in the Czech Republic, Austria and Poland. Overall, Slovnaft manages more than 600 retail operations in the region owned by MOL Group and its partners.

SLOVNAFT Group net sales saw a year-on-year increase by 14%, reaching EUR 3.89 billion, which was caused especially by the increase in quoted commodity prices. The net profit reached the amount of EUR 102.14 million and volume of investments reached EUR 146 million. Year-on-year investment growth of EUR 28 million was dedicated with the objective of modernizing refinery production, increasing reliability of equipment, more efficient energy consumption and improving the quality of the distribution and logistics process. Approximately one quarter of investments were made into the petrochemical sector, while EUR 24 million was used to modernize the service stations and to open new Fresh Corner shops.

At the end of last year, SLOVNAFT Group employed 3,500 people. Last year, the company was selected as the most attractive employer in Slovakia in the Production and Industry category in a prestigious poll. Voters appreciated the large scale of perks and social benefits. The basic wages of our employees increased by 4% or 100 EUR, the company allocated a performance bonus based on corporate results and each employee was given a single-payment bonus for SLOVNAFT Group's good economic results, amounting to 250 EUR. In the area of production, recruitment of new employees continued and various activities were performed to increase the attractiveness of the study of chemistry at a chemical school attended by potential future employees of the company.

Through various activities in the area of corporate social responsibility, Slovnaft continued its efforts to improve the environment in which it operates. Apart from supporting one of the most successful Slovak motorcyclists Štefan Svitko, the top women's and men's handball leagues in the country and the top football cup – Slovnaft Cup – a new partnership in the top hockey league was re-established in autumn. In addition to sports, Slovnaft supported projects associated with environmental protection, which is one of the Company´s key goals.

The 12th occurrence of the environmental grant program Green Oases brought many new unique eco areas to Slovakia and through the Danube Fund Slovnaft supported the development of welfare activities and public areas around the Danube and the Little Danube rivers.

Even a Drop of Oil Counts project saw a significant increase of 75% in the amount of collected kitchen oil. The company has also been focusing on young talents in sports, science and art for a long time. Last year, the company supported 54 talented children. Slovnaft is not indifferent to culture and philanthropy either. Some of the most important activities in this area include general partnerships with Art Film International Film Festival and the most popular Slovak folk group Lúčnica, but also various voluntary events attended by the company's employees.

To support good neighbourhood relations, a new program entitled Good Neighbour was established last year.
The program uses financial support to meet the needs of local communities. As a responsible company that cares about the interests of a wide range of stakeholders, Slovnaft will continue to pursue activities of this kind in the future.

In September, in cooperation with the capital city of Slovakia, Bratislava, Slovnaft launched its first mobility project that does not fit into the traditional business portfolio and responds to MOL Group's long-term 2030 strategy – the bikesharing service Slovnaft BAjk. In its pilot phase, Bratislava's citizens and visitors could use 248 bikes and 73 docking stations placed in the four largest city districts. By December 2018, more than 36,600 users registered for the service and the bikes were rented almost 171,700 times. During the very first few months of its operation, Slovnaft BAjk became an integral part of the capital city's atmosphere. Although this project does not fit into the company's traditional business portfolio, we also respond to MOL's long-term strategy, Enter Tomorrow, in which we want to gradually adjust our business by 2030 to meet the new challenges in the market ahead of our sector, and also Slovnaft, stand.

Oszkár Világi
Chairman of the Board and CEO

THE OIL INDUSTRY

THE OIL INDUSTRY

KEY MARKET ACTORS

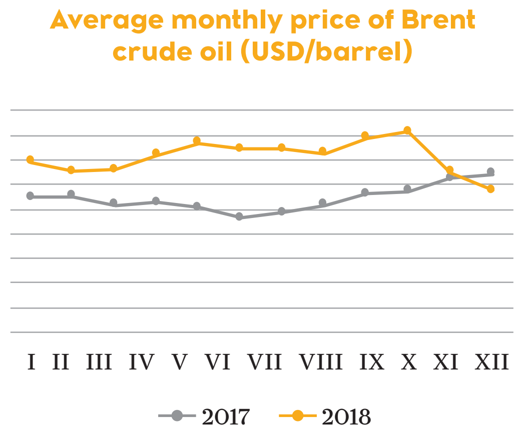
- growth in the world's crude oil consumption is close to 100 million barrels daily
- crude oil prices fluctuated during the year
- external factors reduced the economic performance of refineries and petrochemicals, while on the other hand they were supported by customer demand

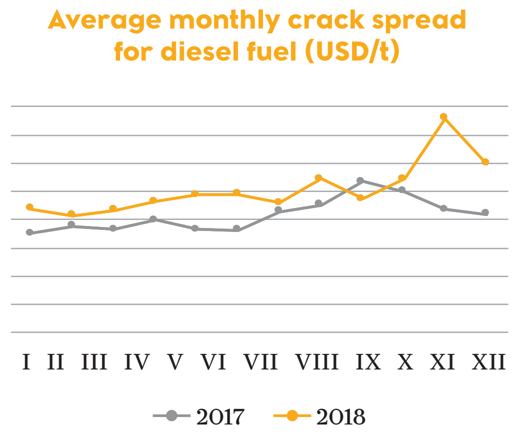
The crude oil global market continued the trends from the previous year also in 2018. Characteristic was the continuation of relatively strong growth in the demand for crude oil, with a significant increase in its production, but also the considerable price volatility of all major stock benchmarks.

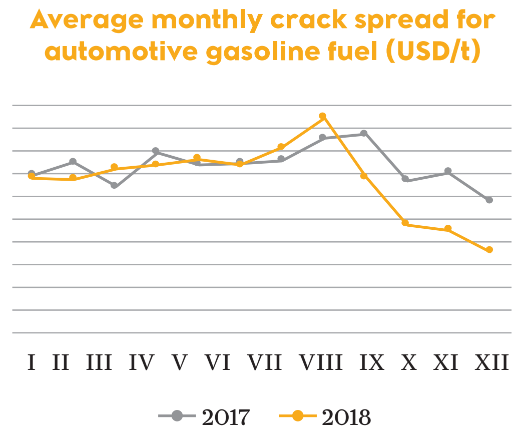
The persistent strong global economic conjuncture, which has resulted in a high level of employment, increased household incomes, public tax revenues and business profits, has created good conditions for growth in general consumption, including energy and crude oil products. Statistics show that global average daily crude oil consumption has risen by about 1.3 million barrels year-on-year, approaching the goal of 100 million barrels. Of the most advanced regions and countries in the world, demand for crude oil rose in North America, stagnated in Europe and declined in OECD countries in Asia and the Pacific. However, the strongest growth in crude oil consumption was recorded by emerging economies, which have grown to over three quarters of total demand.

The crude oil production sector increased faster than consumption. The daily limit of 100 million barrels was overtaken in the autumn of last year. The main engine of the production increase was the USA that increased daily production to a historic maximum of over 11.5 million barrels. Heavy drilling activity was also reported in Russia, Brazil, Canada and other countries, and this growth in crude oil production outweighed efforts by OPEC countries to reduce its supply on the global market.

Crude oil price developments were volatile and reflected not only the demand and supply on the markets, but also the changing expectations of experts regarding the further development of the global economy. The overall situation was complicated by the unclear effects of Brexit and the USA-China trade war, as well as the initial strong growth and subsequent sharp fall in stock indices, the introduction and later partial suspension of the USA trade embargo against Iran. In this sense, BRENT prices reached



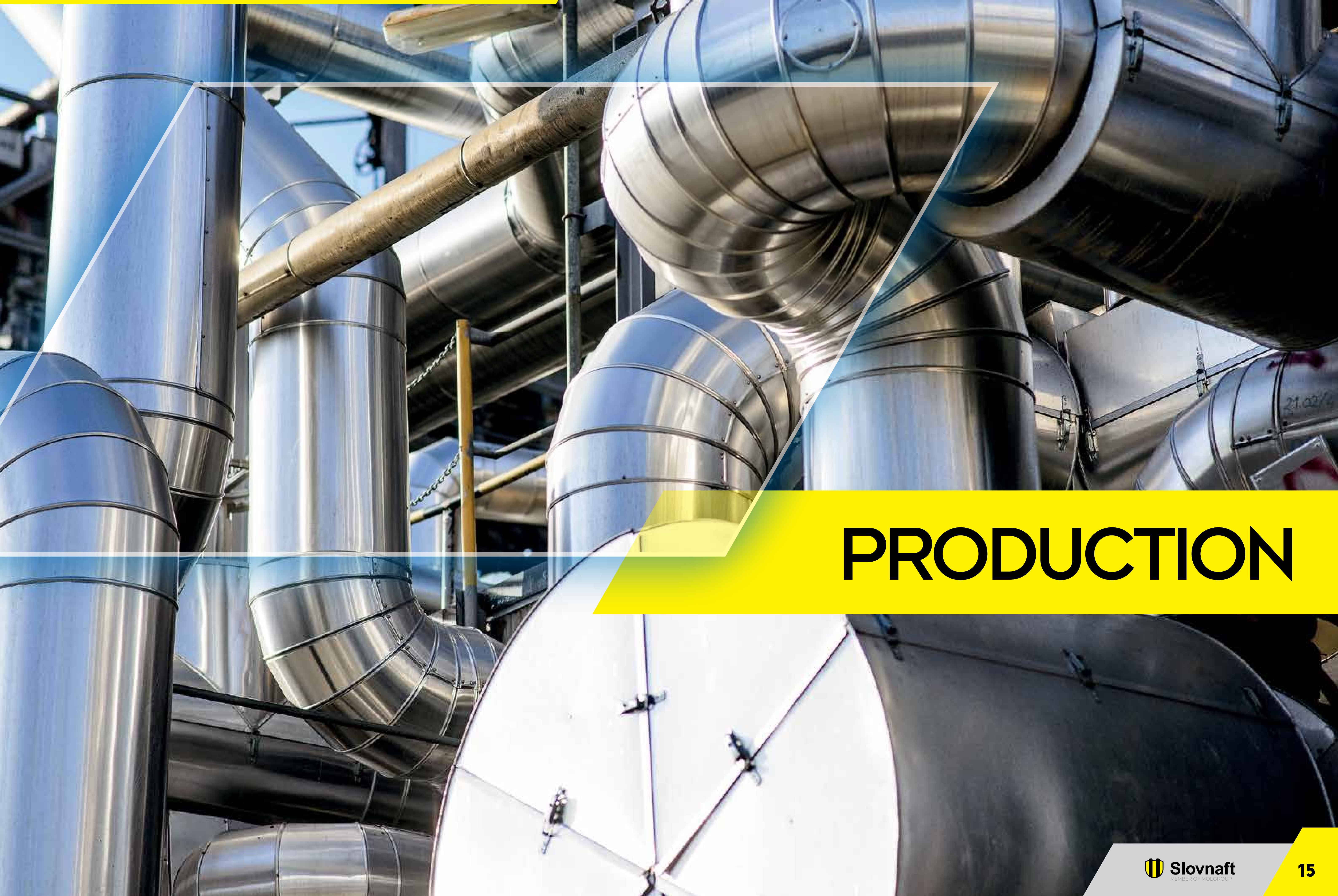




more than the quarterly maximum of 85 dollars per barrel, and at the end of the year fell back by 40% to about 50 dollars per barrel. Overall, however, the value of one BRENT barrel per year increased year-on-year by approximately 17 dollars to an average 71 dollars per barrel.

Growth in crude oil prices also triggered the rise in prices of other energies, where natural gas and electricity saw a significant increase of 25 – 35%. This, together with a significant, approximately threefold increase in emission allowance prices, has negatively affected the management of refineries and other energy-intensive companies.

However, the rise in the price of crude oil, other raw materials and energy was not reflected in higher prices for crude oil and petrochemical products. The refineries' processing margin of crude oil conversion to crude oil products thus slightly deteriorated year-on-year, but in the case of petrochemicals, the processing margin in the plastics industry was significantly reduced by almost 30%. Impaired external refinery conditions resulting from the development of BRENT, energy and product quotations have not improved the price difference between light and heavy types of crude oil. That did not change substantially during the year, and in the case of the spread between BRENT and URAL, it remained at 1.2 dollars per barrel. On the other hand, the refining economy in the Central Europe supported a relatively healthy dynamic year-on-year growth in customers´ demand at the level of 2 to 5%. The year-on-year decline in bio-components also contributed to the situation on the cost side. In addition, the refineries continued with various types of internal austerity programs to reduce inefficient consumption and optimize the use of operation, distribution and sales assets. As a result, the past year from the perspective of the refineries and their financial performance can be considered quite successful, although slightly weaker than the year 2017.



PRODUCTION

SALE

REFINING & WHOLESALE

KEY RESULTS / TOP ACHIEVEMENTS

- 5.4 million tons of crude oil processed
- 196 thousand tons of alternative crude oil processed
- 6.7% year-on-year increase of diesel fuel sales in local market and 9.2% year-on-year increase of automotive gasoline sales

In 2018, SLOVNAFT, a.s., processed 5.4 million tons of crude oil. Slovnaft is the leader in Slovakia's motor fuel market, providing its customers with high-quality products that complied with the highest European standards. The company also held a significant position in the markets of several neighbouring countries. In addition to high quality motor fuels, Slovnaft has also supplied customers with chemicals, bitumen's, LPG and lubricants.

REFINING ACTIVITIES

In 2018, SLOVNAFT, a.s., processed 5.4 million tons of crude oil. This was a 2.3% decline over the previous year. Of the total processed oil volume, alternative oil amounted to 196 thousand tons, which represents an increase of 117 thousand tons compared to the previous year.

As a result of lower oil processing volume, the production of motor fuels reached 4.2 million tons.

Slovnaft produced 1.35 million tons of automotive gasoline and 2.9 million tons of diesel. The volume of gasoline production decreased by 3% year-on-year and diesel by 5.4%.

WHOLESALE

Slovnaft sold a total of 1.67 million tons of crude oil products on the domestic market in 2018, aside from sales to the Administration of State Material Reserves. Compared to 2017, this represents an increase of 6.6% in sales. Motor fuels had the largest share of local sales with a volume of 1.58 million tons.

The 27% increase in revenues from sales of all refinery products on the domestic market compared to 2017 was mostly due to increase in quoted refinery product prices.

The export market sales recorded a year-on-year increase of 5.7%, especially because of the positive development of stock market quotations, as well as focusing on activities on the most profitable markets. The growth was also positively influenced by a prompt and effective response to market opportunities, such as unscheduled shutdowns of local refineries. Traditional export markets dominating the portfolio remained in the Czech Republic, Poland, Hungary and Austria.

Slovnaft´s local diesel fuel sales increased year-on-year by 6.7% and gasoline sales by 9.2%. In addition to higher market consumption, sales figures in Slovakia were driven also by Slovnaft‘s active approach to meet the needs of wholesale customers.

On the foreign markets, diesel fuel sales fell by 10.6% year-on-year and gasoline sales by 9.5% due to lower oil refinery processing as well as higher sales of these products on domestic market.

Within other products sales, the sales of chemicals dominated, while focusing mainly on export markets. Compared to 2017, their overall sales rose by 24.8%.

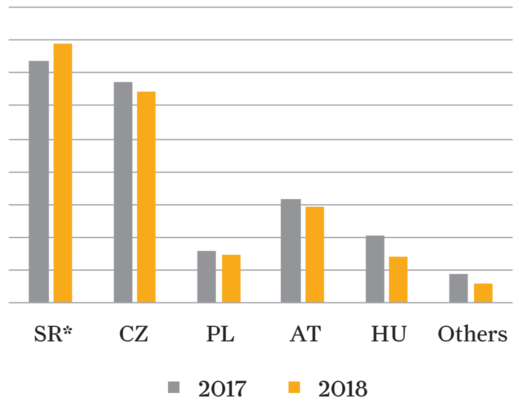
WHAT COMES NEXT?

The external environment will continue to be influenced by the region's fuel consumption to a large extent.

In general, further economy growth is expected, which could have a positive impact on the increase of diesel fuel and gasoline consumption in the local market. Market growth of fuel consumption in 2019 is estimated at 1 to 3%.

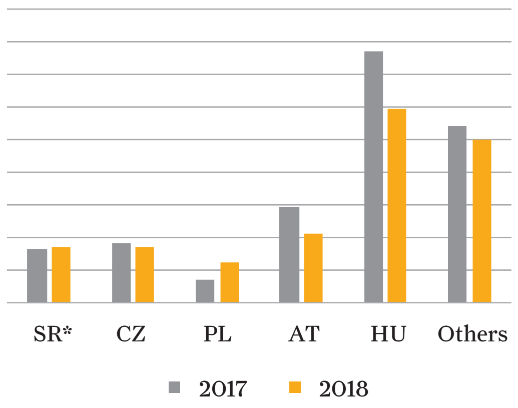
Slovnaft aims to increase its competitiveness by streamlining activities, implementing innovations, optimizing its sales strategy, and flexibly responding to market demands. The company will continue its strict cost discipline and evaluation of appropriate development opportunities. In oil processing, the main goals of SLOVNAFT Group remain to reduce the energy intensity of production, to maintain high operational reliability of production facilities and to continue planning and progressive implementation of development initiatives.

Sales of Motor Fuels (Thousand Tons)



* without the sale to the Administration of State Material Reserves and internal transfers

Sales of Other Refinery Products (Thousand Tons)



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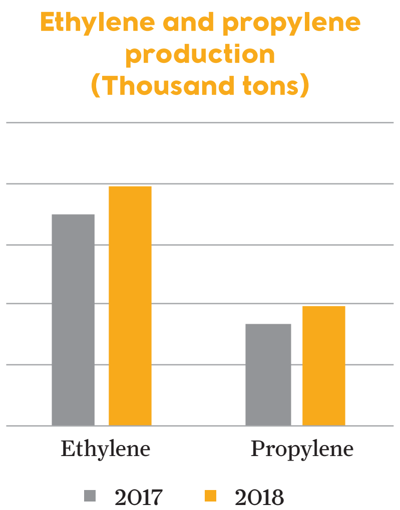
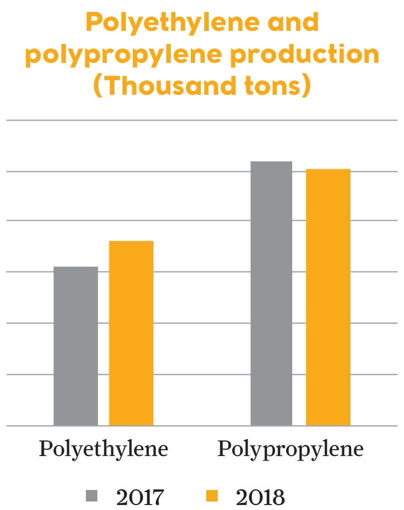
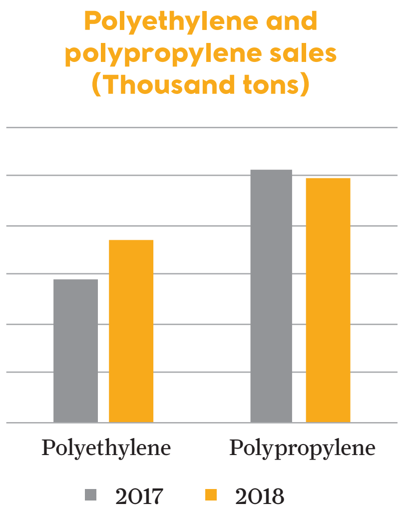
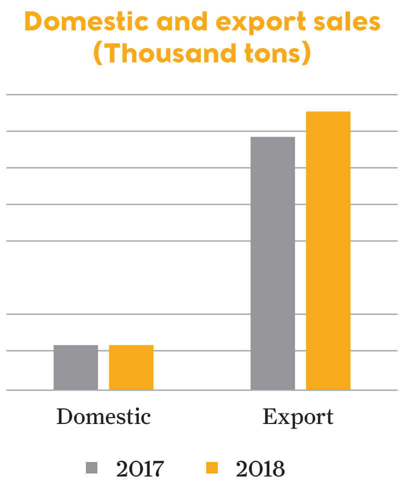








PETROCHEMICALS

KEY RESULTS / TOP ACHIEVEMENTS

- increase in polyethylene production
- increase in production availability compared to 2017

The petrochemical division of SLOVNAFT Group produced high quality polymers in 2018. These are the basic raw materials for a wide range of applications ranging from the production of film for packaging applications through production of various plastic goods for everyday use, all the way to the sophisticated production of parts for the automotive industry.

In 2018 the Steam Cracker unit processed 523,000 tons of naphtha and 117,000 tons of light hydrocarbons.

Monomer production resulted in 198,000 tons of ethylene and 98,000 tons of propylene. Naphtha and light hydrocarbons consumption resulted in a 13.1% year-on-year increase in 2018.

Polypropylene production reached 250,000 tons, a decrease of 3.7% compared to 2017. Overall, 180,000 tons of polyethylene was produced, a 15.6% year-on-year increase. This increase was due to the increased operational availability of the low density polyethylene production unit.

Overall, 436,000 tons of polymers were sold in 2018, which is an 8% increase comparing to 2017. Polyethylene sales increased by 28% year-on-year, while the year-on-year in polypropylene sales decreased by 3%. Sales focused mostly on export markets, where the sales rose by about 10% compared to 2017.

WHAT COMES NEXT?

In the future, Slovnaft plans to strengthen the petrochemical segment. A wide range of activities are aimed to achieve this goal, for example to enhance the efficiency, to set up new approaches, also activities aimed to find possible investments, which could strengthen the segment, increase its flexibility and widen product portfolio. The pursuit of the company's efforts to increase the satisfaction of its customers remains an important goal.

RETAIL

KEY RESULTS / TOP ACHIEVEMENTS

- continuing modernization of the service station network and achieving the mark of 178 Fresh Corner shops
- significant growth in non-fuel goods sales
- installation of charging stations for electric vehicles at several pilot service stations

Compared to the previous year, total retail fuel sales increased by 3% in 2018. This was also achieved through substantially better performance of premium fuels EVO Plus. The company also recorded a significant positive development in diesel sales, with a more than 4% increase in retail sales volume compared to 2017.

MODERNIZATION OF THE SERVICE STATION NETWORK

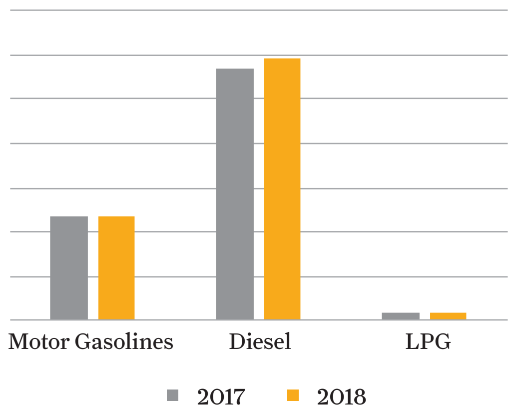
In 2018, Slovnaft continued to modernize its service stations at a faster rate. Last year, 65 Fresh Corner service stations were added to the retail network. The change in service station design will continue at the same rate in 2019. Slovnaft also widened the restaurant concept of the Fresh Corner Restaurant and, along with the one in Vajnory, another restaurant was added at the Zeleneč highway station.

Service station changes not only significantly contribute to improved customer perception of the retail network, but also strongly help to profile the Slovnaft brand as a resting spot for people on the move and a preferred place to stop and enjoy good coffee and snacks. Reconstruction work sped up the modernization of service station technology, which in turn has had a significant effect on their reliable and safe operation, as well as environmental protection. Fuel dispensers, car wash lines and jet-wash systems have been renewed.

In the past year AdBlue dispensers were installed at selected stations. Overall, this product is available at 34 service stations throughout Slovakia. Slovnaft will continue in their installations in 2019.

In 2018, Slovnaft installed the first electronics charger within the NEXT-E project in Slovakia. The NEXT-E project, supported by the European Union, involves building a charging network for electric vehicles across six Central and Eastern European countries. Customers at the Slovnaft service station at Prístavná Street in Bratislava can

Retail sales trends compared to the previous year



therefore charge their electric cars using the Type 2 (AC) connector as well as CHAdeMO and CCS (DC) connectors.

NON-FUEL SALES AT THE SERVICE STATIONS

The year 2018 brought a couple of challenges for non-fuel sales. One of the most important was the change of the operational model to increase the standard of service at stations. These changes were successfully managed and non-fuel sales increased by 15%, compared to the previous year. In 2018, a number of attractive customer promotions took place at the service stations. Among the most successful were the offer of the Carl Schmidt Sohn grill products range, the Fresh Corner campaign on the occasion of the 150th Fresh Corner opening, and the Christmas Advent Calendar. The Gastro segment also recorded positive development, especially in the sale of coffee with a year-on-year increase of 12% and in sales of hot dogs, selling approximately 2 million pieces.

In 2019, Slovnaft plans to build on the positive trend of non-fuel sales. Based on the success of sales campaigns, the company also wants to include various promotions for customers in 2019. Slovnaft plans to optimize the portfolio of products and services offered and be the first choice for customers too.

MARKETING ACTIVITIES

Year 2018 was marked by increased customer care in the BONUS Club loyalty program, as well as activities to enhance a pleasant customer experience from a visit to a Slovnaft service station.

On the occasion of the opening of the 150th Fresh Corner shop, Slovnaft launched a marketing campaign to raise awareness of this gastro brand. Customers had the opportunity to taste each product from the Fresh Corner menu. The most important product for the campaign was also the most successful one – coffee, which we offered in a special 5 + 1 sales activity. It meant that the customer could get every sixth coffee just for a symbolic 5 cents. During the six weeks of the campaign, this option was used by almost 100,000 customers.

A year-on-year increase of active members of loyalty BONUS Club was record-breaking. The globally growing customer base, expanding by 8% year-on-year, proved that Slovnaft was right in choosing the proper direction of action and pursuing its focus on loyal retail customers. Moreover, we arranged a variety of marketing activities for our customers during the year, such as Happy Litre lottery, point-based fuel discounts, a new offer of e-vouchers in the BONUS Club catalogue and broader options for using bonus points, especially for products bought directly at the station. The Fresh Corner products, the range of which is increasing every year, are no exception.

The latest news in 2018 was a successful campaign for loyal customers called the Advent Calendar, where customers could find a different reward each day, such as products bought for less BONUS points, double points, or products that are usually not offered for BONUS points.

The end of 2018 brought an interesting event for customers, who use the car wash at Slovnaft service stations. The customer could collect stickers for each wash and get a fifth wash for just 5 cents.

WHAT COMES NEXT?

In 2019, Slovnaft will continue in modernizing its 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 of 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 keep the high technological standard at our service stations, while the number of new car washes is going to be extended as well as premium fuels availability. Additionally, another AdBlue units, screen wash dispensers and outdoor payment terminals 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.

MOBILITY AND BUSINESS PORTFOLIO EXPANSION

KEY MARKET FACTORS

- launch of a bikesharing service for residents and visitors of Bratislava City
- intense interest from the users of the Slovnaft BAjk system, resulting in more than 36,600 registered customers and almost 171,700 bicycle rentals from September to December 2018

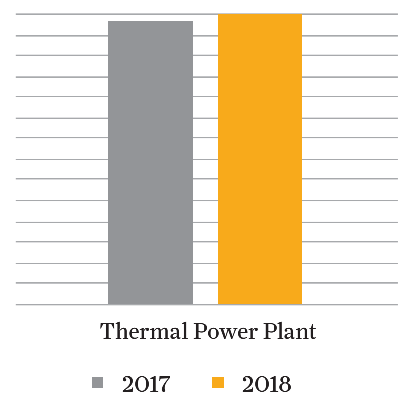
Following the MOL Group's long-term strategy, Slovnaft has expanded its traditional business portfolio to a completely new segment. In September 2018, the company, in cooperation with the Slovakia´s Capital City Bratislava, launched a bikesharing service, called Slovnaft BAjk. Users could rent one of 248 bikes deployed at 73 docking stations in four city districts – Staré Mesto, Petržalka, Ružinov and Nové Mesto. The docking stations were built also at nine Slovnaft service stations located in Bratislava.

During the pilot phase, which ran from September to December 2018, more than 36,600 people were registered in the system. The yellow bicycles were rented almost 171,700 times. During the week, people used Slovnaft BAjk to transport to and from work, while during the weekend renting bikes became a part of recreational and leisure activities.

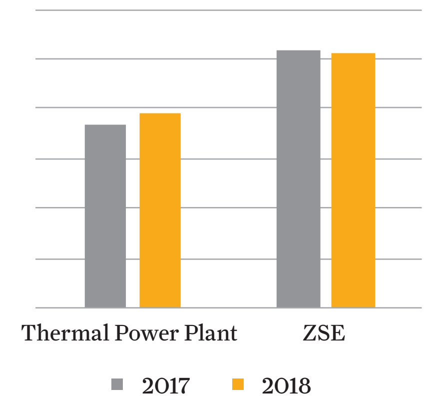
The goal of the Slovnaft BAjk system is to improve the transport situation and quality of life in Bratislava and to significantly contribute to the reduction of emissions. The bikesharing service is an alternative type of transport that is complementary to urban public transport. Slovnaft plans to extend the service to other city districts and to offer users a wide portfolio of products at prices corresponding to full-use operation of service. In the future, Slovnaft's loyalty BONUS club will also be connected with the system.

POWER & HEAT GENERATION

Heat supplies (GWh)



Electricity supplies (GWh)



KEY RESULTS / TOP ACHIEVEMENTS

- completion of planned investment projects
- increase in heat and power supply
- increase in energy efficiency of production facilities

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 expenses. 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 2018 saw an increase in energy efficiency at the production facilities and a request for optimized fuel mixing at the refinery along with maximum utilization at the Thermal Power Plant (TPP). Total heat supplied in 2018 reached 5,039 TJ (1,400 GWh), which is 2.5 % more than in 2017. Electricity supplies from Thermal Power Plant increased by 7.3 % year-on-year to 391 GWh. The equivalent of 241 kilotons of mixed petrol residue was burned at Thermal Power Plant, which was 5.8% more 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 108 GWh.

INVESTMENT ACTIVITIES AND PROGRAMS

Within the electricity distribution system, two new 110-kilovolt transformers, which form the main part of the power system, were successfully put into operation.

Two major projects were implemented within the heat distribution system – the refurbishment station was remodelled and modernized, in the refinery serving HSE and the Fire Brigade, and a large part of the obsolete and faulty hot water pipeline, which supplies heat to the inhabitants of the Inovec house around the House of Business Activities and Cafeteria, was replaced.

The successful completion of the Thermal Power Plant investment projects include modernization of the control system (DCS), installation of the NH_3 and H_2O measuring devices in the desulphurization unit (as required by the new legislation) or the K4 and K5 boiler optimization project.

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 the safety and reliability of energy supplies for customers.

WHAT COMES NEXT?

New investments in the distribution network and energy sector equipment will increase the reliability of energy supplies and the 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, and the replacement of two 110 kV transformers, future plans include the gradual replacement of five 110-kilovolt transformers in 2020 to 2022.

For 2019, an investment project of innovating several exchanger stations, including the insulation of part of the heat distribution network, is scheduled.

Several major investment projects are planned for 2019, such as the project to reduce solid pollutants, the project to reduce nitrogen oxide (NO_x) emissions in K1 and K3 boilers, continuation of the project to modernize liquid fuel pumps and preparation of the project for the modernization of the Thermal Power Plant control room.

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 98 million
- capital investment – EUR 146 million

STATEMENT OF COMPREHENSIVE FINANCIAL RESULTS

In 2018, SLOVNAFT Group revenues reached EUR 3.9 billion, a 14% year-on-year increase. Costs of raw materials and goods sold increased by 19%. An increase in quoted commodity prices was the primary cause of this increase. Other operating expenses grew by 11% year-on-year.

STATEMENT OF FINANCIAL POSITION

The value of non-current tangible assets fell year-on-year by 1%, yet inventories grew by 11%. Trade receivables did not change, while trade payables decreased by 8%. There was a 66% drop in cash and cash equivalents. Total loans value of SLOVNAFT Group decreased by 43% year-on-year, reaching EUR 23 million.

INVESTMENT ACTIVITIES

The capital expenditure of SLOVNAFT Group reached EUR 146 million in 2018. These expenditures rose by EUR 28 million year-on-year.

Capital expenditures of EUR 37 million were allocated to the Petrochemicals segment, reaching EUR 13 million in the LDPE 4 unit and EUR 9 million for the construction of an ethylene storage tank.

EUR 60 million-worth of investment activities in the Refinery and Marketing, as well as Energetics segments were focused in 2018 on modernizing core refinery production, while EUR 18 million was invested into raising the quality of the distribution and logistics process.

A total of EUR 21 million was invested into projects concentrating on increasing the operational reliability and effectiveness of the production process, of which EUR 10 million were used on planned general overhauls, technological changes amounted to EUR 8 million and a total of EUR 3 million was spent on catalyst replacement. An additional EUR 20 million was expended to replace assets which useful lifetime had expired.

Investments focused on improving environmental protection and occupational safety totalled EUR 19 million, and were used, in addition to other environmental projects, to start the construction of a new ethylene storage tank, reconstruction of the storage tanks and reconstruction of the fire safety devices.

In 2018 capital expenditures in the Retail segment amounted to EUR 24 million in total. Investment activities were focused on upgrading sections of the service stations not selling fuel – reconstructing shopping space to the Fresh Corner and installing modern car washes.

SUSTAINABLE DEVELOPMENT

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

KEY RESULTS / TOP ACHIEVEMENTS

- no serious or fatal injuries of our own staff or our contractors' employees during general revisions
- no serious industrial accidents
- implementing the Incident Command system for improving reactions and management in case of an emergency event

Slovnaft's main goal is to ensure the highest possible level of occupational health and safety, fire safety and environmental protection, and by implementing the best available technologies to minimize the negative impacts that arise during its operation.

Although company´s business essentially exploits mineral wealth, SLOVNAFT, a.s., seeks to take a responsible approach toward people and the environment in achieving sustainability. Responsible behaviour is also declared in the SD&HSE policy. Everyone can be an example for others, and can also be indirectly responsible for the behaviour of others. Based on this idea, the Safety Leadership Engagement programme is also being developed to increase security managers' engagement. The program started three years ago. During this year, all nominated shift managers were trained. The program will continue with the training of newly appointed managers.

Slovnaft is 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. In 2018, Earth Day was organized, which focused on the sorting and recycling of individual types of waste, not only in the company, but also in the households of employees. The Fire Days helped to explain the daily work of fire fighter units and to educate the employees in fire prevention at the company and at home.

Slovnaft's endeavour to continuously improve and secure HSE processes has also been demonstrated by a recertification audit in line with ISO 14001: 2015 and OHSAS 18001: 2007, which has confirmed that established management systems are in line with the requirements of the standards.

Environmental Protection

Slovnaft makes the maximum effort to find solutions that minimize the impact of its activities on the environment. The company constantly strives to modernize it´s production and focuses on using the best available technologies that offer energy savings and increase the protection of the environment. Slovnaft committed itself to environmental responsibility also in the SD&HSE policy. In 2018, the process of reviewing integrated permits was finalized in line with the Conclusions on Best Available Techniques for the Mineral Oil Refining Sector.

AIR PROTECTION

As part of the air protection, the company places great emphasis on controlling leakage of volatile organic compounds (VOCs) and reducing fugitive emissions. For this purpose, a Leak Detection and Repair program (LDAR) is in place to ensure regular monitoring of leakage of volatile organic compounds and subsequent leakage repair.

In order to reduce NO_x emissions, a project of burner replacement for a low-emission Low-NO_x burners is being prepared at the boilers of the Steam Cracker Unit.

Another contribution to the reduction of NO_x emissions was the replacement of the low-NO_x burner on the vacuum distillation of the hydrocracker production unit.

As a part of the implementation of Best Available Techniques for the Mineral Oil Refining Sector, the company enhanced continuous emissions monitoring system at atmospheric-vacuum crude oil distillation unit and hydrocracking unit in 2018 to ensure an even higher level of control of pollutants released into the air.

WATER PROTECTION

Slovnaft is cautious about the use of water resources and, in the long term, the company is striving to reduce water consumption, in particular by changing the cooling system on the production units from once-through cooling to a closed cooling circuit – circuit cooling.

To enhance the protection of surface water, Slovnaft implemented a long-term project whose main goal is to increase the protection of the Little Danube River against oil contamination in case of incidents. The initial project phase focused mainly on the installation of technical means for early detection of potential leaks. Currently, the second stage of the project is underway, aimed at reducing the risk of surface water contamination.

SOIL AND GROUNDWATER PROTECTION

Last year, various programs aimed at removing environmental burdens from the past continued. They included old service stations and some logistics storage depots.

Within the logistics, three operations were included to the systematic removal of environmental burdens in 2018: the Kľačany terminal in monitoring mode, closed Holíč operation in post-remediation monitoring mode and the Vojany operation in active remediation mode. The termination of the post-remediation monitoring in Holíč was approved by the Ministry of the Environment and the site was divested. Vojany remediation continues in 2018, with more than 67,000 m^3 of groundwater having been treated. Since the beginning of 2018, Slovnaft has spent more than EUR 130,000 in the logistics department on remediation of environmental burdens. Activities within the retail network were completed in 2017, while groundwater quality was monitored in 2018 as part of the operational monitoring of service stations.

WASTE MANAGEMENT

The amount of recovered waste generated in Slovnaft's refinery is constantly at a high level. Average waste recovery rate in production is about 80% . 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 97%.

Social area

OCCUPATIONAL SAFETY AND HEALTH

The protection of employee life and health is one of the highest priority for SLOVNAFT, a.s. Therefore, the company advocates a systematic approach that results in continuous improvement of health and safety at work.

During 2018, the injury rate (TRIR of own employees, contractors' employees and the service station staff) reached level 1 for the entire SLOVNAFT Group.

Occupational accidents analysis for 2018 has been made and it has shown that the major cause of work-related injuries was lack of attention during work performance. Accident analysis has shown that the most vulnerable group of employees, which accounts for over 70% of all injuries, are new employees (1 to 4 years) and long-term workers (more than 20 years). These groups will be trained in the new „Unconscious Behaviour" program, focusing, among other topics, on work routine and safe walking.

In May 2018, we introduced the „Bump Test Station" system, which is designed to ensure that every employee, before using a personal detector, can easily verify the functionality of the assigned personal gas detector using the stations located at individual workstations.

In 2018, functionality tests of new types of personal protective equipment were performed as a part of improving the working environment of Slovnaft's employees.

Slovnaft offers its employees a number of premium preventive health checks. New programs such as dental hygiene, urological, gynaecological as well as vascular and cardiological examinations were added to the benefit in 2018. All programs are aimed at preventing common lifestyle diseases.

The company organized a Health week in September. Employees could take a variety of preventive health checks or listen to lectures, shop in healthy markets, and attend workshops from the field of mental health or exercise. Professionals from the newly opened Slovnaft RELAX centre attended the program.

In addition to healthcare, employees could also use free psychologist services in 2018. The company, which cooperates with Slovnaft in this area, offers individual personal or email counselling or telephone consultations in all areas of life and is responsible for a discreet approach and client anonymity.

MANAGEMENT OF SUPPLIERS

Slovnaft's aim is to ensure the highest possible protection of the health of all persons working at Slovnaft's premises. Considering a constantly changing work environment, technology and operating procedures, Slovnaft is trying to eliminate adverse suppliers' events and to increase HSE awareness.

Before general revisions, the company focused on increasing HSE awareness with contractors and launched a motivational program for the suppliers' employees, aimed at improving discipline regarding safe behaviour, called "It´s Worth a Safe Behaviour". The program's objective was to support safety, minimize adverse events and ensure an injury-free course of general overhauls. Thanks to all these efforts, no injuries or work incapacity of contractor's employees were reported during the general revisions.

REACH

In 2018, SLOVNAFT, a.s., performed the registration of metal sulphides resulting from the wear of the catalysts in the production process at the specified time. Slovnaft also continued the update of the registration files in close cooperation with the SIEF Concawe and the update and development of the new data cards for products and intermediates. As part of the MOL Group Customers portfolio extension, the company has made a change in the registration of substances from the intermediates to the full substance in five different substances. At the end of the year, SLOVNAFT, a.s., actively engaged in the „Human Health Risk Assessment Program".

Process safety and fire prevention

In 2018, SLOVNAFT Group recorded several process and non-process fires. All fires were desposed of by internal forces and means, in most cases the fire brigade in the workplace, which highlights the importance of the training on fire-protection brigade in workplaces.

Managing critical situations depends on a large extent on the preparedness and skills of employees. A well-trained employee can respond well and minimize negative impacts on health, property and the environment. The company organises trainings in accordance with the annual emergency plan, where emergency situations are defined by an internal emergency plan. The trainings include fire protection, prevention of major industrial accidents and civil protection, and are integrated into individual exercises, practised regularly. Two trainings are performed every month with the fire brigade according to emergency scenarios of individual operations, and corrective actions are taken according to the performance evaluation. In 2018, there were 24 tactical and 30 validation trainings at the Slovnaft Vlčie hrdlo facility, including fire alarm training and evacuation of vulnerable areas training.

To improve response and emergency management, Slovnaft implemented the Incident Command System, supported by the „Do not be surprised by an extraordinary event" introductory campaign. It draws attention to the joint work of all rescue teams and stakeholders. Under the program, the fire department was equipped with a new command vehicle. It is a mobile workplace, which serves as operation headquarters for the operational staff when managing extraordinary events. With its equipment, it is suitable for collecting and evaluating information, for radio communications, and also as a vehicle for a meeting of the fire brigade and operational event management staff.

The Company's fire brigade units were equipped with mobile pumps for pumping flammable liquids in the event of an emergency. In order to simplify the manipulation of foaming agents, Slovnaft has purchased handling equipment such as industrial forks, forklift and folding truck. Mechanical service facilities, such as junction wells, have also been added. The fire units at the terminals were equipped with automatic external defibrillators to improve the provision of first aid.

A semi-fixed extinguishing system system was installed at Kapušany terminal to prevent possible fire on the filling bridge to improve the quality of fire-fighting equipment.

Security reports have been updated within a statutory time-frame at each logistics terminal. In the PSM area, the PSSR process is being improved on the basis of practical experience.

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	2016	2017	2018
Climate Change				
Greenhouse Gas Emissions				
Carbon Dioxide (CO_2) under ETS	t	2 204 700	2 198 678	2 209 235
Environment				
Air Emissions				
Sulphur Dioxide (SO_2)	t	2 793,8	3 317,2	3 139,4
Nitrogen Oxides (NO_X)	t	2 062,3	2 098,6	2 050,6
Volatile Organic Compounds (VOC)	t	2 773,0	2 528,7	2 452,2
Carbon Monoxide (CO)	t	457,9	480,7	464,7
Particulate Matter (PM)	t	80,1	94,2	110,2
Water				
Total Water Withdrawals	m^3	33 194 062	31 393 966	35 367 299
Total Water Discharge	m^3	52 678 782	50 522 163	56 097 158
Waste				
Hazardous Waste	t	37 240,1	29 702,4	41 761,2
Non-hazardous Waste	t	30 871,2	28 115,8	43 689,6
Reused/recycled ratio	%	57	66	73
Spills[1]				
Number of HC Spills	number	24	27	24
Volume of HC Spills	m^3	89,73	10,7	3,07
Health and Safety				
Lost Time Injury Frequency (LTIF) – own employees	rate	0,18	0,53	2,25
Lost Time Injury Frequency (LTIF) – contractors	rate	0,12	0,09	0,2
Total Reportable Occupational Illnesses Frequency (TROIF)	rate	0	0	0
Number of fatalities – own employees	number	0	0	1
Number of fatalities – contractors	number	0	0	0
Human resources				
Employees				
Total number of employees	number	2 297	2389	2567
Number of terminated[2]	number	329	167	152
Fluctuation rate[3]	%	14,3	7,1	5,96
Female employment factor				
The share of women of the total number of employees	%	24,8	24,9	24,2
The share of women in management positions	%	21,6	20,5	21,2
Education				
Average number of training hours per employee	hours	26,3	27	32,8

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

- introduction of a new petrol type with increased bioethanol share
- development of a new polypropylene TATREN grade

Strategic objective of the MOL Group and the priority of SLOVNAFT, a.s., is the development of petrochemical production. In 2018, Slovnaft evaluated several investment plans with the aim to increase the production of petrochemical products at the expense of motor fuels, including Steam cracker intensification, increase of aromatic hydrocarbons production, production capacity increase of propylene and polypropylene and possibly introducing new products.

Development of motor fuels focuses on bio-components in fuels in accordance with Slovak legislation and the adopted RED II European legislation concerning targets of renewable energies usage. Based on requirements of Slovak legislation, SLOVNAFT, a.s., introduced a petrol with a higher bioethanol content in 2018. Besides that, a bio-component made of waste sources with high greenhouse gas emission savings were tested, while Slovnaft evaluated also their effects on final fuel quality. The company was cooperating in advanced bio-components development with international companies from the European Union and the United States of America. Additional research activities were related to the development of a special formula for aviation fuel.

In the field of petrochemical products development, main activities focused on the development of new grades of polypropylene with trade name Tatren and on the improvement of mechanical and application properties of existing Tatren polypropylene grades. New copolymer grade with excellent impact resistance and two modified existing polypropylene grades have been introduced. It had an impact on end-to-end performance and customers received higher value added products.

In 2018, a new grade of polypropylene with a structure fulfilling customers‘ demand for stiffness, impact resistance and potential for reducing the thickness of the final product‘s walls has been under development. Expected completion is during the course of 2019.

Based on growing customer requirements in the automotive industry, production of products with a reduced proportion of volatile substances in polypropylene has been tested. Development activities in this direction will continue in 2019.

In the area of polyethylene production, production technology on our newest production line has been under optimization.

As a part of the project ”Steam cracker intensification”, analysis of various alternatives to increase unit capacity, which also included various types of used raw materials has been prepared. An analysis of market conditions and the compatibility of the project with MOL Group‘s long-term strategy is currently under revision. Based on obtained results Group‘s management will decide on further direction and specific investments.

In addition to the olefin production increase project, in parallel with MOL Group and external companies, a study focused on olefin processing technologies for polyolefins has been developed. The aim of the study is to assess the modification of existing lines for higher added value polyethylene grades production and possibly develop new technologies within the MOL Group.

Supporting innovative technologies, co-operation with INOVACAT, the owner of the Gasolfin patent has continued. It focused on the analysis of the possibility of processing less valuable benzine raw materials unsuitable for conventional processing at the Steam cracker production unit.

Within refinery technologies alternative crude oil processability continues with the aim to identify operating limitations associated with the varying quality of oil (compared to the traditionally used Russian crude oil). Debottlenecking is performed through partial technical studies and projects. It is the aim to increase processing of alternative crude oil in MOL Group up to one third of the total processing capacity.

HUMAN RESOURCES MANAGEMENT

KEY RESULTS / TOP ACHIEVEMENTS

- Slovnaft is a winner of Best Employer Award
- launch of the comprehensive Smart Masterclass development programme for shift production supervisors and their superiors
- digitization and automation of human resource management systems
- conclusion of a collective agreement for Slovnaft and its subsidiaries for a three-year period after agreeing with the trade union
- introduction of career growth and transparent remuneration for the shift-work personnel in the daughter companies VÚRUP, a.s., and SLOVNAFT TRANS a.s.

As of the 31 December 2018, SLOVNAFT Group companies employed 3,503 employees. Employee turnover at the company has remained at a level below the national average.

Last year, Slovnaft won in the survey for the most attractive employer in Slovakia in Production and Industry category. In all 25 companies from all over Slovakia were nominated in this category. The survey brings a realistic view of both candidates and potential employees in Slovakia on how they perceive companies, their benefits and image.

CULTURE 2030

In line with the MOL Group initiative, Slovnaft continued in the corporate culture development programme last year. Corporate culture ambassadors are supported by a team of partners throughout the whole group, including the daughter companies. Together with management, they create the conditions for progress in this area. The basic direction of the programme is coordinated by MOL Group, but the implementation of the individual steps is largely tailored to local needs and capabilities. Within the framework of international cooperation, the information sharing between the cultural ambassadors of different countries has been successful. In addition to the four core values, the company also introduced the basic principles of leadership that will, in the long run, support the development of managers and, together with corporate resources, enable to achieve strategic goals.

In the past year, Slovnaft continued to build employee awareness of corporate values and the need to develop corporate culture. In addition to informational and educative functions, the company is increasingly focusing on the transfer of practical examples to life, either in the form of written recommendations or by following examples of the desired behaviour of managers and employees.

In order to sustain the development of culture, Slovnaft adapts efforts to business requirements, either in the form of support for organizational or other changes, by aligning the objectives of individual departments and by enhancing cooperation within the company as well as the entire MOL Group by supporting new communication tools, internal training and knowledge sharing. Examples are employee feedback trainings provided by internal lecturers from Slovnaft staff. An important part of the programme is also highlighting positive examples and valuing people, who represent corporate values in real life and also on the corporate level and in the various departments.

Slovnaft's goal is to continue in the launched activities focusing on effective communication, management visibility, feedback, and recognition, while linking these activities. We also wish to open new themes such as cooperation, change management and diversity.

PAYROLL AND SOCIAL AFFAIRS

The SLOVNAFT Group companies implement current commitments arising from collective agreements concluded for the period since April and in subsidiaries since May 2018 to the end of March 2021. The most significant of them in the first half of 2018 included an increase by an average 4% in the basic salaries of employees. Employees included in the Career Growth project received an increase of their basic salaries by EUR 100. These increases in basic wages were made under the terms agreed in the collective agreement for the period from 1 April 2018 to 31 March 2019.

In 2018, Slovnaft kept the level of allowances granted for work under special working conditions and working regimes. Based on the MOL Group and SLOVNAFT Group's economic results, a performance bonus of 10.9% of the basic wage in 2017 was paid to employees in April 2018. The bonus amount is 0.9% higher than was agreed in the collective agreements. In addition, for the year 2017, each employee was paid a one-off payment of EUR 250 for the good economic results of the SLOVNAFT Group.

The employees of SLOVNAFT Group are also offered a wide range of social benefits in monetary and non-monetary form. Last year the value of the fuel card increased to EUR 120, and Slovnaft provides this card twice a year, in June and December. Employees have a long-term interest in supplementary retirement savings and optional social contributions, and there is still the possibility of a meal plan from multiple food providers with minimum contribution of the employees.

Slovnaft has opened a new sports and relaxation complex called Slovnaft RELAX for employees and general public in September 2018. Each employee received a yearly credit of EUR 50 as well as discounts on selected services and activities not only for themselves but also for three other family members, in the amount of up to 50%. The Slovnaft RELAX complex offers a professionally equipped fitness center, wellness, massages and a four lane bowling alley all in one place. The modern premises were created through a reconstruction of a long-term unused building at Vlčie Hrdlo and required an investment in the amount of EUR 1.2 million.

EDUCATION AND STAFF DEVELOPMENT

Slovnaft supports the education of all employee groups on a long-term basis in accordance with the development needs of the Company and the MOL Group Strategy.

Leadership development was the key development programme in 2018. The 8th annual Masters Academy ended with 23 successful graduates. In 2018, a new programme focused on the development of managerial skills was set up for shift supervisors. The mini academy was attended by 45 employees. In the second half of the year, the new pilot programme for the past graduates of the Masters Academy was launched, where 17 participants in total refreshed their knowledge. Another special programme called Communication Solutions Of Crisis Situations was devoted to the managers of production units, who identified the need to further develop leadership capabilities within themselves and their deputies. The long-term SMART Masterclass programme, which began in the second half of 2018 and is scheduled until 2021, responds to that need. At the same time, long-term programmes aimed at developing the elements of coaching and mentoring in the leadership role of managers, were complemented by the concept of internal coaches and mentors in the company.

Following the criteria and the new remuneration system, and in connection with the Blue Collar Career Ladder programme, the Shift Leaders, Top Masters and Operations Management Officers underwent a training session entitled How to Provide Feedback. Feedback, which has been identified as one of the key areas for further development of human resources across MOL Group, and also in line with building a new corporate culture, has also been the subject of the Culture 2030 Seminar – Magic of Feedback for All Employees. These trainings were led by 14 internal lecturers from the staff. During 2018, they trained 163 employees.

Employees of Slovnaft and its subsidiaries had the opportunity to attend half-day inspirational meetings on various topics. Virtual courses with a wide and diverse range of themes and areas of development were also available for employees.

Company employees have the opportunity to also educate themselves in MOL Group programmes, such as Intensity (one-off courses in English), LEAD (long-term development programme for leaders), NEXT (programme focused on talents in Downstream), SEED MBA, Business Leadership Programme and Foundations of Management Programme (intensive programmes in leadership intended for managers and talented leaders). Employees that are not fluent in English are given opportunities to receive training in full compliance with the MOL Group standard – through localized Intensity courses.

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 a high potential for further professional and personal growth may attend the long-term SMART programme. In 2018, the programme continued in its second year with 22 participants. Moreover, in May 2018 the third year of the programme started, with a further 20 employees in attendance.

In 2018, Slovnaft successfully finalized the 11th year of the GROWWW programme intended for university graduates. The programme offers a unique chance to gain valuable work experience and professional development in the dynamic international environment of MOL Group. A total of 20 new colleagues gained valuable work experience and professional development. The 12th year of the programme is being attended by 33 university graduates.

In professional training, the setting up of development activities was being carried out as part of the Downstream Technical Career Ladder programme. The programme is a combination of technical lectures given by external and internal lecturers at group and local level.

The Generational Exchange Programme has helped 86 new colleagues with no specialized education in chemistry acquire the knowledge and skills needed for a qualified job performance as refinery manufacturing operators. Selected employees of Slovnaft have also completed the External Education Programme, which is carried out by internal lecturers. This programme is repeated in three-month intensive training cycles.

Slovnaft is continuing its cooperation with secondary schools and universities in arranging lectures, internships in the company, organizing excursions and providing consultations in respect of Bachelor's and Master's theses, supporting students of secondary vocational and industrial schools and their professional practice or the organization of excursions.

The third year of the programme for secondary school students – VEKTOR is now taking place with the aim of interlinking the technical education system with the long-term needs of our company. In the academic year 2018/2019, the programme involves altogether 28 students from two secondary vocational schools. The programme'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 another year of the scientific online competition for secondary school students, Junior Freshhh, in which 800 students took part. In 2018, cooperation with VW Dual Academy began with the goal of finding students of mechanical engineering to meet the needs of the SLOVNAFT Group.

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.

Slovnaft continued its support of ensuring communication in English through language training of its managers and specialists, including employees taking part in the Technical Carrier Ladder (TCL) Programme. The language training was attended by 177 company employees, 81 out of that within the TCL Programme.

DIVERSITY POLICY

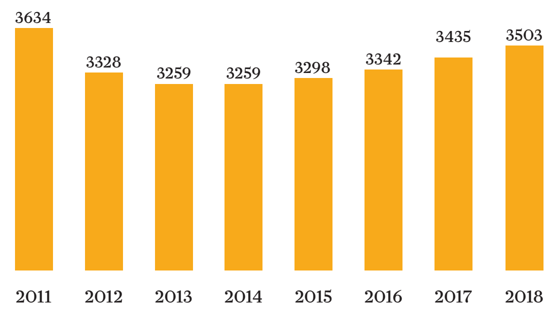
Of all of its 7 members, the Board of Directors of SLOVNAFT, a.s., includes one woman – Mrs Tímea Reicher, Head of Retail.

The Supervisory Board of the Company includes 6 members overall, two 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 was Mrs Zsuzsanna Éva Ortutay, representing the majority shareholder of the company.

The average age of women in the company bodies is 45 years.

Eight women and nineteen men served together in the company's top management in 2018. Women in those managerial positions managed the following units: Retail, Corporate Centre, Plan and Controlling, Corporate Services, Legal, Human Resources, Internal Audit and Information Technology Services.

Closing personnel headcount SLOVNAFT Group



PROMOTING ETHICAL PRINCIPLES

SLOVNAFT, a.s., and its subsidiaries naturally share the MOL Group commitment to act ethically and consider it as one of the key components of the Company's operation. The Group has committed itself to conduct business in a proper manner, in accordance with ethical conduct and compliance culture, by which achieved firm ethics bases

In order to meet the ever-increasing expectations of the business environment, a new Code of Ethics and Business Conduct was issued in 2017, including new topics such as sustainability, compliance with international business restrictions, anti-fraud, anti-money laundering and social media issues. The Code of Ethics and Business Conduct is binding for all employees and managers of MOL Group and is available on the Intranet, the Internet and was also published in printed form.

In line with the new Code of Ethics and Business Conduct, the new MOL Group Business Partner Code of Ethics was published on 1 January 2018, which is a summary of the MOL Group Code of Ethics and Business Conduct. It contains standards that we consider to be extremely important in our business relationships. We expect our business partners to comply with the requirements and rules set forth in this document, committing them to act according to the strictest standards of business ethics. The Business Partner Code of Ethics does not replace the Code of Ethics and Business Conduct, which we expect our business partners to get acquainted with. MOL Group Business Partners are required to ensure that any interested party (any person involved in the MOL Group's business or MOL Group business partner's activities, acting on behalf of MOL Group, such as employees, subcontractors, service providers, etc.) follow these expectations and their application. MOL Group requires its business partners to integrate, apply, and abide by these provisions across its entire chain of suppliers, subcontractors, service providers and business partners. The new Business Partner Code of Ethics, which is located on the Intranet and the website of SLOVNAFT, a.s., in Slovak and English language, is a mandatory part of the contracts concluded after 1 January 2018. In order to ensure awareness of the latest information, at the beginning of 2018 a presentation of the Company's main documents, which includes also the Code of Ethics and Business Conduct of MOL Group, was updated and serves to inform the new employees about the rules of SLOVNAFT, a.s. Subsequently, these employees undergo online training linked to the final test. Since July 2018, the updated document, Ethics Council Rules of Procedure is valid, which defines the roles and responsibilities of organizational units and individuals involved in processes designed to ensure ethical behaviour as prescribed by the MOL Code of Ethics and Business Conduct and the MOL Group Business Partner Code of Ethics . It further defines the rules applicable to the investigation of ethics and suspected non-compliance notifications as well as MOL Group Ethics Council, Group Ethics Officer and Local Ethics Officer. 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 the section Notes on Sustainability Performance – Ethics and Governance.

CORPORATE SOCIAL RESPONSIBILITY AND PUBLIC ACTIVITIES

KEY RESULTS / TOP ACHIEVEMENTS

- the highest-level football cup competition in Slovakia is called SLOVNAFT CUP
- 301 environmental projects were supported and implemented nationwide in cooperation with the Ekopolis Foundation in the 12th year of the Green Oases grant program
- through the New European Talents grant program, Slovnaft has been supporting bright young talent in science, arts and sports for eleven years
- project Even a Drop of Oil Counts experienced extraordinary growth in volume of cooking 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 2018, 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 850,000.

THE PROMOTION OF YOUNG TALENT

In 2018 Slovnaft, in cooperation with the Central European Foundation, another year of the New European Talents grant program concluded. Since 2007, the company has provided nearly EUR 720,000 in support of this program, thus contributing to talent development for 811 children with exceptional talents. Many of these talented people have successfully represented Slovakia in various international forums, contests, symposiums and performances. In 2018, Slovnaft supported 54 gifted children in the program with an amount of almost EUR 70,000.

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 exploit renewable energy.

In 2018, the 12th 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, 31 unique eco-areas were established in Slovakia. In its 12 years, 301 green areas, parks, nature trails, schoolyards and relaxation areas have been created, totalling EUR 690,000.

In 2018, the volume of used cooking oil collected in the Even a Drop of Oil Counts project rose by more than 75%. The project saw approximately 57 tons of cooking oil brought into our service stations, while in 2017 it was 33 tons. Last year the Company also added nine collection points involved in the project, to a total of 174. Used cooking oil becomes an environmental burden, when disposed of into sewage systems, but collecting and recycling it produces a biofuel component, which Slovnaft adds to its diesel fuel. Since the project was launched in 2011, Slovnaft has recycled a total of more than 122 tons of used cooking oil.

In 2018, Slovnaft supported 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. In its third year, 12 projects fostering and revitalizing the Danube River in Slovak territory were funded from the Danube Fund grant program in 2018. They involved the development of educational activities, boating and hiking along the banks of the river.

In the area of environmental education, awareness and education of children, youth and the general public, Slovnaft supported the Green Educational Fund set up by the Slovak Environmental Agency last year.

CULTURE

Slovnaft remained an important supporter of culture and cultural values in 2018. It continued its many years of partnership with Lúčnica, a Slovak folk ensemble, was a general partner of the international Art Film Fest held in Košice, and a partner of the very popular cultural wine festival in Strekov.

The cooperation with the Slovak Ministry of Culture in implementing the With Slovnaft to the Theatre project continued, too. This project is intended to enable primary school students in villages and smaller towns to attend theatre performances at district and regional theatres, 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 theatres in Slovakia. During the project has been running, Slovnaft has arranged the transportation of more than 37,000 children to theatres.

SPORT

As a general partner, Slovnaft also supported one of the most popular sports in Slovakia – football.

The highest-level football cup competition has been called the SLOVNAFT CUP for the eighth season running. Supporting the development of football in Slovakia, Slovnaft became the main partner of the KFC Komárno Football Club in 2018.

Early in 2018, Slovnaft sponsored the Slovak motorbike racer Štefan Svitko in the prestigious Dakar Rally. The most successful Slovak motorbike racer Štefan Svitko and his Slovnaft Rally Team were awarded the 20th Champion of Slovakia title in enduro and cross-country.

For the season 2018/2019, the company was the main partner of the top men's handball competition called Slovnaft Handball Extraliga and also the main partner of the top women's handball competition. Slovnaft also supports the Slovak national men's and women's handball teams as the general advertising partner.

In autumn, Slovnaft also returned to ice hockey, when the company became a partner of the top club ice hockey competition, called the Tipsport league, for the season 2018/2019.

PHILANTHROPY

In 2018, 138 employees of Slovnaft were involved in several corporate volunteer programs such as Our City, birdwatching and revitalisation of the Bird Island at Hrušovská zdrž on the Danube, helped the children's oncology department at Kramáre hospital, and organised Christmas charity markets at Slovnaft. Last year, employees also took part in voluntary blood donation at Slovnaft refinery.

In 2018, Slovnaft employees engaged 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 the employees have prepared an Olympics for children from children's homes and socially disadvantaged families, accompanied children from a socially disadvantaged environment on a ranch, where they enjoyed hippotherapy and various competitions, and helped immobile contestants to complete the race in European championships in orienteering.

A successful Christmas charity market was held in the run up to Christmas. Employees contributed with home-made products. It was possible to collect EUR 1800, which, at the employee's decision, was devoted to the civic association Children With Cancer.

CORPORATE SOCIAL RESPONSIBILITY AT SLOVNAFT'S PLACE OF BUSINESS BRATISLAVA

An example of meeting the needs of local communities is the new Good Neighbours grant program that Slovnaft launched in the autumn of last year. Its aim is to support the cooperation of active citizens, to maintain and develop good neighbourly relations in the urban areas around the refinery and in adjacent municipalities. Through the programme, there is a space for supporting projects contributed to social, cultural and community development, including the ones cooperating with municipalities, school facilities and citizens associations on local level.

FINANCIAL STATEMENTS

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

for the period ended 31 December 2018

Building a better working world

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Independent Auditor's Report

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

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 2018, 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 2018, 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.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

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Revenue recognition

The Group's net revenue for 2018 amounted to EUR 3,886 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 2018 and agreed the amounts to the Group's accounting records.

We also assessed the adequacy of the Group's disclosures to the consolidated financial statements in respect of the accounting policies on revenue recognition set out in note 3 Net revenue 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 2018, 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 quoted prices of crude oil and refinery products. When evaluating the net realizable value of inventories in accordance with IAS 2, the Group takes 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 2018 and assessed whether positive sales margins were achieved. In a similar way we also tested whether the semi-finished goods and materials were valued at lower of cost and net realizable value of goods, which were produced or will be produced from these items (cost of finalization was considered in our test).

We also assessed the adequacy of the Group's disclosures to the consolidated financial statements in respect of the accounting policies on inventories set out in note 14 Inventories 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.

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 2018 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 13 July 2018 based on our approval by the General Meeting of Shareholders of the Company on 5 April 2018. 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 15 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 21 February 2019.

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 2019
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 2018

Bratislava, 1 March 2019

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 2018, the Group had 3,503 employees (31 December 2017: 3,435). Average calculated number of employees as at 31 December 2018 was 3,477 (31 December 2017: 3,390), 155 of which were management (31 December 2017: 142 managers).

AUTHORIZATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 28 February 2019.

The consolidated financial statements of the Company for the previous period were approved by the Annual General Meeting of the Company held on 5 April 2018.

These consolidated 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 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 2018

in € thousands	Notes	2018	2017
Net revenue	3	3,885,657	3,417,078
Other operating income	4	43,582	4,966
Total operating income		**3,929,239**	**3,422,044**
Raw materials and consumables used		(3,226,045)	(2,707,659)
Personnel expenses	5	(143,000)	(138,757)
Depreciation, depletion, amortization and impairment	2	(145,912)	(140,331)
Value of services used	6	(168,128)	(132,701)
Other operating expenses	7	(143,796)	(130,070)
Change in inventories of finished goods and work in progress		26,788	3,870
Work performed by the enterprise and capitalized		4,514	9,903
Total operating expenses		**(3,795,579)**	**(3,235,745)**
Profit/(loss) from operations	**2**	**133,660**	**186,299**
Finance revenues	8	1,651	24,620
Finance expenses	8	(15,450)	(8,844)
Finance revenues/(expenses), net		**(13,799)**	**15,776**
Income from associates	9	10,699	10,709
Profit/(loss) before tax		**130,560**	**212,784**
Income tax expense	10	(28,416)	(44,135)
Profit/(loss) for the period		**102,144**	**168,649**
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit pension plans	20	(2,360)	(1,348)
Share of actuarial gains/(losses) on defined benefit pension plans of associates after tax		(24)	-
Income tax relating to items that will not be reclassified to profit/(loss)	10	496	283
Total items that will not be reclassified to profit/(loss)		**(1,888)**	**(1,065)**
Exchange differences on translating foreign operations		(2,749)	4,738
Income tax relating to items that may be reclassified subsequently to profit/(loss)	10	-	-
Total items that may be reclassified subsequently to profit/(loss)		**(2,749)**	**4,738**
Other comprehensive income for the period		**(4,637)**	**3,673**
Total comprehensive income for the period		**97,507**	**172,322**
Profit/(loss) attributable to:			
Equity holders of the parent	25	102,247	168,876
Non-controlling interests	12	(103)	(227)
Total comprehensive income attributable to:			
Equity holders of the parent		97,613	172,550
Non-controlling interests		(106)	(228)
Basic/diluted earnings per share attributable to ordinary equity holders of the parent (€)	**25**	**4.96**	**8.19**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

in € thousands	Notes	2018	2017
ASSETS			
Non-current assets			
Intangible assets	11.1	21,815	22,578
Property, plant and equipment	11.2	1,412,938	1,423,367
Investments in associated companies	9	85,971	79,389
Financial assets measured at fair value through other comprehensive income		2,428	95
Deferred tax assets	10	2,517	2,271
Other non-current assets	13	48,717	57,262
Total non-current assets		**1,574,386**	**1,584,962**
Current assets			
Inventories	14	301,243	270,603
Trade receivables	15	345,081	344,823
Income tax receivable		3,925	5,795
Other current assets	16	55,623	57,404
Cash and cash equivalents	17	55,793	163,680
Total current assets		**761,665**	**842,305**
TOTAL ASSETS		**2,336,051**	**2,427,267**
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	800,877	834,654
Other components of equity	18.3	(11,817)	(9,068)
Equity attributable to equity holders of the parent		**1,594,937**	**1,631,463**
Non-controlling interests	12	514	620
Total equity		**1,595,451**	**1,632,083**
Non-current liabilities			
Long-term debt, net of current portion	19.1	5,441	17,714
Provisions	20	60,923	57,670
Deferred tax liabilities	10	72,706	66,287
Other non-current liabilities	21	15,037	18,801
Total non-current liabilities		**154,107**	**160,472**
Current liabilities			
Trade payables and other current liabilities	22	547,880	598,551
Provisions	20	20,794	12,720
Short-term debt	19.2	17,216	19,671
Current portion of long-term debt	19.1	598	3,506
Income tax payable		5	264
Total current liabilities		**586,493**	**634,712**
TOTAL EQUITY AND LIABILITIES		**2,336,051**	**2,427,267**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

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 2017	**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	-	-	-	3,674	**3,674**	(1)	**3,673**
Total comprehensive income for the period	**-**	**-**	**168,876**	**3,674**	**172,550**	**(228)**	**172,322**
Dividends to equity holders of the parent	-	-	(82,501)	-	**(82,501)**	-	**(82,501)**
Reclassification of actuarial gains / (losses) from defined benefit pension plans	-	-	(1,064)	1,064	**-**	-	**-**
Other changes	-	-	(13)	-	**(13)**	-	**(13)**
31 December 2017	**684,758**	**121,119**	**834,654**	**(9,068)**	**1,631,463**	**620**	**1,632,083**
Changes in accounting policy	-	-	(75)	-	**(75)**	-	**(75)**
Adjusted as at 1 January 2018	**684,758**	**121 119**	**834,579**	**(9,068)**	**1,631,388**	**620**	**1,632,008**
Profit/(loss) for the period	-	-	102,247	-	**102,247**	(103)	**102,144**
Other comprehensive income for the period	-	-	-	(4,634)	**(4,634)**	(3)	**(4,637)**
Total comprehensive income for the period	**-**	**-**	**102,247**	**(4,634)**	**97,613**	**(106)**	**97,507**
Dividends to equity holders of the parent	-	-	(134,064)	-	**(134,064)**	-	**(134,064)**
Reclassification of actuarial gains / (losses) from defined benefit pension plans	-	-	(1,885)	1,885	**-**	-	**-**
31 December 2018	**684,758**	**121,119**	**800,877**	**(11,817)**	**1,594,937**	**514**	**1,595,451**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

in € thousands	Notes	2018	2017
Profit/(loss) before tax		130,560	212,784
Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities			
Depreciation, depletion, amortization and impairment	2	145,912	140,331
Amortization of government grants	4	(3,074)	(586)
Write-down/(reversal of write-down) of inventories, net		8,660	(2,500)
Increase/(decrease) in provisions, net		8,967	6,475
(Profit)/loss from the sale of intangible assets and property, plant and equipment	4	(6,794)	(452)
Write-off of receivables and addition/(reversal) of impairment, net		(1,960)	428
Write-off of liabilities		-	(42)
Net foreign exchange (gain)/loss on receivables and payables	8	13,375	(23,087)
(Profit)/loss from the sale of subsidiaries	4	(6,913)	-
Interest revenue	8	(261)	(238)
Interest expense on borrowings	8	531	1,472
Net foreign exchange (gain)/loss on borrowings	8	-	(1,275)
Net foreign exchange loss on cash and cash equivalents	8	(790)	1,214
Other finance (profit)/loss, net		(269)	4,811
Share of (profit)/loss of associates	9	(10,699)	(10,709)
Dividends received	8	(8)	(17)
Book value of surrendered emission quotas		6,784	3,705
Revaluation of emission quotas	4,7	(3,852)	791
Other non-cash items		1,110	1,875
Operating cash flow before changes in working capital		**281,279**	**334,980**
(Increase)/decrease in inventories		(39,774)	(12,107)
(Increase)/decrease in trade receivables		(3,482)	(24,832)
(Increase)/decrease in other assets		13,203	(22,169)
Increase/(decrease) in trade payables		(68,259)	147,614
Increase/(decrease) in other liabilities		(11,285)	3,075
Corporate income tax paid		(19,780)	(23,931)
Net cash provided by/(used in) operating activities		**151,902**	**402,630**
Payments for intangible assets and property, plant and equipment		(134,044)	(127,209)
Proceeds from disposal of intangible assets and property, plant and equipment		7,083	475
Net proceeds from sale of subsidiary undertakings		15,324	-
Short-term loans (granted)/repaid, net		-	300
Interest received		230	168
Other finance income		1	2
Dividends received		2,486	5,267
Net cash provided by/(used in) investing activities		**(108,920)**	**(120,997)**
Repayments of long-term bank borrowings	19.3	(14,706)	(2,941)
Repayments of long-term non-bank borrowings	19.3	(533)	(135,280)
Proceeds/(payments) from derivative transactions, net		292	(3,160)
Proceeds from/(repayment of) short-term non-bank borrowings, net	19.3	(6,045)	7,686
Proceeds from/(repayments of) short-term bank borrowings, net	19.3	4,000	6,000
Interest paid		(556)	(2,696)
Other finance costs		(289)	(510)
Dividends paid to shareholders		(133,655)	(82,366)
Net cash provided by/(used in) financing activities		**(151,492)**	**(213,267)**
Increase/(decrease) in cash and cash equivalents		**(108,510)**	**68,366**
Cash and cash equivalents at the beginning of the period	17	163,680	97,122
Effects of exchange rate changes		622	(1,808)
Cash and cash equivalents at the end of the period	17	55,792	163,680

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

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 assum-ptions 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.

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 2017.

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

- IFRS 2 Shared-based Payment – Amendments to clarify the classification and measurement of share-based payment transactions
- IFRS 4 Insurance Contracts – Amendments regarding interaction of IFRS 4 and IFRS 9
- IFRS 7 Financial Instruments: Disclosures - Amendment requiring disclosures about initial application of IFRS 9
- IFRS 7 Financial Instruments: Disclosures - Amendment requiring additional hedge accounting disclo-sures related to application of IFRS 9
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 15 Revenue from Contracts with Customers
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment defines exceptions to application of IFRS 9 for hedge accounting
- IAS 40 Investment Property – Amendments to clarify transfers of property to, or from investment property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs (issued in December 2016 with effective date 1 January 2018)

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 had 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 to be applied 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. Application of the standard did not have material impact on the financial statements of the Group.

Application of other standards and interpretations did not have any impact on the financial statements of the Group.

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 3 Business Combinations – Amendment to clarify the definition of a business (effective for annual periods beginning on or after 1 January 2020, this amendment has not been approved by EU yet)
- 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)
- 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 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 1 Presentation of Financial Statements – Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020, this standard has not been approved by EU yet)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020, 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)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
- 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 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. 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	70,211
Decrease of other current assets	(151)
Increase of long-term debt	(70,060)
Net impact on equity	-

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 period-end 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 Servi-ces.

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

2018 *in € thousands*	Refining and Marketing	Retail	Other segments	Intersegment transfers	Total
Revenues from external customers	3,192,164	679,128	14,365	-	3,885,657
Inter-segment revenues	470,046	2,913	139,547	(612,506)	-
Segment revenues	**3,662,210**	**682,041**	**153,912**	**(612,506)**	**3,885,657**
Profit/(loss) from operations	**107,794**	**53,702**	**(28,766)**	**930**	**133,660**
Other information:					
Income from associates	-	-	10,699	-	10,699
Additions to non-current assets *	124,730	24,229	6,670	-	155,629
Depreciation, depletion, amortization and impairment	(123,221)	(15,831)	(7,796)	936	(145,912)
out of it: (impairment losses)/ reversal of impairment losses, net	*(2,184)*	*(3)*	*194*	*-*	*(1,993)*
Other non-cash revenues/(expenses), net	(7,799)	(392)	(1,300)	(8)	(9,499)

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)

** 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.

2018 *in € thousands*	Refining and Marketing	Retail	Other segments	Intersegment transfers	Not allocated items	Total
ASSETS						
Non-current assets						
Intangible assets	16,544	272	4,999	-	-	21,815
Property, plant and equipment	1,128,551	208,181	78,289	(2,083)	-	1,412,938
Investments in associated companies	-	-	85,971	-	-	85,971
Financial assets measured at fair value through other comprehensive income	-	-	2,428	-	-	2,428
Deferred tax asset	-	-	-	-	2,517	2,517
Other non-current assets	47,759	-	958	-	-	48,717
Total non-current assets	**1,192,854**	**208,453**	**172,645**	**(2,083)**	**2,517**	**1,574,386**
Current assets						
Inventories	258,531	8,121	34,598	(7)	-	301,243
Trade receivables	335,938	3,478	44,720	(39,055)	-	345,081
Income tax receivable	-	-	-	-	3,925	3,925
Other current assets	2,965	1,008	7,596	-	44,054	55,623
Cash and cash equivalents	-	-	-	-	55,793	55,793
Total current assets	**597,434**	**12,607**	**86,914**	**(39,062)**	**103,772**	**761,665**
TOTAL ASSETS	**1,790,288**	**221,060**	**259,559**	**(41,145)**	**106,289**	**2,336,051**
LIABILITIES						
Non-current liabilities						
Long-term debt, net of current portion	-	-	-	-	5,441	5,441
Provisions	41,770	31	19,122	-	-	60,923
Deferred tax liabilities	-	-	-	-	72,706	72,706
Other non-current liabilities	13,565	132	1,542	(202)	-	15,037
Total non-current liabilities	**55,335**	**163**	**20,664**	**(202)**	**78,147**	**154,107**
Current liabilities						
Trade payables and other current liabilities	405,333	35,827	66,911	(38,986)	78,795	547,880
Provisions	19,116	-	1,678	-	-	20,794
Short-term debt	-	-	-	-	17,216	17,216
Current portion of long-term debt	-	-	-	-	598	598
Income tax payable	-	-	-	-	5	5
Total current liabilities	**424,449**	**35,827**	**68,589**	**(38,986)**	**96,614**	**586,493**
TOTAL LIABILITIES	**479,784**	**35,990**	**89,253**	**(39,188)**	**174,761**	**740,600**

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
Financial assets measured at fair value through other comprehensive income	-	-	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**

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.

Non-current assets by geographical areas

in € thousands	2018	2017
Slovak Republic	1,442,724	1,454,798
The Netherlands (Note 9)	79,453	73,561
Poland	47,048	53,919
Total	**1,569,225**	**1,582,278**

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

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

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	2018	2017
Motor diesel	1,852,376	1,609,712
Motor gasoline	866,524	791,435
Other refined products	435,511	388,771
Plastics	544,337	508,821
Other petrochemical products	4,294	59
Services	49,192	61,865
Other	133,423	56,415
Total	**3,885,657**	**3,417,078**

Sales by geographical areas

in € thousands	2018	2017
Slovak Republic	1,507,907	1,236,153
Czech Republic	829,067	735,613
Austria	408,082	386,430
Hungary	339,402	378,590
Poland	363,604	272,262
Germany	188,223	166,780
Italy	71,359	57,248
Croatia	27,490	30,680
Romania	42,061	30,530
The Netherlands	24,988	25,100
Serbia	16,504	22,581
Other	66,970	75,111
Total	**3,885,657**	**3,417,078**

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 €1,483,334 thousand which represents 38.2% of the total net revenue in 2018 (2017: €1,432,877 thousand, 41.9%). 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	2018	2017
Penalties and late payment interest	14,774	1,217
Profit from the sale of subsidiaries	6,913	-
Profit from the sale of intangible assets and property, plant and equipment	6,794	452
Gain from emission quotas revaluation	3,852	-
Net gain from non-hedge commodity derivatives	3,631	-
Amortization of government grants	3,074	586
Government grants for compensation of expenses	1,961	1,755
Compensation for damages	505	162
Compensation of the cost of economic mobilization	432	392
Other	1,646	402
Total other operating income	**43,582**	**4,966**

5 PERSONNEL EXPENSES

in € thousands	2018	2017
Wages and salaries	93,776	89,129
Social and health insurance	35,342	33,929
Other personnel expenses	12,758	10,835
Provision for retirement and jubilee benefits (Note 20)	1,141	3,486
Expenses of share-based payments	(17)	1,378
Total personnel expenses	**143,000**	**138,757**

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.

Revenues arising from the Performance Share Plan program amounted to €196 thousand in 2018 (2017: expenses €619 thousand). Liabilities in respect of the Performance Share Plan program amounted to €292 thousand as at 31 December 2018 (31 December 2017: €929 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:

	2018		2017	
	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	288,968	6.12	295,616	5.74
Granted during the period	164,893	9.26	105,600	7.45
Forfeited during the period	(88,333)	8.63	(800)	5.38
Exercised during the period	(60,000)	5.61	(111,448)	6.44
Expired during the period	-	-	-	-
Outstanding at the end of the period	**305,528**	**6.98**	**288,968**	**6.12**
Exercisable at the end of the period	132,168	4.95	104,168	5.32

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 €179 thousand in 2018 (2017: expenses €759 thousand). Liabilities in respect of the share-based payment plans amounted to €961 thousand as at 31 December 2018 (31 December 2017: €1,048 thousand), recorded in other non-current liabilities and other current liabilities. The intrinsic value of the exercisable option rights amounted to €611 thousand as at 31 December 2018 (31 December 2017: €455 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:

	2018	2017
Weighted average exercise price per share (€)	6.98	6.12
Weighted average share price at the date of exercise for share options exercised during the period (€)	9.60	9.41
Spot share price (€)	9.57	9.69
Expected volatility based on historical data (%)	22.70	22.40
Expected dividend yield (%)	3.32	2.93
Expected life (years)	2.12	2.46
Risk free interest rate for HUF (%)	1.18	0.56

6 VALUE OF SERVICES USED

in € thousands	2018	2017
Transportation and storage expenses	64,660	52,862
Maintenance expenses	41,555	30,890
Commission fees paid	37,695	23,929
Services related to administration	10,340	11,646
Fire protection expenses	4,619	5,219
Other	9,259	8,155
Total value of services used	**168,128**	**132,701**

7 OTHER OPERATING EXPENSES

in € thousands	2018	2017
Fees for ensuring the maintenance of emergency stocks of crude oil and oil products	55,903	53,801
Rental expenses	19,579	15,853
Provision for greenhouse gas emissions	14,597	5,123
Technology expert fees	8,401	6,868
Taxes, duties and fees	6,089	8,271
Accounting, advisory and similar services fees	5,794	4,871
Marketing costs	5,562	4,462
Cleaning costs and waste disposal	5,035	5,202
Security expenses	4,496	4,787
Environmental provision (Note 20)	4,469	5,043
Insurance premium	3,642	3,740
Cost of procurement of nitrogen	2,796	2,694
Fees paid to financial institutions	2,519	1,896
Training expenses	1,511	1,348
Provision for doubtful receivables, write-off of receivables, net	1,276	428
Gifts	425	455
Fines, penalties, damages and compensations for damages	385	54
Provision for long-term inventories, net	(3,236)	(3,379)
Net loss from non-hedge commodity derivatives	-	991
(Gain)/loss from revaluation of emission quotas	-	791
Provision for litigation	-	324
Other	4,553	6,447
Total other operating expenses	**143,796**	**130,070**

The expenses for services provided by auditors were as follows:

in € thousands	2018	2017
Audit of the financial statements	188	213
Other assurance services	32	34
Total	**220**	**247**

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	2018	2017
Net foreign exchange gain on cash and cash equivalents	790	-
Net gain from derivatives	592	-
Interest revenue	261	238
Dividends	8	17
Net foreign exchange gain on receivables and payables	-	23,087
Net foreign exchange gain on borrowings	-	1,275
Other	-	3
Total finance revenues	**1,651**	**24,620**
Net foreign exchange loss on receivables and payables	(13,375)	-
Interest expense on provisions (Note 20)	(1,221)	(1,344)
Interest expense on borrowings	(531)	(1,472)
Fee for early repayment of the loan	(199)	(433)
Fees related to loan received	(118)	(935)
Net loss from derivatives	-	(3,433)
Net foreign exchange loss on cash and cash equivalents	-	(1,214)
Other	(6)	(13)
Total finance expenses	**(15,450)**	**(8,844)**
Finance revenues/(expenses), net	**(13,799)**	**15,776**

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 2018 %	Ownership 2017 %	Net book value 2018 € thousands	Net book value 2017 € thousands
Messer Slovnaft s.r.o.	Slovakia	Production of technical gases	49.00	49.00	2,353	2,357
MOL CZ Downstream Investment B.V.	The Netherlands	Financial services	45.00	45.00	79,453	73,561
MEROCO, a.s.	Slovakia	Production and sale of biofuels	25.00	25.00	4,165	3,471
Total investments in associated companies					**85,971**	**79,389**

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. 2018	Messer Slovnaft s.r.o. 2017	MOL CZ Downstream Investment B.V. group 2018	MOL CZ Downstream Investment B.V. group 2017	MEROCO, a.s. 2018	MEROCO, a.s. 2017
Non-current assets	4,139	4,566	249,206	236,074	21,715	24,063
Current assets	1,634	1,232	190,746	201,131	26,022	24,419
Total assets	**5,773**	**5,798**	**439,952**	**437,205**	**47,737**	**48,482**
Non-current liabilities	389	270	9,560	10,421	216	209
Current liabilities	582	718	276,450	285,935	30,859	34,389
Total liabilities	**971**	**988**	**286,010**	**296,356**	**31,075**	**34,598**
Net assets	**4,802**	**4,810**	**153,942**	**140,849**	**16,662**	**13,884**
Share of net assets of associate	2,353	2,357	69,274	63,382	4,165	3,471

in € thousands	Messer Slovnaft s.r.o. 2018	Messer Slovnaft s.r.o. 2017	MOL CZ Downstream Investment B.V. group 2018	MOL CZ Downstream Investment B.V. group 2017	MEROCO, a.s. 2018	MEROCO, a.s. 2017
Operating income	5,065	4,812	1,231,515	1,051,462	106,917	122,525
Operating expenses	(4,482)	(4,252)	(1,202,269)	(1,031,977)	(103,011)	(117,829)
Finance revenues/(expenses), net	-	(16)	(1,953)	(475)	(390)	(431)
Income tax expense	(113)	(115)	(5,617)	2,396	(738)	(878)
Profit/(loss) for the period	**470**	**429**	**21,676**	**21,406**	**2,778**	**3,387**
Other comprehensive income	(49)	-	-	-	-	-
Total comprehensive income	**421**	**429**	**21,676**	**21,406**	**2,778**	**3,387**
Share of profit/(loss) for the period of associate	249	229	9,756	9,633	694	847
Share of total comprehen-sive income of associate	225	229	9,756	9,633	694	847
Dividends received	228	187	2,250	5,062	-	825

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 €2,517 thousand and €2,271 thousand at 31 December 2018 and 31 December 2017, respectively.

Total applicable income taxes reported in these consolidated financial statements in 2018 and 2017 include the following components:

in € thousands	2018	2017
Current corporate income tax	21,561	26,757
Deferred corporate income tax	6,855	17,378
Total income tax expense	**28,416**	**44,135**

The applicable average corporate income tax rate on the taxable income of the companies of the Group was 21% during 2018 (2017: 21%). 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 2018 and 2017 and movements in 2018 and 2017 were as follows:

in € thousands	1 January 2018	Recognized in profit/ (loss)	Recognized in other compre-hen-sive income	Divestment of subsidiary (Note 12)	Exchange differences	31 December 2018
Property, plant and equipment	(91,774)	(3,712)	-	188	-	(95,298)
Provisions	13,648	218	496	(13)	-	14,349
Tax losses carried forward	5,099	(4,988)	-	-	-	111
Other	9,011	1,627	-	18	(7)	10,649
Total	**(64,016)**	**(6,855)**	**496**	**193**	**(7)**	**(70,189)**

in € thousands	1 January 2017	Recognized in profit/ (loss)	Recognized in other compre-hen-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)**

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

in € thousands	2018	2017
Deferred tax assets	2,517	2,271
Deferred tax liabilities	(72,706)	(66,287)
Net deferred tax liability	**(70,189)**	**(64,016)**

In 2018 the Group utilized the cumulative tax losses in the amount of €23,754 thousand (2017: €41,176 thousand).

The Group has recognized deferred tax assets in the amount of €111 thousand as at 31 December 2018 (31 December 2017: €5,099 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 in 2019.

The Group has not recognized deferred tax assets in the amount of €68 thousand as at 31 December 2018 (31 December 2017: €92 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	2018	2017
Profit/(loss) before tax	130,560	212,784
Tax at the applicable tax rate 21% (2017: 21%)	27,418	44,685
Permanent differences	1,153	(748)
Adjustments in respect of current income tax of previous periods	(176)	106
Effect of tax losses of the current period for which deferred tax assets were not recognized	21	92
Total income tax expense	**28,416**	**44,135**
Effective tax rate (%)	**21.76**	**20.74**

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.

in € thousands	Emission rights	Rights and software	Total
Cost			
1 January 2017	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**
Additions	3,048	5,040	8,088
Revaluation	3,852	-	3,852
Disposals	(6,784)	(4,407)	(11,191)
Transfers	-	52	52
Exchange differences	-	(38)	(38)
31 December 2018	**119**	**101,819**	**101,938**
Amortization and impairment			
1 January 2017	-	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**
Amortization	-	2,870	2,870
Impairment	-	6	6
Disposals	-	(1,313)	(1,313)
Exchange differences	-	(37)	(37)
31 December 2018	**-**	**80,123**	**80,123**
Net book value			
31 December 2018	119	21,696	21,815
31 December 2017	3	22,575	22,578
1 January 2017	461	19,891	20,352

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.

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 2017	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**
Additions	-	-	-	147,019	147,019
Put to use	27,892	54,740	12,005	(94,637)	-
Disposals	(19,906)	(50,521)	(6,114)	(1,048)	(77,589)
Transfers	988	(1,370)	382	(52)	(52)
Exchange differences	(2)	(4)	(1)	-	(7)
31 December 2018	**1,328,983**	**2,088,615**	**94,352**	**105,685**	**3,617,635**
Depreciation and impairment					
1 January 2017	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**
Depreciation	40,235	91,402	8,664	-	140,301
Impairment	-	3	3	2,175	2,181
Reversal of impairment	(194)	-	-	-	(194)
Disposals	(12,321)	(44,171)	(5,820)	(170)	(62,482)
Transfers	638	(893)	255	-	-
Exchange differences	(2)	(3)	(1)	-	(6)
31 December 2018	**610,798**	**1,517,881**	**72,359**	**3,659**	**2,204,697**
Net book value					
31 December 2018	718,185	570,734	21,993	102,026	1,412,938
31 December 2017	737,569	614,227	18,822	52,749	1,423,367
1 January 2017	746,243	615,256	16,890	67,958	1,446,347

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 2018 and 2017 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 0.88% (2017: 0.57%).

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 €9,268 thousand (31 December 2017: €12,052 thousand) financed from the government grants (Note 21). Part of these assets with the carrying value of €2,004 thousand (31 December 2017: €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.

In 2018, the Group acquired property, plant and equipment financed by government grants in the amount of €30 thousand (2017: €0 thousand).

Insurance

Property, plant and equipment is insured in the amount of €5,647,854 thousand. The insurance covers all risks of direct material losses or damages, including machinery and equipment failure. In 2018 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 €505 thousand (2017: €162 thousand).

11.3 Leased assets

Accounting policies

The determination whether an arrangement contains or is a lease depends on the substance of the arrange-ment 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 2018					
Cost	65	1,208	6,813	349	8,435
Accumulated depreciation and impairment	(16)	(262)	(2,729)	(81)	(3,088)
Net book value	**49**	**946**	**4,084**	**268**	**5,347**
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**

Additions during the year 2018 include €0 thousand (2017: €65 thousand) of intangible assets and €31 thousand (2017: €318 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 2018 and in following years:

in € thousands	2018	2019	2020	2021	2022	Po 2022
Depreciation, depletion, amortization and impairment	(1,581)	(1,514)	(104)	212	412	2,575

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 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 Group has recorded of impairment of intangible assets and property, plant and equipment of €1,993 thousand in 2018 (2017: revenue from reversal of impairment €1,044 thousand) (Note 11.1 and 11.2).

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 liabili-ties (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 opera-tion 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 2018 %	Ownership 2017 %
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
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
Slovnaft Mobility Services, s. r. o.	Slovakia	Advertising and marketing services	100.00	-
Zväz pre skladovanie zásob, a.s.	Slovakia	Storage	-	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.

On 1 January 2018 the Company merged with its 100% subsidiary CM European Power Slovakia, s. r. o.

Sale of controlling interest in Zväz pre skladovanie zásob, a.s.

In May 2018, the Company sold of 90% of shares of its subsidiary Zväz pre skladovanie zásob, a.s. to MOL, Nyrt. The Group ceased to consolidate Zväz pre skladovanie zásob, a.s. at 31 May 2018. The retained 10% participation interest in the company was revalued to fair value and classified as Financial asset measured at fair value through other comprehensive income.

Assets and liabilities of Zväz pre skladovanie zásob, a.s. over which the Group lost control:

in € thousands	
Intangible assets	9
Property, plant and equipment	11,084
Trade receivables	1,594
Other current assets	55
Cash and cash equivalents	5,676
Total assets	**18,418**
Deferred tax liabilities	193
Trade payables and other current liabilities	1,627
Income tax payable	178
Total liabilities	**1,998**
Total net assets	**16,420**

Profit from sale of controlling interest in Zväz pre skladovanie zásob, a.s.:

in € thousands	
Sales proceeds	21,000
Net assets over which control was lost	(16,420)
Revaluation of retained 10% participation interest to fair value	2,333
Net profit from sale	**6,913**

Cash flow from sale of controlling interest in Zväz pre skladovanie zásob, a.s.:

in € thousands	
Sales proceeds	21,000
less: Cash and cash equivalents over which control was lost	(5,676)
Net cash flow from sale	**15,324**

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 %	2018	2017
SWS spol. s r.o.	48.85	48.85

The non-controlling interests' balances as at 31 December 2018 and 2017 and movements in 2018 and 2017 were as follows:

in € thousands	SWS spol. s r.o.
1 January 2017	848
Profit/(loss) allocated to non-controlling interests	(227)
Other comprehensive income allocated to non-controlling interests	(1)
31 December 2017	**620**
Profit/(loss) allocated to non-controlling interests	(103)
Other comprehensive income allocated to non-controlling interests	(3)
31 December 2018	**514**

13 OTHER NON-CURRENT ASSETS

in € thousands	2018	2017
Other non-current financial assets		
Long-term financial collaterals granted	216	318
Total other non-current financial assets	**216**	**318**
Other non-current non-financial assets		
Long-term inventories	46,977	53,867
Advance payments for assets under construction	1,513	3,077
Other	11	-
Total other non-current non-financial assets	**48,501**	**56,944**
Total other non-current assets	**48,717**	**57,262**

in € thousands	2018	2017
Other non-current financial assets	216	318
Provision to other non-current financial assets	-	-
Total other non-current financial assets	**216**	**318**

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 2018 these amounted to 70,281 m3 of liquid fuels with the carrying value of €46,977 thousand (31 December 2017: 85,586 m3, €53,867 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 2018	Book value 2018	Cost 2017	Book value 2017
Raw materials	50,143	48,021	52,039	50,385
Purchased crude oil	50,402	50,402	47,178	47,178
Work in progress and semi-finished goods	105,809	104,627	96,512	96,512
Finished goods	92,273	87,323	68,854	68,657
Goods for resale	10,920	10,870	7,876	7,871
Total inventories	**309,547**	**301,243**	**272,459**	**270,603**

Movements in the provision for inventories were as follows:

in € thousands	2018	2017
At the beginning of the period	**1,856**	**1,836**
Additions	11,263	7,934
Reversal	(80)	(74)
Use	(4,735)	(7,840)
At the end of the period	**8,304**	**1,856**

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	2018	2017
Trade receivables	350,043	349,082
Provision for doubtful trade receivables	(4,962)	(4,259)
Total trade receivables	**345,081**	**344,823**

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	2018	2017
At the beginning of the period	**4,259**	**5,978**
Changes in accounting policy (Note 1.4)	75	-
At the beginning of the period restated	**4,334**	**5,978**
Additions	2,114	1,698
Reversal	(1,030)	(525)
Amounts written off	(454)	(2,837)
Currency differences	(2)	(55)
At the end of the period	**4,962**	**4,259**

The Group did not have any impairment booked to receivables to related parties as at 31 December 2018 and 2017, neither booked any impairment to receivables to related parties during 2018 and 2017.

16 OTHER CURRENT ASSETS

in € thousands	2018	2017
Other current financial assets		
Current portion of long-term loans granted	2,172	2,142
Receivables from dividends	825	825
Financial collaterals granted	356	312
Collateral granted regarding derivative transactions	300	2,500
Receivables from matured unsettled derivative transactions	-	162
Other	272	396
Total other current financial assets	**3,925**	**6,337**
Financial assets measured at fair value through profit or loss - derivatives	**5,253**	**121**
Other current non-financial assets		
Receivables from VAT, duties and other taxes	35,721	37,410
Receivables from excise taxes	6,160	7,189
Advances	3,457	4,545
Prepaid expenses	1,013	1,714
Other	94	88
Total other current non-financial assets	**46,445**	**50,946**
Total other current assets	**55,623**	**57,404**

Current portion of the long-term loan in amount of €2,172 thousand (31 December 2017: €2,142 thousand) represents loan provided to the associated company MEROCO, a.s. for financing its working capital with the weighted average interest rate of 0.85% (31 December 2017: 1.99%) and the maturity in 2019.

in € thousands	2018	2017
Other current financial assets	3,926	6,337
Provision to other current financial assets	(1)	(1)
Total other current financial assets	**3,925**	**6,336**

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

in € thousands	2018	2017
At the beginning of the period	**1**	**2**
Amounts written off	-	(1)
At the end of the period	**1**	**1**

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.

2018 *in € thousands*	EUR	PLN	USD	CZK	Other	Total
Cash at bank	25,278	4,245	1,691	6,613	-	37,827
Short-term bank deposits	5,328	2,623	-	-	-	7,951
Cash on hand	9,928	-	-	1	-	9,929
Other cash equivalents	86	-	-	-	-	86
Total cash and cash equivalents	**40,620**	**6,868**	**1,691**	**6,614**	**-**	**55,793**

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**

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

in € thousands	2018	2017	2016
Cash at bank	37,827	37,103	24,466
Short-term bank deposits	7,951	114,175	69,988
Cash on hand	9,929	12,368	3,173
Other cash equivalents	86	34	45
Overdrafts	(1)	-	(550)
Total cash and cash equivalents	**55,792**	**163,680**	**97,122**

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 financial assets measured at fair value through other comprehensive income.

18.1 Share capital

The Company's authorized share capital is 20,625,229 ordinary shares (31 December 2017: 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:

	2018 *€ thousands*	2018 *%*	2017 *€ thousands*	2017 *%*
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 2017: €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 €357,210 thousand as at 31 December 2018 (31 December 2017: €344,485 thousand).

Dividends

The dividends approved by the shareholders at the Annual General Meeting on 5 April 2018 were €134,064 thousand, equivalent to €6.50 per share. Dividends were paid out from retained earnings.

18.3 Other components of equity

in € thousands	2018	2017
Exchange differences on translating foreign operations	(11,817)	(9,068)
Other components of equity	**(11,817)**	**(9,068)**

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

in € thousands	2018	2017
At the beginning of the period	**-**	**-**
Actuarial gains/(losses)	(2,360)	(1,348)
Income tax related to actuarial gains/(losses)	496	283
Non-controlling interests' share of actuarial gains/(losses)	3	1
Income tax related to non-controlling interests' share of actuarial gains/(losses)	-	-
Share of actuarial gains/(losses) of associates after tax	(24)	-
Reclassification to retained earnings	1,885	1,064
At the end of the period	**-**	**-**

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

in € thousands	2018	2017
At the beginning of the period	**(9,068)**	**(13,806)**
Exchange differences on translating foreign operations	(2,749)	4,738
At the end of the period	**(11,817)**	**(9,068)**

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 (%) 2018	2017	2018	2017
Finance lease liabilities	EUR	2027	4.56	4.56	4,606	5,032
Finance lease liabilities	EUR	2034	8.10	8.10	1,114	1,142
Finance lease liabilities	EUR	2022	0.87	0.87	314	368
Finance lease liabilities	PLN	2023	3.20	-	5	-
Unsecured bank loan	EUR	2022	0.80	0.80	-	14,678
Total long-term debt					**6,039**	**21,220**
Current portion of long-term debt					(598)	(3,506)
Total long-term debt, net of current portion					**5,441**	**17,714**

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 2018	Present value of minimum lease payments 2018	Minimum lease payments 2017	Present value of minimum lease payments 2017
Up to 1 year	891	869	884	865
From 1 to 5 years	3,304	2,866	3,359	2,927
Over 5 years	3,702	2,304	4,471	2,750
Total minimum lease payments	**7,897**	**6,039**	**8,714**	**6,542**
Less amounts of financial charges	(1,858)	-	(2,172)	-
Present value of minimum lease payments	**6,039**	**6,039**	**6,542**	**6,542**

Unsecured bank loan

On 29 June 2018 the Group repaid unsecured bank loan obtained from Exportno-importná banka SR to finance the construction of a petrochemical unit LDPE4.

19.2 Short-term debt

in € thousands	Mena	2018	2017
Unsecured corporate loan	PLN	7,214	13,671
Overdrafts and cashpooling	EUR	1	-
Unsecured bank loan	EUR	10,001	-
Unsecured bank loan	EUR	-	6,000
Total short-term debt		**17,216**	**19,671**

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 2018	14,678	6,541	6,000	13,671
Cash flows *	(14,706)	(533)	4,000	(6,045)
Non-cash changes				
Foreign exchange differences	-	-	-	(393)
Finance lease additions	-	31	-	-
Other changes **	28	-	1	(18)
31 December 2018	**-**	**6,039**	**10,001**	**7,215**

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

Rezervy 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 asso-ciated 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% (2017: 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 retire-ment 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 CO2 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 2017	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**
Provision made during the period and revision of previous estimates	4,469	-	3,194	307	14,597	22,567
Unwinding of the discount (Note 8)	785	-	362	74	-	1,221
Provision used during the period	(3,992)	-	(826)	(535)	(7,108)	(12,461)
31 December 2018	**44,000**	**62**	**19,460**	**3,631**	**14,564**	**81,717**
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
Current portion at 31 December 2018	4,332	-	1,517	381	14,564	20,794
Non-current portion at 31 December 2018	39,668	62	17,943	3,250	-	60,923

Environmental provision

As at 31 December 2018 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 €566 thousand as at 31 December 2018 (31 December 2017: €405 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 2019 - 2030.

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 2018 the present value of liability related to the provision amounted to €43,434 thousand (31 December 2017: €42,333 thousand). The utilization of this provision is expected to be during the years 2019 - 2030.

The closing amount of the environmental provisions as at 31 December 2018 is €44,000 thousand (31 Decem-ber 2017: €42,738 thousand).

Provision for retirement and jubilee benefits

As at 31 December 2018 the Group has recognized a provision for retirement benefits of €19,460 thousand (31 December 2017: €16,730 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 April 2018 - March 2021, 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 2018 represented €3,631 thousand (31 December 2017: €3,785 thousand).

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

	Retirement benefits		Jubilee benefits	
in € thousands	2018	2017	2018	2017
At the beginning of the period	**16,730**	**15,312**	**3,785**	**1,213**
Past service cost	(161)	(310)	40	2,661
Current service cost	995	838	198	126
Unwinding of the discount	362	273	74	40
Provision used during the period	(826)	(731)	(535)	(426)
Actuarial (gains) and losses	2,360	1,348	69	171
At the end of the period	**19,460**	**16,730**	**3,631**	**3,785**

Actuarial (gains) and losses for the year 2018 and 2017 comprised of the following items:

	Retirement benefits		Jubilee benefits	
in € thousands	2018	2017	2018	2017
Actuarial (gains) and losses arising from changes in demographic assumptions	(3)	-	-	-
Actuarial (gains) and losses arising from changes in financial assumptions	1,456	40	(9)	(38)
Actuarial (gains) and losses arising from experience adjustments	907	1,308	78	209
Total actuarial (gains) and losses	**2,360**	**1,348**	**69**	**171**

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	2018	2017
Past service cost	(121)	2,351
Current service cost	1,193	964
Actuarial (gains) and losses	69	171
Net benefit expense (Note 5)	**1,141**	**3,486**

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate (% p.a.)	1.97	1.93
Future salary increases (%)	3.00 - 4.00	2.00 - 4.50
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 2018 in the amount of 1,371,728 tons of CO_2 (2017: 1,402,218 tons of CO_2). The actual volume of emissions released for 2018 was 2,215,511 tons of CO_2 (2017: 2,208,681 tons of CO_2). In the financial statements as for the year ended 31 December 2018 the Group created the provision in the amount of €14,564 thousand (31 December 2017: €6,751 thousand).

21 OTHER NON-CURRENT LIABILITIES

in € thousands	2018	2017
Other non-current non-financial liabilities		
Government grants (Note 11.2)	9,298	12,052
Deferred compensation for property, plant and equipment	5,296	5,885
Other	443	864
Total other non-current non-financial liabilities	**15,037**	**18,801**
Total other non-current liabilities	**15,037**	**18,801**

22 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

in € thousands	2018	2017
Trade payables and other current financial liabilities		
Trade payables	430,512	474,111
Liabilities to shareholders (dividends)	1,655	1,246
Financial guarantees received from holders of fleet cards	1,455	1,370
Liabilities from matured unsettled derivative transactions	874	-
Security deposit received from petrol station lessees	-	3,169
Other	552	3,349
Total trade payables and other current financial liabilities	**435,048**	**483,245**
Financial liabilities measured at fair value through profit or loss - derivatives	**7**	**2,875**
Other current non-financial liabilities		
Taxes, contributions payable, penalties	65,830	64,069
Amounts due to employees	21,795	21,593
Customs fees payable	8,780	10,971
Liabilities from loyalty scheme BONUS	6,728	5,923
Public health and social insurance	4,185	3,973
Advances from customers	3,190	4,656
Other	2,317	1,246
Total other current non-financial liabilities	**112,825**	**112,431**
Total trade payables and other current liabilities	**547,880**	**598,551**

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	2018	2017
At the beginning of the period	**541**	**517**
Legal creation through expenses	1,170	1,080
Other creation	7	30
Use	(1,457)	(1,086)
At the end of the period	**261**	**541**

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.

Based on results of business model test and cash flow characteristics test, financial assets within the scope of IFRS 9 are classified as either financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, or financial assets at fair value through profit or loss. 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.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are those financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value including directly attributable transaction costs. After initial measurement financial assets measured at amortized cost 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 assets are derecognized or impaired, as well as through the amortization process.

Financial assets measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those financial assets that is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income are initially recognized at fair value.

Interest revenue, impairment gains and losses, and a portion of foreign exchange gains and losses, are recognized in profit and loss on the same basis as for Financial assets measured at amortized cost. Dividends from equity investments are recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income.

Changes in fair value are recognized initially in other comprehensive income. When debt instruments are derecognized or reclassified, changes in fair value previously recognized in other comprehensive income and accumulated in equity are reclassified to profit and loss on a basis that always results in an asset measured at fair value through other comprehensive income having the same effect on profit and loss as if it were measured at amortized cost. Changes in fair value of equity investments recognized in other comprehensive income are never recycled to profit and loss, even if the asset is sold or impaired.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets which are not classified in any of the two preceding categories or financial instruments designated upon initial recognition as at fair value through profit or loss.

When financial assets at fair value through profit or loss are recognized initially, they are measured at fair value.

Changes in fair value are recognized in profit and loss as they arise.

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

Fair value

Fair value of financial instruments 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 con-tracts with similar maturity profiles.

Impairment of financial assets

The Group assesses at each end of the reporting period whether a financial asset or group of financial assets measured at amortized cost or at fair value through other comprehensive income is impaired.

As a general approach, impairment losses on a financial asset or group of financial assets are recognized for expected credit losses at an amount equal to:

- *12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date), or*
- *full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).*

The loss allowance for financial instruments is measured at an amount equal to full lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition. When the credit risk of the financial instrument is low at the reporting date (in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition) - 12-month expected credit losses can be applied for the measurement. The Group determines significant increase in credit risk in case of debt securities based on credit rating agency ratings. As there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due assessment is required on a case-by-case basis whether the credit risk significantly increased in that financial asset when such an event occurs.

Additionally, the Group applies the simplified approach to recognize full lifetime expected losses from origination for trade receivables and other financial receivables. For all other financial instruments, general approach is applied.

An entity shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Independently of the two approaches mentioned above, impairment losses recognized where there is an objective evidence on 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. These are required to be assessed on a case-by-case basis. The maximum amount of impairment accounted for by the Group is 100% of unsecured part of the financial asset. The amount of loss is recognized in the statement of profit or loss.

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. Any subsequent reversal of impairment loss is recognized in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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	2018	2017
Other non-current financial assets	13	216	318
Trade receivables	15	345,081	344,823
Other current financial assets	16	3,925	6,337
Cash and cash equivalents	17	55,793	163,680
Financial assets measured at amortized cost		**405,015**	**515,158**
Financial assets measured at fair value through other comprehensive income - equity instruments (Level 2)		2,428	95
Financial assets measured at fair value through profit or loss - derivatives (Level 2)	16	5,253	121
Financial assets measured at fair value		**7,681**	**216**
Total financial assets		**412,696**	**515,374**

in € thousands	Notes	2018	2017
Long-term debt, net of current portion	19.1	5,441	17,714
Trade payables and other current financial liabilities	22	435,048	483,245
Short-term debt	19.2	17,216	19,671
Current portion of long-term debt	19.1	598	3,506
Financial liabilities measured at amortized cost		**458,303**	**524,136**
Financial liabilities measured at fair value through profit or loss - derivatives (Level 2)	22	7	2,875
Financial liabilities measured at fair value		**7**	**2,875**
Total financial liabilities		**458,310**	**527,011**

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

2018 *in € thousands*	Net gains/ (losses)	Interest income/ (expense)	(Loss)/ reversal of loss from impairment	Net fee income/ (expense)
Financial assets measured at amortized cost	15,775	261	(1,289)	-
Financial assets measured at fair value through other comprehensive income	-	8	-	-
Financial assets/liabilities measured at fair value through profit or loss	4,223	-	-	-
Financial liabilities measured at amortized cost	(13,949)	(538)	-	(317)
Total	**6,049**	**(269)**	**(1,289)**	**(317)**

2017 *in € thousands*	Net gains/ (losses)	Interest income/ (expense)	(Loss)/ reversal of loss from impairment	Net fee income/ (expense)
Financial assets measured at amortized cost	525	238	(946)	2
Financial assets measured at fair value through other comprehensive income	-	17	-	-
Financial assets/liabilities measured 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)**

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 expo-sure, 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 2018 the Group recorded the financial assets that would otherwise be past due or impaired whose terms have been renegotiated in amount of €61 thousand (31 December 2017: €38 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 €132,949 thousand as at 31 December 2018 (31 December 2017: €132,965 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 €323 thousand in 2018 (2017: €521 thousand).

Analysis of trade receivables:

2018 *in € thousands*	Nominal value	Provisions	Net book value
Not past due	329,900	395	329,505
Past due			
Up to 30 days	12,502	21	12,481
From 31 to 90 days	447	1	446
From 91 to 180 days	339	1	338
From 181 to 360 days	3,151	1,389	1,762
Over 361 days	3,704	3,155	549
Total trade receivables	**350,043**	**4,962**	**345,081**

2017 *in € thousands*	Nominal value	Provisions	Net book value
Not past due	326,514	356	326,158
Past due			
Up to 30 days	16,076	21	16,055
From 31 to 90 days	2,276	8	2,268
From 91 to 180 days	189	1	188
From 181 to 360 days	338	337	1
Over 361 days	3,689	3,611	78
Total trade receivables at 1 January 2018	**349,082**	**4,334**	**344,748**
Changes in accounting policy (Note 1.3)	-	(75)	75
Total trade receivables as at 31 December 2017	**349,082**	**4,259**	**344,823**

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 2018 and 2017 were as follows:

2018 *in € thousands*	Total credit facilities	Drawn loans	Customs guarantees	Other guarantees	Undrawn credit facilities
Long-term credit facilities					
Other	6,039	(6,039)	-	-	-
Total long-term credit facilities	**6,039**	**(6,039)**	**-**	**-**	**-**
Short-term credit facilities					
MOL Group	30,321	(7,207)	-	-	23,114
Other	322,399	(10,000)	(55,610)	(11,689)	245,100
Total short-term credit facilities	**352,720**	**(17,207)**	**(55,610)**	**(11,689)**	**268,214**
Total credit facilities	**358,759**	**(23,246)**	**(55,610)**	**(11,689)**	**268,214**

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**

Of the undrawn credit facilities, the resources of €231,183 thousand as at 31 December 2018 (31 December 2017: €54,132 thousand) were uncommitted.

Analysis of liquidity risk:

2018 *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
On demand	78,417	-	14,686	-
Up to 1 month	227,458	1,425	285,166	7
From 1 to 3 months	94,597	-	149,657	-
From 3 to 12 months	3,479	3,828	1,663	-
From 1 to 5 years	-	-	2,388	-
Over 5 years	-	-	3,048	-
Without maturity	1,064	-	1,695	-
Total	**405,015**	**5,253**	**458,303**	**7**

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
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**

Financial assets measured at fair value through other comprehensive income as at 31 December 2018 and 31 December 2017 represent capital instruments, which do not have determined maturity.

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

2018 *in € thousands*	Long-term debt	Trade payables and other current financial liabilities	Short-term debt	Financial liabilities at fair value through profit or loss	Total
On demand	-	7,468	-	-	7,468
Up to 1 month	160	275,066	17,216	7	292,449
From 1 to 3 months	122	149,570	-	-	149,692
From 3 to 12 months	609	1,249	-	-	1,858
From 1 to 5 years	3,304	-	-	-	3,304
Over 5 years	3,702	-	-	-	3,702
Without maturity	-	1,695	-	-	1,695
Total	**7,897**	**435,048**	**17,216**	**7**	**460,168**

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	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**

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:

	2018		2017	
in € thousands	Increase/ (decrease) of interest rate *(%)*	Impact on profit before taxes	Increase/ (decrease) of interest rate *(%)*	Impact on profit before taxes
EURIBOR (EUR)	0.25	2	0.25	(33)
EURIBOR (EUR)	(0.25)	(2)	(0.25)	33
WIBOR (PLN)	0.25	(3)	0.25	(3)
WIBOR (PLN)	(0.25)	3	(0.25)	3

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 curren-cies 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:

	2018		2017	
in € thousands	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes
USD	5.5	(11,945)	5.3	(15,167)
USD	(5.0)	10,755	(4.8)	13,721
HUF	4.9	2	5.1	3
HUF	(4.5)	(1)	(4.6)	(3)
CZK	6.2	4,173	6.2	4,717
CZK	(5.5)	(3,713)	(5.5)	(4,193)
PLN	4.9	956	5.0	737
PLN	(4.4)	(871)	(4.6)	(670)

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 com-modity risks of the Group are the short crude oil position, long refinery margin position and long petrochemical margin position.

The Group uses short term commodity swap transactions for hedging commodity risk. The commodity swap transactions were traded with related MOL Commodity Trading Kft. The Group does not apply hedge accounting for these transactions.

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	2018	2017
Long-term debt, net of current portion	5,441	17,714
Short-term debt	17,216	19,671
Current portion of long-term debt	598	3,506
Less: cash and cash equivalents	(55,793)	(163,680)
Net debt	**(32,538)**	**(122,789)**
Equity attributable to equity holders of the parent	1,594,937	1,631,463
Non-controlling interests	514	620
Total capital	**1,595,451**	**1,632,083**
Capital and net debt	**1,562,913**	**1,509,294**
Gearing ratio (%)	**(2.08)**	**(8.14)**

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 2018 is €85 thousand (31 December 2017: €176 thousand).

Capital and contractual commitments

The total value of capital commitments as at 31 December 2018 is €66,220 thousand (31 December 2017: €43,992 thousand) and relates to obligations to purchase property, plant and equipment in the amount of €65,295 thousand (31 December 2017: €42,980 thousand) and intangible assets in the amount of €925 thousand (31 December 2017: €1,012 thousand).

Operating leases

The operating lease liabilities are as follows:

in € thousands	2018	2017
Up to 1 year	10,076	9,467
From 1 to 5 years	22,912	23,127
Over 5 years	661	1,276
Total	**33,649**	**33,870**
Minimum lease payments recognized in the profit/loss for the period	11,477	10,237

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 2018.

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 €44,000 thousand for the estimated cost as at 31 December 2018 (31 December 2017: €42,738 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.

	2018	2017
Profit/(loss) for the period attributable to equity holders of the parent (€ thousands)	102,247	168,876
Weighted average number of shares	20,625,229	20,625,229
Basic/diluted earnings per share (€)	4.96	8.19

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 AND PARTNERS s. r. o. and the Chairman of the Supervisory Board at MET Slovakia, a.s.

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

Mr. Marek Senkovič, the Chief Financial Officer of the Company, is a member of the Board of Directors at Agentúra pre núdzové zásoby ropy a ropných výrobkov.

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

The transactions with related parties:

in € thousands	2018	2017
Sales - products, goods and materials		
MOL Group	723,376	786,821
Associated companies	748,510	638,382
Agentúra pre núdzové zásoby ropy a ropných výrobkov	28,109	-
Granitol, a.s.	12,273	11,637
Other related parties	87	77
Sales - services and other operating revenues		
MOL Group	10,318	7,100
Associated companies	4,483	3,685
Agentúra pre núdzové zásoby ropy a ropných výrobkov	872	-
Other related parties	7	51
Sales - intangible assets and property, plant and equipment		
MOL Group	6,146	4,077
Sales – investments in subsidiaries		
MOL Group	21,000	-
Interest revenue		
MOL Group	35	26
Associated companies	46	113
Other finance revenues		
Associated companies	3,931	2
Dividends received		
MOL Group	2	-
Associated companies (Note 9)	2,478	6,074

in € thousands	2018	2017
Purchases - raw materials, goods and energy		
MOL Group	486,860	374,672
Associated companies	34,520	50,529
MET Slovakia a.s.	89,878	75,546
Other related parties	27	25
Purchases - services and other operating expenses		
MOL Group	6,058	7,510
Associated companies	2,924	2,754
Agentúra pre núdzové zásoby ropy a ropných výrobkov	34,379	-
RUŽIČKA AND PARTNERS s. r. o.	220	149
Other related parties	28	101
Purchases - property, plant and equipment		
MOL Group	8,718	1,276
Purchases - intangible assets		
MOL Group	3,048	4,038
Interest expense		
MOL Group	148	665
Associated companies	221	240
Other finance costs		
MOL Group	72	2,771

in € thousands	2018	2017
Receivables		
MOL Group	68,798	84,607
Associated companies	62,875	68,832
Granitol, a.s.	2,341	2,297
Other related parties	157	10
Loans granted		
Associated companies (Note 16)	2,172	2,142
Payables		
MOL Group	58,287	42,102
Associated companies	3,870	5,092
MET Slovakia a.s.	10,798	9,542
Agentúra pre núdzové zásoby ropy a ropných výrobkov	4,481	-
RUŽIČKA AND PARTNERS s. r. o.	31	36
Other related parties	9	13
Loans received		
MOL Group (Note 19.2)	7,215	13,671
Associated companies (Note 19.1)	4,606	5,032

Statutory boards of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2018 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
Tímea Reicher
Mihály Kupa
Zsolt Pethő

The Supervisory Board: Zoltán Áldott, Chairman of the Board
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 €80 thousand in 2018 (2017: €255 thousand). The total remuneration of members of the Supervisory Board amounted to €166 thousand in 2018 (2017: €88 thousand).

Key management compensation

in € thousands	2018	2017
Salaries	875	948
Legal and voluntary retirement contributions	86	80
Public health insurance	106	119
Other social insurance	45	83
Other personnel expenses	127	128
Provision for retirement and jubilee benefits	-	52
Expenses of share-based payments	(165)	1,209
Total	**1,074**	**2,619**

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

	2018		2017	
	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	259,200	6.03	256,880	6.22
Granted during the period	84,560	9.45	84,800	7.45
Forfeited during the period	(40,000)	8.49	(800)	5.38
Exercised during the period	(60,000)	5.61	(81,680)	6.44
Expired during the period	-	-	-	-
Outstanding at the end of the period	**243,760**	**6.69**	**259,200**	**6.03**
Exercisable at the end of the period	122,400	4.94	103,200	5.33

Long-term incentive schemes for management

A long-term incentive scheme for management consists of long-term interest in increase of the parent compa-ny'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 2018 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 2018 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 2018

Building a better working world

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Slovenská republika

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Independent Auditor's Report

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

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 2018, statement of comprehensive income, statement of 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 2018, 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

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname auditorov vedenom Slovenskou komorou auditorov pod č. 257.

Revenue recognition

The Company's net revenue for 2018 amounted to EUR 3,798 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 2018 and agreed the amounts to the Company's accounting records.

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

Inventories net realizable value

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2018, 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 quoted prices of crude oil and refinery products. When evaluating the net realizable value of inventories in accordance with IAS 2, the Company takes 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 2018 and assessed whether positive sales margins were achieved. In a similar way we also tested whether the semi-finished goods and materials were valued at lower of cost and net realizable value of goods, which were produced or will be produced from these items (cost of finalization was considered in our test).

We also assessed the adequacy of the Company's disclosures to the financial statements in respect of the accounting policies on inventories set out in note 14 Inventories 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.

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 2018 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 13 July 2018 based on our approval by the General Meeting of Shareholders of the Company on 5 April 2018. 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 15 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 21 February 2019.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK 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 2019
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 2018

Bratislava, 1 March 2019

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 2018, the Company had 2,567 employees (31 December 2017: 2,389). Average calculated number of employees as at 31 December 2018 was 2,546 (31 December 2017: 2,341), 135 of which were management (31 December 2017: 119 managers).

AUTHORIZATION AND STATEMENT OF COMPLIANCE

These separate financial statements were approved and authorized for issue by the Board of Directors on 28 February 2019.

The separate financial statements of the Company for the previous period were approved by the Annual General Meeting of the Company held on 5 April 2018.

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 2018

in € thousands	Notes	2018	2017
Net revenue	3	3,798,067	3,418,786
Other operating income	4	35,260	4,702
Total operating income		**3,833,327**	**3,423,488**
Raw materials and consumables used		(3,134,731)	(2,730,298)
Personnel expenses	5	(111,228)	(103,001)
Depreciation, depletion, amortization and impairment	2	(143,526)	(137,043)
Value of services used	6	(209,173)	(162,331)
Other operating expenses	7	(146,058)	(121,258)
Change in inventories of finished goods and work in progress		25,766	2,462
Total operating expenses		**(3,718,950)**	**(3,251,469)**
Profit/(loss) from operations	**2**	**114,377**	**172,019**
Finance revenues	8	32,883	33,776
Finance expenses	8	(15,122)	(19,617)
Finance revenues/(expenses), net		**17,761**	**14,159**
Profit/(loss) before tax		**132,138**	**186,178**
Income tax expense	9	(25,920)	(39,454)
Profit/(loss) for the period		**106,218**	**146,724**
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit pension plans	20	(1,923)	(1,059)
Fair value change of financial assets measured at fair value through other comprehensive income		2,330	-
Income tax relating to items that will not be reclassified to profit/(loss)	9	404	222
Total items that will not be reclassified to profit/(loss)		**811**	**(837)**
Other comprehensive income for the period		**811**	**(837)**
Total comprehensive income for the period		**107,029**	**145,887**
Basic/diluted earnings per share (€)	**25**	**5.15**	**7.11**

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

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

in € thousands	Notes	2018	2017
ASSETS			
Non-current assets			
Intangible assets	10.1	21,699	23,050
Property, plant and equipment	10.2	1,401,193	1,401,369
Investments in subsidiaries	11	46,099	137,152
Investments in associated companies	12	71,918	71,918
Financial assets measured at fair value through other comprehensive income		2,409	76
Other non-current assets	13	4,152	28,778
Total non-current assets		**1,547,470**	**1,662,343**
Current assets			
Inventories	14	288,085	259,810
Trade receivables	15	339,206	348,345
Income tax receivable		3,637	4,747
Other current assets	16	62,881	61,620
Cash and cash equivalents	17	49,250	142,593
Total current assets		**743,059**	**817,115**
TOTAL ASSETS		**2,290,529**	**2,479,458**
EQUITY AND LIABILITIES			
Equity			
Share capital	18.1	684,758	684,758
Share premium		121,119	121,119
Retained earnings	18.2	766,030	793,812
Other components of equity	18.3	2,330	-
Total equity		**1,574,237**	**1,599,689**
Non-current liabilities			
Long-term debt, net of current portion	19.1	5,436	138,302
Provisions	20	56,159	52,820
Deferred tax liabilities	9	72,952	59,387
Other non-current liabilities	21	15,354	13,127
Total non-current liabilities		**149,901**	**263,636**
Current liabilities			
Trade payables and other current liabilities	22	535,469	587,266
Provisions	20	20,323	6,249
Short-term debt	19.2	10,001	6,000
Current portion of long-term debt	19.1	598	16,618
Total current liabilities		**566,391**	**616,133**
TOTAL EQUITY AND LIABILITIES		**2,290,529**	**2,479,458**

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

in € thousands	Share capital	Share premium	Retained earnings	Other components of equity	**Total equity**
1 January 2017	**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	**-**	**-**	**146,724**	**(837)**	**145,887**
Dividends	-	-	(82,501)	-	**(82,501)**
Reclassification of actuarial gains/(losses) on defined benefit pension plans	-	-	(837)	837	**-**
Other changes	-	-	(12)	-	**(12)**
31 December 2017	**684,758**	**121,119**	**793,812**	**-**	**1,599,689**
Changes in accounting policy (Note 1.3)	-	-	(76)	-	**(76)**
Restated at 1 January 2018	**684,758**	**121,119**	**793,736**	**-**	**1,599,613**
Profit/(loss) for the period	-	-	106,218	-	**106,218**
Other comprehensive income for the period	-	-	-	811	**811**
Total comprehensive income for the period	**-**	**-**	**106,218**	**811**	**107,029**
Business combinations	-	-	1,660	-	**1,660**
Dividends (Note 18.2)	-	-	(134,064)	-	**(134,064)**
Reclassification of actuarial gains/(losses) on defined benefit pension plans	-	-	(1,519)	1,519	**-**
Other changes	-	-	(1)	-	**(1)**
31 December 2018	**684,758**	**121,119**	**766,030**	**2,330**	**1,574,237**

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

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

in € thousands	Notes	2018	2017
Profit/(loss) before tax		132,138	186,178
Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities			
Depreciation, depletion, amortization and impairment	2	143,526	137,043
Amortization of government grants	4	(3,074)	(586)
Write-down/(reversal of write-down) of inventories, net		8,619	917
Increase/(decrease) in provisions, net		8,945	4,757
(Profit)/loss from the sale of intangible assets and property, plant and equipment	4	(6,606)	(1,103)
(Profit)/loss from the sale of subsidiary	8	(20,967)	-
Write-off of receivables and addition/(reversal) of impairment, net		1,257	404
Write-off of liabilities		-	(42)
Net foreign exchange (gain)/loss on receivables and payables		13,372	(23,095)
Impairment/(reversal of impairment) of investments in subsidiaries	8	-	2
Interest revenue	8	(268)	(743)
Interest expense on borrowings	8	391	12,377
Net foreign exchange (gain)/loss on borrowings	8	-	(1,275)
Net foreign exchange (gain)/loss on cash and cash equivalents	8	(790)	1,214
Other finance (profit)/loss, net		(369)	4,746
Dividends received	8	(10,255)	(8,652)
Book value of surrendered emission quotas		6,784	289
Revaluation of emission quotas	4,7	(3,852)	791
Other non-cash items		1,032	944
Operating cash flow before changes in working capital		**269,883**	**314,166**
(Increase)/decrease in inventories		(33,448)	(14,070)
(Increase)/decrease in trade receivables		1,837	(32,190)
(Increase)/decrease in other assets		(456)	27,670
Increase/(decrease) in trade payables		(67,265)	120,345
Increase/(decrease) in other liabilities		(4,503)	(1,374)
Corporate income tax paid		(18,407)	(19,097)
Net cash provided by/(used in) operating activities		**147,641**	**395,450**
Payments for intangible assets and property, plant and equipment		(131,353)	(123,400)
Proceeds from disposal of intangible assets and property, plant and equipment		6,770	4,527
Proceeds from disposal of subsidiary	11	21,000	-
Acquisition of subsidiaries	11	(900)	-
Long-term loans granted		(6,363)	(46,500)
Long-term loans repaid		3,735	33,785
Short-term loans (granted)/repaid, net		(2,657)	1,867
Interest received		238	695
Other finance income		11	11
Dividends received and income from the decrease of share capital of the subsidiaries		10,255	7,827
Cash and cash equivalents received in a business combination	11	2,694	-
Net cash provided by/(used in) investing activities		**(96,570)**	**(121,188)**
Repayments of long-term bank borrowings	19.3	(14,706)	(2,941)
Proceeds from/(repayments of) short-term bank borrowings, net	19.3	4,000	6,000
Repayments of long-term non-bank borrowings	19.3	(532)	(109,220)
Proceeds/(payments) from derivative transactions, net		292	(3,160)
Interest paid		(398)	(13,522)
Other finance costs		(205)	(468)
Dividends paid to shareholders		(133,655)	(82,366)
Net cash provided by/(used in) financing activities		**(145,204)**	**(205,677)**
Increase/(decrease) in cash and cash equivalents		**(94,133)**	**68,585**
Cash and cash equivalents at the beginning of the period	17	142,593	75,222
Effects of exchange rate changes	8	790	(1,214)
Cash and cash equivalents at the end of the period	17	49,250	142,593

NOTES TO THE SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

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.

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 2017.

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

- IFRS 2 Shared-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions
- IFRS 4 Insurance Contracts - Amendments regarding interaction of IFRS 4 and IFRS 9
- IFRS 7 Financial Instruments: Disclosures - Amendment requiring disclosures about initial application of IFRS 9
- IFRS 7 Financial Instruments: Disclosures - Amendment requiring additional hedge accounting disclosures related to application of IFRS 9
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 15 Revenue from Contracts with Customers
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment defines exceptions to application of IFRS 9 for hedge accounting
- IAS 40 Investment Property - Amendments to clarify transfers of property to, or from investment property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs (issued in December 2016 with effective date 1 January 2018)

The principal effects of these changes were 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 had 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 to be applied 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. Application of the standard did not have material impact on the financial statements of the Company.

Application of other standards and interpretations did not have any impact on the financial statements of the Company.

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 3 Business Combinations - Amendments to clarify the definition of a business (effective for annual periods beginning on or after 1 January 2020, this amendment has not been approved by EU yet)
- 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)
- 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 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 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020, this standard has not been approved by EU yet)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020, 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)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
- 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 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 requires 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. 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	69,268
Decrease of other current assets	(151)
Increase of long-term debt	(69,117)
Net impact of equity	-

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.

2018 *in € thousands*	Refining and Marketing	Retail	Other segments	Interseg-ment transfers	Total
Revenues from external customers	3,104,540	681,898	11,629	-	3,798,067
Inter-segment revenues	467,285	-	27,081	(494,366)	-
Segment revenues	**3,571,825**	**681,898**	**38,710**	**(494,366)**	**3,798,067**
Profit/(loss) from operations	**88,955**	**56,155**	**(30,733)**	**-**	**114,377**
Other information:					
Additions to non-current assets *	119,717	23,978	6,975	-	150,670
Depreciation, depletion, amortization and impairment	(120,464)	(15,748)	(7,314)	-	(143,526)
out of it: (impairment losses)/ reversal of impairment losses, net	*(2,175)*	*(3)*	*194*	-	*(1,984)*
Other non-cash revenues/(expenses), net	(10,418)	(392)	(1,030)	-	(11,840)

2017 *in € thousands*	Refining and Marketing	Retail	Other segments	Interseg-ment 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)

** 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.

2018 *in € thousands*	Refining and Marketing	Retail	Other segments	Not allocated items	Total
ASSETS					
Non-current assets					
Intangible assets	16,457	272	4,970	-	21,699
Property, plant and equipment	1,116,825	207,526	76,842	-	1,401,193
Investments in subsidiaries	-	-	46,099	-	46,099
Investments in associated companies	-	-	71,918	-	71,918
Financial assets measured at fair value through other comprehensive income	-	-	2,409	-	2,409
Other non-current assets	566	-	958	2,628	4,152
Total non-current assets	**1,133,848**	**207,798**	**203,196**	**2,628**	**1,547,470**
Current assets					
Inventories	251,085	8,104	28,896	-	288,085
Trade receivables	329,667	3,268	6,271	-	339,206
Income tax receivable	-	-	-	3,637	3,637
Other current assets	2,815	1,083	7,279	51,704	62,881
Cash and cash equivalents	-	-	-	49,250	49,250
Total current assets	**583,567**	**12,455**	**42,446**	**104,591**	**743,059**
TOTAL ASSETS	**1,717,415**	**220,253**	**245,642**	**107,219**	**2,290,529**
LIABILITIES					
Non-current liabilities					
Long-term debt, net of current portion	-	-	-	5,436	5,436
Provisions	39,637	31	16,491	-	56,159
Deferred tax liabilities	-	-	-	72,952	72,952
Other non-current liabilities	13,566	247	1,541	-	15,354
Total non-current liabilities	**53,203**	**278**	**18,032**	**78,388**	**149,901**
Current liabilities					
Trade payables and other current liabilities	399,283	35,995	30,900	69,291	535,469
Provisions	18,896	-	1,427	-	20,323
Short-term debt	-	-	-	10,001	10,001
Current portion of long-term debt	-	-	-	598	598
Total current liabilities	**418,179**	**35,995**	**32,327**	**79,890**	**566,391**
TOTAL LIABILITIES	**471,382**	**36,273**	**50,359**	**158,278**	**716,292**

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
Financial assets measured at fair value through other comprehensive income	-	-	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**

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.

Non-current assets by geographical areas

in € thousands	2018	2017
Slovak Republic	1,435,620	1,529,754
The Netherlands (Note 12)	68,350	68,350
Poland (Note 11)	38,463	38,463
Total	**1,542,433**	**1,636,567**

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

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

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	2018	2017
Motor diesel	1,821,905	1,591,568
Motor gasoline	840,693	774,103
Other refined products	419,319	428,359
Plastics	544,337	508,821
Services	36,543	49,379
Other	135,270	66,556
Total	**3,798,067**	**3,418,786**

Sales by geographical areas

in € thousands	2018	2017
Slovak Republic	1,506,509	1,283,024
Czech Republic	824,472	731,991
Austria	407,941	386,273
Hungary	335,644	378,269
Poland	286,001	231,296
Germany	188,223	166,719
Italy	71,357	57,246
Romania	42,061	30,530
Croatia	27,488	30,680
The Netherlands	24,988	25,075
Serbia	16,503	22,580
Other	66,880	75,103
Total	**3,798,067**	**3,418,786**

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 €1,479,827 thousand (39.0%) of the total net revenue in 2018 (2017: €1,430,318 thousand, 41.8%). 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	2018	2017
Penalties and late payment interest	14,573	625
Profit from the sale of intangible assets and property, plant and equipment	6,606	1,103
Gain from revaluation of emission quotas	3,852	-
Net gain from non-hedge commodity derivatives	3,631	-
Amortization of government grants	3,074	586
Government grants for compensation of expenses	1,906	1,681
Compensation of the cost of economic mobilization	432	392
Compensation for damages	324	59
Other	862	256
Total other operating income	**35,260**	**4,702**

5 PERSONNEL EXPENSES

in € thousands	2018	2017
Wages and salaries	72,786	64,951
Legal and voluntary retirement contributions	12,609	11,021
Public health insurance	8,207	7,017
Other social insurance	8,122	8,211
Other personnel expenses	8,620	7,905
Provision for retirement and jubilee benefits (Note 20)	901	2,518
Expenses of share-based payments	(17)	1,378
Total personnel expenses	**111,228**	**103,001**

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.

Revenues arising from the Performance Share Plan program amounted to €196 thousand in 2018 (2017: expenses €619 thousand). Liabilities in respect of the Performance Share Plan program amounted to €292 thousand as at 31 December 2018 (31 December 2017: €929 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:

	2018		2017	
	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	288,968	6.12	295,616	5.74
Granted during the period	164,893	9.26	105,600	7.45
Forfeited during the period	(88,333)	8.63	(800)	5.38
Exercised during the period	(60,000)	5.61	(111,448)	6.44
Expired during the period	-	-	-	-
Outstanding at the end of the period	**305,528**	**6.98**	**288,968**	**6.12**
Exercisable at the end of the period	132,168	4.95	104,168	5.32

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 €179 thousand in 2018 (2017: €759 thousand). Liabilities in respect of the share-based payment plans amounted to €961 thousand as at 31 December 2018 (31 December 2017: €1,048 thousand), recorded in other non-current liabilities and other current liabilities. The intrinsic value of the exercisable option rights amounted to €611 thousand as at 31 December 2018 (31 December 2017: €455 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:

	2018	2017
Weighted average exercise price per share (€)	6.98	6.12
Weighted average share price at the date of exercise for share options exercised during the period (€)	9.60	9.41
Spot share price (€)	9.57	9.69
Expected volatility based on historical data (%)	22.70	22.40
Expected dividend yield (%)	3.32	2.93
Expected life (years)	2.12	2.46
Risk free interest rate for HUF (%)	1.18	0.56

6 VALUE OF SERVICES USED

in € thousands	2018	2017
Maintenance expenses	74,495	54,092
Transportation and storage expenses	53,721	52,680
Commission fees paid	37,715	23,827
Fees for the use of the electricity system	14,590	1,900
Services related to administration	10,018	11,274
Chemical analysis of products and raw materials	7,376	7,141
Costs of cleaning machinery and equipment	4,432	4,940
Fire protection expenses	4,171	4,021
Traveling cost	850	765
Other	1,805	1,691
Total value of services used	**209,173**	**162,331**

7 OTHER OPERATING EXPENSES

in € thousands	2018	2017
Fees for ensuring the maintenance of emergency stocks of crude oil and oil products	55,891	53,790
Rental expenses	18,732	14,933
Provision for greenhouse gas emission, net	14,597	699
Technology expert fees	8,279	6,188
Accounting, advisory and similar services fees	5,796	3,906
Marketing costs	5,689	4,435
Cleaning costs and waste disposal	4,857	4,832
Environmental provision (Note 20)	4,469	5,043
Taxes, duties and fees	4,238	4,146
Security expenses	3,999	3,755
Insurance premium	3,427	3,343
Cost of procurement of nitrogen	2,796	2,694
Fees paid to financial institutions	2,469	1,839
Environmental protection costs	1,704	1,488
Provision for doubtful receivables, write-off of receivables, net	1,256	404
Training expenses	1,253	1,011
Gifts	805	505
Technical inspections of vehicles and railway cars	596	575
Expenses to liquidation of unneeded property, plant and equipment	551	1,061
Fines, penalties, damages and compensations for damages	16	26
Net loss from non-hedge commodity derivatives	-	991
Loss from revaluation of emission quotas	-	791
Provision for litigation	-	324
Other	4,638	4,479
Total other operating expenses	**146,058**	**121,258**

The expenses for services provided by auditors were as follows:

in € thousands	2018	2017
Audit of the financial statements	123	124
Other assurance services	32	32
Total	**155**	**156**

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	2018	2017
Net gain from the sale of subsidiary	20,967	-
Dividends	10,255	8,652
Net foreign exchange gain on cash and cash equivalents	790	-
Net gain from derivatives	593	-
Interest revenue	268	743
Net foreign exchange gain on receivables and payables	-	23,094
Net foreign exchange gain on borrowings	-	1,275
Other	10	12
Total finance revenues	**32,883**	**33,776**
Net foreign exchange loss on receivables and payables	(13,372)	-
Interest expense on provisions (Note 20)	(1,125)	(1,266)
Interest expense on borrowings	(391)	(12,377)
Fee for early repayment of the loan	(199)	(433)
Fees related to loan received	(28)	(882)
Net loss from derivatives	-	(3,433)
Net foreign exchange loss on cash and cash equivalents	-	(1,214)
Impairment of investments in subsidiaries (Note 11)	-	(2)
Other	(7)	(10)
Total finance expenses	**(15,122)**	**(19,617)**
Finance revenues/(expenses), net	**17,761**	**14,159**

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 2018 and 2017 include the following components:

in € thousands	2018	2017
Current corporate income tax	19,668	23,738
Deferred corporate income tax	6,252	15,716
Total income tax expense	**25,920**	**39,454**

In 2018, the applicable corporate income tax rate on the taxable income of the Company was 21% (2017: 21%).

The deferred tax balances as at 31 December 2018 and 2017 and movements in 2018 and 2017 were as follows:

in € thousands	1 January 2018	Recognized in profit/(loss)	Recognized in other comprehensive income	Business combinations	31 December 2018
Property, plant and equipment and intangible assets	(113,361)	(2,907)	-	19,149	(97,119)
Provisions	12,233	238	404	128	13,003
Finance lease liabilities	29,451	(107)	-	(28,077)	1,267
Tax losses carried forward	5,057	(4,967)	-	-	90
Other	7,233	1,491	-	1,083	9,807
Total	**(59,387)**	**(6,252)**	**404**	**(7,717)**	**(72,952)**

in € thousands	1 January 2017	Recognized in profit/(loss)	Recognized in other comprehensive 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 2018 the Company utilized the cumulative tax losses in the amount of €23,652 thousand (2017: €41,075 thousand).

The Company has recognized deferred tax assets in the amount of €90 thousand as at 31 December 2018 (31 December 2017: €5,057 thousand) to cumulative tax losses that is available to offset against future taxable profits. These tax losses can be utilized in the year 2019.

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

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

in € thousands	2018	2017
Profit/(loss) before tax	132,138	186,178
Tax at the applicable tax rate 21% (2017: 21%)	27,749	39,097
Permanent differences	(1,662)	252
Adjustments in respect of current income tax of previous periods	(171)	106
Adjustments in respect of deferred income tax of previous periods	7	-
Effect of different tax rates	(3)	(1)
Total income tax expense	**25,920**	**39,454**
Effective tax rate (%)	**19.62**	**21.19**

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 2017	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**
Additions	3,048	49	4,926	8,023
Business combinations	-	-	174	174
Revaluation	3,852	-	-	3,852
Disposals	(6,784)	-	(3,806)	(10,590)
Transfers	-	(12)	65	53
31 December 2018	**119**	**35,710**	**64,231**	**100,060**
Amortization and impairment				
1 January 2017	-	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**
Amortization	-	570	2,847	3,417
Business combinations	-	-	174	174
Disposals	-	-	(728)	(728)
31 December 2018	**-**	**26,784**	**51,577**	**78,361**
Net book value				
31 December 2018	119	8,926	12,654	21,699
31 December 2017	3	9,459	13,588	23,050
1 January 2017	461	10,010	10,333	20,804

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 2017	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**
Additions	42	3,081	-	139,912	143,035
Put to use	27,851	47,932	11,779	(87,562)	-
Business combinations	5,008	47,646	346	107	53,107
Disposals	(2,102)	(35,182)	(5,039)	(406)	(42,729)
Transfers	988	(1,370)	382	(53)	(53)
31 December 2018	**1,325,040**	**2,063,944**	**92,522**	**105,635**	**3,587,141**
Depreciation and impairment					
1 January 2017	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**
Depreciation	39,913	88,984	8,489	-	137,386
Business combinations	5,008	47,646	346	-	53,000
Impairment	-	-	3	2,175	2,178
Reversal of impairment	(194)	-	-	-	(194)
Disposals	(1,906)	(31,867)	(4,891)	(170)	(38,834)
Transfers	638	(893)	255	-	-
31 December 2018	**607,641**	**1,503,746**	**70,902**	**3,659**	**2,185,948**
Net book value					
31 December 2018	717,399	560,198	21,620	101,976	1,401,193
31 December 2017	729,071	601,961	18,354	51,983	1,401,369
1 January 2017	737,211	604,434	16,431	65,730	1,423,806

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 2018 and 2017, the Company did not capitalize borrowing costs for acquisition of property, plant and equipment as IAS 23 conditions for capitalization were not fulfilled. In 2018, the Company capitalized borrowing cost from general purpose borrowings at capitalization rate of 0.88% (2017: 0.57%).

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 €9,268 thousand (31 December 2017: €12,052 thousand) financed from the government grants (Note 21). Part of these assets with the carrying value of €2,004 thousand (31 December 2017: €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.

In 2018, the Company acquired property, plant and equipment financed by government grants in the amount of €30 thousand (2017: €0 thousand).

Insurance

Property, plant and equipment is insured in the amount of €5,569,415 thousand. The insurance covers all risks of direct material losses or damages, including machinery and equipment failure. In 2018, 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 €319 thousand (2017: €50 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 2018						
Cost	65	-	1,208	6,813	343	8,429
Accumulated amortization/depreciation and impairment	(16)	-	(262)	(2,729)	(80)	(3,087)
Net book value	**49**	**-**	**946**	**4,084**	**263**	**5,342**
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**

Additions during the year 2018 include €25 thousand (2017: €1,169 thousand) of property, plant and equipment under finance leases.

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 2018 and in following years:

in € thousands	2018	2019	2020	2021	2022	After 2022
Depreciation, depletion, amortization and impairment	(1,581)	(1,514)	(104)	212	412	2,575

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 impairment of intangible assets and property, plant and equipment of €1,984 thousand in 2018 (2017: revenue from reversal of impairment €1,061 thousand) (Note 10.1 and 10.2).

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 2018 %	Ownership 2017 %	Net book value 2018 € thousands	Net book value 2017 € thousands
APOLLO Rafinéria, s.r.o.	Slovakia	Wholesale	100.00	100.00	7	7
MOL-Slovensko spol. s r.o.	Slovakia	Wholesale	100.00	100.00	12	12
Slovnaft Mobility Services, s. r. o.	Slovakia	Advertising and marketing services	100.00	-	900	-
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
SWS spol. s r.o.	Slovakia	Transport support services	51.15	51.15	845	845
CM European Power Slovakia, s. r. o.	Slovakia	Production of electricity and heat	-	100.00	-	91,916
Zväz pre skladovanie zásob, a.s.	Slovakia	Storage	-	100.00	-	37
Total investments in subsidiaries					**46,099**	**137,152**

Equity and profit/loss of subsidiaries were as follows:

Company name	Equity 2018 € thousands	Equity 2017 € thousands	Profit/(loss) 2018 € thousands	Profit/(loss) 2017 € thousands
APOLLO Rafinéria, s.r.o.	6	1	5	-
MOL-Slovensko spol. s r.o.	10	12	(2)	(2)
Slovnaft Mobility Services, s .r. o.	841	-	(59)	-
SLOVNAFT MONTÁŽE A OPRAVY a.s.	3,073	3,104	1,211	944
Slovnaft Polska S.A.	48,097	45,105	4,414	1,521
SLOVNAFT TRANS a.s.	3,575	3,487	89	(329)
VÚRUP, a.s.	4,519	4,072	974	585
SWS spol. s r.o.	1,012	1,270	(288)	(466)
CM European Power Slovakia, s. r. o.	-	96,933	-	8,131
Zväz pre skladovanie zásob, a.s.	-	21,069	-	3,234
Total investments in subsidiaries	**61,133**	**175,053**	**6,344**	**13,618**

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 2017	148,357	(11,203)	137,154
Impairment	-	(2)	(2)
31 December 2017	**148,357**	**(11,205)**	**137,152**
Additions	900	-	900
Disposals	(91,953)	-	(91,953)
31 December 2018	**57,304**	**(11,205)**	**46,099**

Business combinations

CM European Power Slovakia, s. r. o.

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
Financial assets measured at fair value through other comprehensive income	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**

in € thousands	SLOVNAFT, a.s.	CM European Power Slovakia, s. r. o.	Eliminations, reclassifications	Total
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.

Slovnaft Mobility Services, s. r. o.

The Company established Slovnaft Mobility Services, s. r. o. on 14 March 2018. The ownership in this company represents 100%.

Zväz pre skladovanie zásob, a.s.

In May 2018, the Company sold 90% of the shares of the Zväz pre skladovanie zásob, a.s. to parent company MOL Nyrt. At 31 May 2018 the retained 10% participation interest in the company was revalued to fair value and classified as Financial asset measured at fair value through other comprehensive income.

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 2018 %	Ownership 2017 %	Net book value 2018 € thousands	Net book value 2017 € 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 2017	71,918	-	71,918
31 December 2017	**71,918**	**-**	**71,918**
31 December 2018	**71,918**	**-**	**71,918**

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

2018 *in € thousands*	Assets	Equity	Liabilities	Revenues	Profit/(loss)
Messer Slovnaft s.r.o.	5,773	4,802	971	5,064	421
MOL CZ Downstream Investment B.V.	155,109	155,069	40	-	(54)
MEROCO, a.s.	47,737	16,662	31,075	107,584	2,778
Total	**208,619**	**176,533**	**32,086**	**112,648**	**3,145**

2017 *in € thousands*	Assets	Equity	Liabilities	Revenues	Profit/(loss)
Messer Slovnaft s.r.o.	5,798	4,810	988	4,822	429
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	3,387
Total	**214,421**	**178,817**	**35,604**	**134,851**	**8,894**

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	2018	2017
Other non-current financial assets		
Long-term loans granted	2,628	25,700
Total other non-current financial assets	**2,628**	**25,700**
Other non-current non-financial assets		
Advance payments for assets under construction	1,513	3,071
Other	11	7
Total other non-current non-financial assets	**1,524**	**3,078**
Total other non-current assets	**4,152**	**28,778**

Long-term loans granted as at 31 December 2018 and 2017 consist of the following items:

in € thousands	Currency	Maturity	Weighted average interest rate (%) 2018	Weighted average interest rate (%) 2017	2018	2017
Unsecured loan granted	EUR	2021	1.15	-	2,628	-
Unsecured loan granted	EUR	2019	0.85	1.99	2,172	2,142
Unsecured loan granted	EUR	2019	-	1.37	-	25,700
Total long-term loans granted					**4,800**	**27,842**
Current portion of long-term loans (Note 16)					(2,172)	(2,142)
Total long-term loans granted, net of current portion					**2,628**	**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	2018	2017
Other non-current financial assets	2,628	25,700
Provision to other non-current financial assets	-	-
Total other non-current financial assets	**2,628**	**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 2018	Book value 2018	Cost 2017	Book value 2017
Raw materials	42,638	42,202	45,709	45,546
Purchased crude oil	50,402	50,402	47,178	47,178
Work in progress and semi-finished goods	105,606	104,424	96,391	96,391
Finished goods	85,841	80,891	63,353	63,157
Goods for resale	10,216	10,166	7,543	7,538
Total inventories	**294,703**	**288,085**	**260,174**	**259,810**

Movements in the provision for inventories were as follows:

in € thousands	2018	2017
At the beginning of the period	**364**	**450**
Additions	10,930	7,675
Reversal	-	(13)
Use	(4,676)	(7,748)
At the end of the period	**6,618**	**364**

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	2018	2017
Trade receivables	344,025	352,270
Provision for doubtful trade receivables	(4,819)	(3,925)
Total trade receivables	**339,206**	**348,345**

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	2018	2017
At the beginning of the period	**3,925**	**5,651**
Changes in accounting policy (Note 1.3)	76	-
At the beginning of the period restated	**4,001**	**5,651**
Additions	2,091	1,680
Reversal	(822)	(509)
Amounts written off	(454)	(2,835)
Currency differences	3	(62)
At the end of the period	**4,819**	**3,925**

The Company did not have any impairment booked to receivables to related parties as at 31 December 2018 and 2017, neither booked any impairment to receivables to related parties during 2018 and 2017.

16 OTHER CURRENT ASSETS

in € thousands	2018	2017
Other current financial assets		
Short-term loans granted	7,746	5,088
Current portion of long-term loans granted (Note 13)	2,172	2,142
Receivables from dividends	825	825
Financial collaterals granted	356	312
Collateral granted regarding derivative transactions	300	2,500
Receivables from matured unsettled derivative transactions	-	162
Other	253	327
Total other current financial assets	**11,652**	**11,356**
Financial assets measured at fair value through profit or loss - derivatives	**5,253**	**121**
Other current non-financial assets		
Receivables from VAT, duties and other taxes	35,494	36,941
Receivables from excise taxes	6,099	7,106
Advances	3,299	4,222
Prepaid expenses	881	1,535
Other	203	339
Total other current non-financial assets	**45,976**	**50,143**
Total other current assets	**62,881**	**61,620**

Short-term loan granted in amount of €7,746 thousand (31 December 2017: €2,482 thousand) represents unsecured loan in EUR granted to subsidiary SLOVNAFT MONTÁŽE A OPRAVY a.s.

The loan was granted for financing of working capital.

in € thousands	2018	2017
Other current financial assets	11,653	11,357
Provision to other current financial assets	(1)	(1)
Total other current financial assets	**11,652**	**11,356**

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

in € thousands	2018	2017
At the beginning of the period	**1**	**2**
Amounts written off	-	(1)
At the end of the period	**1**	**1**

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.

2018 *in € thousands*	EUR	PLN	USD	CZK	Total
Cash at bank	23,031	-	1,691	6,613	31,335
Short-term bank deposits	5,328	2,623	-	-	7,951
Cash on hand	9,908	-	-	-	9,908
Other cash equivalents	56	-	-	-	56
Total cash and cash equivalents	**38,323**	**2,623**	**1,691**	**6,613**	**49,250**

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**

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

in € thousands	2018	2017	2016
Cash at bank	31,335	25,059	7,447
Short-term bank deposits	7,951	105,166	64,586
Cash on hand	9,908	12,346	3,152
Other cash equivalents	56	22	37
Total cash and cash equivalents	**49,250**	**142,593**	**75,222**

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 financial assets measured at fair value through other comprehensive income.

18.1 Share capital

The Company's authorized share capital is 20,625,229 ordinary shares (31 December 2017: 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:

	2018 *€ thousands*	2018 *%*	2017 *€ thousands*	2017 *%*
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 2017: €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 2018 were €357,210 thousand (31 December 2017: €344,485 thousand).

Distribution of profit from the previous accounting period

The profit of the previous accounting period in the amount of €146,724 thousand was transferred to retained earnings.

Dividends

The dividends approved by the shareholders at the Annual General Meeting on 5 April 2018 were €134,064 thousand, equivalent to €6.50 per share. Dividends were paid out from retained earnings.

18.3 Other components of equity

in € thousands	2018	2017
Fair value change of financial assets measured at fair value through other comprehensive income	2,330	-
Other components of equity	**2,330**	**-**

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

in € thousands	2018	2017
At the beginning of the period	**-**	**-**
Actuarial gains/(losses) on defined benefit pension plans	(1,923)	(1,059)
Income tax related to actuarial gains/(losses) on defined benefit pension plans	404	222
Reclassification of actuarial gains/(losses) on defined benefit pension plans to retained earnings	1,519	837
At the end of the period	**-**	**-**

Movements in the fair value change of financial assets measured at fair value through other comprehensive income were as follows:

in € thousands	2018	2017
At the beginning of the period	**-**	**-**
Fair value changes	2,330	-
At the end of the period	**2,330**	**-**

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 (%) 2018	Weighted average interest rate (%) 2017	2018	2017
Finance lease liabilities	EUR	2027	4.56	4.56	4,606	5,032
Finance lease liabilities	EUR	2034	8.10	8.10	1,114	1,141
Finance lease liabilities	EUR	2022	0.87	0.87	314	368
Finance lease liabilities	EUR	2034	-	8.10	-	133,701
Unsecured bank loan	EUR	2022	-	0.80	-	14,678
Total long-term debt					**6,034**	**154,920**
Current portion of long-term debt					(598)	(16,618)
Total long-term debt, net of current portion					**5,436**	**138,302**

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.

The recognition of finance lease liabilities to CM European Power Slovakia, s. r. o. was terminated on 1 January 2018, because on that date this company was dissolved without liquidation and subsequently merged with the Company (Note 11).

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 2018	Present value of minimum lease payments 2018	Minimum lease payments 2017	Present value of minimum lease payments 2017
Up to 1 year	890	869	24,334	23,330
From 1 to 5 years	3,300	2,862	81,465	64,782
Over 5 years	3,702	2,303	108,595	52,130
Total minimum lease payments	**7,892**	**6,034**	**214,394**	**140,242**
Less amounts of financial charges	(1,858)	-	(74,152)	-
Present value of minimum lease payments	**6,034**	**6,034**	**140,242**	**140,242**

Unsecured bank loan

On 29 June 2018 the Company repaid unsecured bank loan obtained from Exportno-importná banka SR to finance the construction of a petrochemical unit LDPE4.

19.2 Short-term debt

in € thousands	2018	2017
Unsecured bank loan	10,001	6,000
Total short-term debt	**10,001**	**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 2018	14,678	140,242	6,000	-
Cash flows *	(14,706)	(532)	4,000	-
Non-cash changes				
Finance lease additions	-	25	-	-
Derecognition of finance lease (Note 19.1)	-	(133,701)	-	-
Other changes **	28	-	1	-
31 December 2018	**-**	**6,034**	**10,001**	**-**

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.*

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% (2017: 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	Environ-mental	Retirement benefits	Jubilee benefits	Other	Total
1 January 2017	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**
Provision made during the period and revision of previous estimates	4,469	2,558	266	14,597	21,890
Business combinations (Note 11)	-	483	126	5,935	6,544
Unwinding of the discount (Note 8)	785	284	56	-	1,125
Provision used during the period	(3,992)	(640)	(407)	(7,107)	(12,146)
31 December 2018	**44,000**	**15,145**	**2,773**	**14,564**	**76,482**
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
Current portion at 31 December 2018	4,332	1,121	306	14,564	20,323
Non-current portion at 31 December 2018	39,668	14,024	2,467	-	56,159

Environmental provision

As at 31 December 2018 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 €566 thousand as at 31 December 2018 (31 December 2017: €405 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 2019 - 2030.

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 2018 the present value of liability related to the provision amounted to €43,434 thousand (31 December 2017: €42,333 thousand). The utilization of this provision is expected to be during the years 2019 - 2030.

The closing amount of the environmental provisions as at 31 December 2018 is €44,000 thousand (31 December 2017: €42,738 thousand).

Provision for retirement and jubilee benefits

As at 31 December 2018 the Company has recognized a provision for retirement benefits of €15,145 thousand (31 December 2017: €12,460 thousand) to cover its estimated obligation regarding future retirement benefits payable to current employees expected to retire.

According to provisions of § 76a of the Labor Code and the Collective Agreement for the period April 2018 - March 2021, 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 2018 represented €2,773 thousand (31 December 2017: €2,732 thousand).

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

	Retirement benefits		Jubilee benefits	
in € thousands	2018	2017	2018	2017
At the beginning of the period	**12,460**	**11,337**	**2,732**	**858**
Past service cost	(125)	(210)	24	1,923
Current service cost	760	595	150	96
Unwinding of the discount	284	204	56	31
Provision used during the period	(640)	(525)	(407)	(290)
Actuarial (gains) and losses	1,923	1,059	92	114
Business combinations	483	-	126	-
At the end of the period	**15,145**	**12,460**	**2,773**	**2,732**

Actuarial (gains) and losses for the year 2018 and 2017 comprised of the following items:

	Retirement benefits		Jubilee benefits	
in € thousands	2018	2017	2018	2017
Actuarial (gains) and losses arising from changes in demographic assumptions	6	-	2	-
Actuarial (gains) and losses arising from changes in financial assumptions	1,136	26	(8)	(30)
Actuarial (gains) and losses arising from experience adjustments	781	1,033	98	144
Total actuarial (gains) and losses	**1,923**	**1,059**	**92**	**114**

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	2018	2017
Past service cost	(101)	1,713
Current service cost	910	691
Actuarial (gains) and losses	92	114
Net benefit expense (Note 5)	**901**	**2,518**

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate (% p.a.)	1.97	1.93
Future salary increases (%)	3.00 - 4.00	2.00 - 4.50
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 2018 in the amount of 1,371,728 tons of CO_2 (2017: 1,379,238 tons of CO_2). The actual volume of emissions released for 2018 was 2,215,511 tons of CO_2 (2017: 1,479,399 tons of CO_2). In the financial statements as for the year ended 31 December 2018 the Company created the provision in the amount of €14,564 thousand (31 December 2017: €815 thousand).

21 OTHER NON-CURRENT LIABILITIES

in € thousands	2018	2017
Other non-current non-financial liabilities		
Government grants (Note 10.2)	9,298	12,052
Deferred compensation for property, plant and equipment	5,296	-
Other	760	1,075
Total other non-current non-financial liabilities	**15,354**	**13,127**
Total other non-current liabilities	**15,354**	**13,127**

22 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

in € thousands	2018	2017
Trade payables and other current financial liabilities		
Trade payables	436,110	485,427
Liabilities to shareholders (dividends)	1,655	1,246
Financial guarantees received from holders of fleet cards	1,455	1,370
Liabilities from matured unsettled derivative transactions	874	-
Security deposit received from petrol station lessees	-	3,169
Other	1,542	3,641
Total trade payables and other current financial liabilities	**441,636**	**494,853**
Financial liabilities measured at fair value through profit or loss - derivatives	**7**	**2,875**
Other current non-financial liabilities		
Taxes, contributions payable, penalties	61,215	58,337
Amounts due to employees	17,533	16,740
Liabilities from loyalty scheme BONUS	6,728	5,923
Advances from customers	4,155	5,567
Public health and social insurance	3,289	2,952
Other	906	19
Total other current non-financial liabilities	**93,826**	**89,538**
Total trade payables and other current liabilities	**535,469**	**587,266**

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	2018	2017
At the beginning of the period	**451**	**438**
Legal creation through expenses	934	827
Business combinations	2	-
Other creation	5	28
Use	(1,156)	(842)
At the end of the period	**236**	**451**

23 FINANCIAL INSTRUMENTS

Accounting policies

<u>*Classification and measurements of financial instruments*</u>

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.

Based on results of business model test and cash flow characteristics test, financial assets within the scope of IFRS 9 are classified as either financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, or financial assets at fair value through profit or loss. 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.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are those financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value including directly attributable transaction costs. After initial measurement financial assets measured at amortized cost 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 assets are derecognized or impaired, as well as through the amortization process.

Financial assets measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those financial assets that is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income are initially recognized at fair value.

Interest revenue, impairment gains and losses, and a portion of foreign exchange gains and losses, are recognized in profit and loss on the same basis as for Financial assets measured at amortized cost. Dividends from equity investments are recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income.

Changes in fair value are recognized initially in other comprehensive income. When debt instruments are derecognized or reclassified, changes in fair value previously recognized in other comprehensive income and accumulated in equity are reclassified to profit and loss on a basis that always results in an asset measured at fair value through other comprehensive income having the same effect on profit and loss as if it were measured at amortized cost. Changes in fair value of equity investments recognized in other comprehensive income are never recycled to profit and loss, even if the asset is sold or impaired.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets which are not classified in any of the two preceding categories or financial instruments designated upon initial recognition as at fair value through profit or loss.

When financial assets at fair value through profit or loss are recognized initially, they are measured at fair value.

Changes in fair value are recognized in profit and loss as they arise.

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

Fair value

Fair value of financial instruments 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.

Impairment of financial assets

The Company assesses at each end of the reporting period whether a financial asset or group of financial assets measured at amortized cost or at fair value through other comprehensive income is impaired.

As a general approach, impairment losses on a financial asset or group of financial assets are recognized for expected credit losses at an amount equal to:

- *12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date), or*
- *full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).*

The loss allowance for financial instruments is measured at an amount equal to full lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition. When the credit risk of the financial instrument is low at the reporting date (in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition) - 12-month expected credit losses can be applied for the measurement. The Company determines significant increase in credit risk in case of debt securities based on credit rating agency ratings. As there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due assessment is required on a case-by-case basis whether the credit risk significantly increased in that financial asset when such an event occurs.

Additionally, the Company applies the simplified approach to recognize full lifetime expected losses from origination for trade receivables and other financial receivables. For all other financial instruments, general approach is applied.

An entity shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Independently of the two approaches mentioned above, impairment losses recognized where there is an objective evidence on 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. These are required to be assessed on a case-by-case basis. The maximum amount of impairment accounted for by the Company is 100% of unsecured part of the financial asset. The amount of loss is recognized in the statement of profit or loss.

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. Any subsequent reversal of impairment loss is recognized in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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	2018	2017
Other non-current financial assets	13	2,628	25,700
Trade receivables	15	339,206	348,345
Other current financial assets	16	11,652	11,356
Cash and cash equivalents	17	49,250	142,593
Financial assets measured at amortized cost		**402,736**	**527,994**
Financial assets measured at fair value through other comprehensive income - equity instruments (Level 2)		2,409	76
Financial assets measured at fair value through profit or loss - derivatives (Level 2)	16	5,253	121
Financial assets measured at fair value		**7,662**	**197**
Total financial assets		**410,398**	**528,191**

in € thousands	Notes	2018	2017
Long-term debt, net of current portion	19.1	5,436	138,302
Trade payables and other current financial liabilities	22	441,636	494,853
Short-term debt	19.2	10,001	6,000
Current portion of long-term debt	19.1	598	16,618
Financial liabilities measured at amortized cost		**457,671**	**655,773**
Financial assets measured at fair value through profit or loss – derivatives (Level 2)	22	7	2,875
Financial liabilities measured at fair value		**7**	**2,875**
Total financial liabilities		**457,678**	**658,648**

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

2018 *in € thousands*	**Net gains/ (losses)**	**Interest income/ (expense)**	**(Loss)/ reversal of loss from impairment**	**Net fee income/ (expense)**
Financial assets measured at amortized cost	15,573	268	(1,269)	(31)
Financial assets measured at fair value through other comprehensive income	-	8	-	-
Financial assets/liabilities measured at fair value through profit or loss	4,223	-	-	-
Financial liabilities measured at amortized cost	(13,699)	(391)	-	(2,655)
Total	**6,097**	**(115)**	**(1,269)**	**(2,686)**

2017 *in € thousands*	**Net gains/ (losses)**	**Interest income/ (expense)**	**(Loss)/ reversal of loss from impairment**	**Net fee income/ (expense)**
Financial assets measured at amortized cost	647	743	(1,171)	(91)
Financial assets measured at fair value through other comprehensive income	-	17	-	-
Financial assets/liabilities measured 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)**

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 2018 the Company recorded the financial assets that would otherwise be past due or impaired whose terms have been renegotiated in amount of €61 thousand (31 December 2017: €38 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 €127,548 thousand as at 31 December 2018 (31 December 2017: €125,601 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 €323 thousand in 2018 (2017: €521 thousand).

Analysis of trade receivables:

2018 *in € thousands*	**Nominal value**	**Provisions**	**Net book value**
Not past due	324,071	391	323,680
Past due			
Up to 30 days	12,457	19	12,438
From 31 to 90 days	445	1	444
From 91 to 180 days	337	1	336
From 181 to 360 days	3,150	1,389	1,761
Over 361 days	3,565	3,018	547
Total trade receivables	**344,025**	**4,819**	**339,206**

2017 *in € thousands*	**Nominal value**	**Provisions**	**Net book value**
Not past due	330,853	356	330,497
Past due			
Up to 30 days	15,274	21	15,253
From 31 to 90 days	2,256	2	2,254
From 91 to 180 days	189	1	188
From 181 to 360 days	134	134	-
Over 361 days	3,564	3,487	77
Total trade receivables at 1 January 2018	**352,270**	**4,001**	**348,269**
Changes in accounting policy (Note 1.3)	-	(76)	76
Total trade receivables as at 31 December 2017	**352,270**	**3,925**	**348,345**

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 2018 and 2017 were as follows:

2018 *in € thousands*	**Total credit facilities**	**Drawn loans**	**Customs guarantees**	**Other guarantees**	**Undrawn credit facilities**
Long-term credit facilities					
Other	6,034	(6,034)	-	-	-
Total long-term credit facilities	**6,034**	**(6,034)**	**-**	**-**	**-**
Short-term credit facilities					
MOL Group	10,010	-	-	-	10,010
Other	301,600	(10,000)	(53,410)	(7,007)	231,183
Total short-term credit facilities	**311,610**	**(10,000)**	**(53,410)**	**(7,007)**	**241,193**
Total credit facilities	**317,644**	**(16,034)**	**(53,410)**	**(7,007)**	**241,193**

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**

Of the undrawn credit facilities, the resources of €231,183 thousand as at 31 December 2018 (31 December 2017: €54,132 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 €5,532 thousand as at 31 December 2018 (31 December 2017: €8,317 thousand).

Analysis of liquidity risk:

2018 *in € thousands*	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss
On demand	56,986	-	5,778	-
Up to 1 month	235,183	1,425	296,309	7
From 1 to 3 months	103,807	-	146,795	-
From 3 to 12 months	3,295	3,828	1,662	-
From 1 to 5 years	2,628	-	2,388	-
Over 5 years	-	-	3,048	-
Without maturity	837	-	1,691	-
Total	**402,736**	**5,253**	**457,671**	**7**

2017 *in € thousands*	Financial assets measured at amortized cost	Financial assets measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss
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**

Financial assets measured at fair value through other comprehensive income as at 31 December 2018 and 2017 represent capital instruments, which do not have determined maturity.

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

2018 *in € thousands*	Long-term debt	Trade payables and other current financial liabilities	Short-term debt	Financial liabilities measured at fair value through profit or loss	Total
On demand	-	5,778	-	-	5,778
Up to 1 month	160	286,210	10,001	7	296,378
From 1 to 3 months	122	146,709	-	-	146,831
From 3 to 12 months	608	1,248	-	-	1,856
From 1 to 5 years	3,300	-	-	-	3,300
Over 5 years	3,702	-	-	-	3,702
Without maturity	-	1,691	-	-	1,691
Total	**7,892**	**441,636**	**10,001**	**7**	**459,536**

2017 *in € thousands*	Long-term debt	Trade payables and other current financial liabilities	Short-term debt	Financial liabilities measured at fair value through profit or loss	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**

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:

	2018		2017	
in € thousands	Increase/ (decrease) of interest rate *(%)*	Impact on profit before taxes	Increase/ (decrease) of interest rate *(%)*	Impact on profit before taxes
EURIBOR 1M (EUR)	0.25	6	0.25	68
EURIBOR 1M (EUR)	(0.25)	(6)	(0.25)	(69)
EURIBOR 3M (EUR)	0.25	7	-	-
EURIBOR 3M (EUR)	(0.25)	(7)	-	-
EURIBOR 6M (EUR)	-	-	0.25	(37)
EURIBOR 6M (EUR)	-	-	(0.25)	37

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:

	2018		2017	
in € thousands	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes	Increase/ (decrease) of exchange rate *(%)*	Impact on profit before taxes
USD	5.5	(11,945)	5.3	(15,165)
USD	(5.0)	10,755	(4.8)	13,720
HUF	4.9	2	5.1	4
HUF	(4.5)	(2)	(4.6)	(4)
CZK	6.2	4,173	6.2	4,718
CZK	(5.5)	(3,713)	(5.5)	(4,195)
PLN	4.9	912	5.0	1,102
PLN	(4.4)	(831)	(4.6)	(1,001)

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 uses short term commodity swap transactions for hedging commodity risk. The commodity swap transactions were traded with related MOL Commodity Trading Kft. The Company does not apply hedge accounting for these transactions.

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	2018	2017
Long-term debt, net of current portion	5,436	138,302
Short-term debt	10,001	6,000
Current portion of long-term debt	598	16,618
Less: cash and cash equivalents	(49,250)	(142,593)
Net debt	**(33,215)**	**18,327**
Equity	1,574,237	1,599,689
Capital and net debt	**1,541,022**	**1,618,016**
Gearing ratio (%)	**(2.16)**	**1.13**

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 2018 is €2,415 thousand (31 December 2017: €2,526 thousand).

The guarantees granted are as follows:

	2018		
Debtor	Purpose	Valid until	Guarantee *€ thousands*
SWS spol. s r.o.	customs guarantee	31 December 2019	2,200
ADOM. M STUDIO, s.r.o.	loan	14 December 2020	85
SLOVNAFT MONTÁŽE A OPRAVY a.s.	trade payables	7 November 2020	130

	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

Capital and contractual commitments

The total value of capital commitments as at 31 December 2018 is €100,904 thousand (31 December 2017: €87,332 thousand) and relates to obligations to purchase property, plant and equipment in the amount of €99,171 thousand (31 December 2017: €86,320 thousand) and intangible assets in the amount of €1,733 thousand (31 December 2017: €1,012 thousand).

Operating leases

The operating lease liabilities are as follows::

in € thousands	2018	2017
Up to 1 year	10,018	9,369
From 1 to 5 years	22,855	22,842
Over 5 years	662	1,276
Total	**33,535**	**33,487**
Minimum lease payments recognized in the profit/loss for the period	10,508	10,138

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 2018.

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 €44,000 thousand for the estimated cost as at 31 December 2018 (31 December 2017: €42,738 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.

	2018	2017
Profit/(loss) for the period (€ thousands)	106,218	146,724
Weighted average number of shares	20,625,229	20,625,229
Basic/diluted earnings per share (€)	5.15	7.11

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 AND PARTNERS s. r. o. and the Chairman of the Supervisory Board at MET Slovakia, a. s..

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

Mr. Marek Senkovič, the Chief Financial Officer of the Company, is a member of the Board of Directors at Agentúra pre núdzové zásoby ropy a ropných výrobkov.

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

The transactions with related parties:

in € thousands	2018	2017
Sales - products, goods and materials		
SLOVNAFT Group	183,954	203,428
MOL Group	723,372	786,820
Associated companies	748,465	638,319
Agentúra pre núdzové zásoby ropy a ropných výrobkov	28,109	-
Granitol, a.s.	12,273	11,637
Other related parties	90	76
Sales - services and other operating revenues		
SLOVNAFT Group	4,202	11,026
MOL Group	9,478	6,492
Associated companies	1,679	1,748
Agentúra pre núdzové zásoby ropy a ropných výrobkov	872	-
Other related parties	-	46
Sales - intangible assets and property, plant and equipment		
SLOVNAFT Group	12	4,077
MOL Group	6,146	-
Sales – investments in subsidiaries		
MOL Group	21,000	-
Interest revenue		
SLOVNAFT Group	61	560
MOL Group	31	17
Associated companies	46	113

in € thousands	2018	2017
Other finance revenues		
SLOVNAFT Group	10	9
MOL Group	3,931	-
Associated companies	-	2
Dividends received		
SLOVNAFT Group	7,769	2,560
MOL Group	2	-
Associated companies	2,478	6,074

in € thousands	2018	2017
Purchases - raw materials, goods and energy		
SLOVNAFT Group	615	72,979
MOL Group	446,356	355,116
Associated companies	34,520	50,529
MET Slovakia a.s.	89,878	75,546
Other related parties	33	22
Purchases - services and other operating expenses		
SLOVNAFT Group	102,335	79,342
MOL Group	5,922	7,076
Associated companies	2,848	2,710
Agentúra pre núdzové zásoby ropy a ropných výrobkov	34,379	-
RUŽIČKA AND PARTNERS s. r. o.	195	42
Other related parties	41	46
Purchases - property, plant and equipment		
SLOVNAFT Group	30,149	40,604
MOL Group	8,718	1,276
Purchases - intangible assets		
SLOVNAFT Group	242	223
MOL Group	3,048	4,038
Interest expense		
SLOVNAFT Group	-	11,429
MOL Group	12	217
Associated companies	221	240
Other finance costs		
MOL Group	-	2,732

in € thousands	2018	2017
Receivables		
SLOVNAFT Group	13,610	23,067
MOL Group	67,204	84,512
Associated companies	62,505	68,488
Granitol, a.s.	2,341	2,297
Other related parties	154	8
Loans granted		
SLOVNAFT Group (Note 13 and 16)	10,374	30,788
Associated companies (Note 13)	2,172	2,142
Payables		
SLOVNAFT Group	40,244	38,018
MOL Group	57,705	41,438
Associated companies	3,868	5,092
MET Slovakia a.s.	10,798	9,542
Agentúra pre núdzové zásoby ropy a ropných výrobkov	4,481	-
RUŽIČKA AND PARTNERS s. r. o.	31	33
Other related parties	8	14
Loans received		
SLOVNAFT Group (Note 19.1)	-	133,701
Associated companies (Note 19.1)	4,606	5,032

Statutory boards of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2018 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 Pethő

The Supervisory Board: Zoltán Áldott, Chairman of the Board
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 €80 thousand in 2018 (2017: €255 thousand). The total remuneration of members of the Supervisory Board amounted to €166 thousand in 2018 (2017: €88 thousand).

Key management compensation

in € thousands	2018	2017
Salaries	875	948
Legal and voluntary retirement contributions	86	80
Public health insurance	106	119
Other social insurance	45	83
Other personnel expenses	127	128
Provision for retirement and jubilee benefits	-	52
Expenses of share-based payments	(165)	1,209
Total	**1,074**	**2,619**

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

	2018		2017	
	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	259,200	6.03	256,880	6.22
Granted during the period	84,560	9.45	84,800	7.45
Forfeited during the period	(40,000)	8.49	(800)	5.38
Exercised during the period	(60,000)	5.61	(81,680)	6.44
Expired during the period	-	-	-	-
Outstanding at the end of the period	**243,760**	**6.69**	**259,200**	**6.03**
Exercisable at the end of the period	122,400	4.94	103,200	5.33

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 2018 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 2018 that would require adjustment to, or disclosure in the financial statements.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate Governance principles are an integral part of SLOVNAFT Group's operations. SLOVNAFT, a.s., is well aware of the fact that clearly defined relationships and effective communication with shareholders, company management and employees are the 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 at 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 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 additional information required for the proper performance of a process. In 2018, 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 at 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 2018, the company successfully passed the supervisory audit according to ISO 9001:2015, thus confirming the suitability and efficiency of its individual processes.

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 the 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 discontinuing of the trading of the company's shares on the stock exchange and deciding to change the company from a public joint stock company
i) deciding on any other issues that the Articles of Association and/or legal regulations entrusted 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 at the company headquarters, 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 5th April 2018 discussed the Annual report, took note of the Supervisory Board's report, approved the ordinary individual and consolidated financial statements for the year 2017, approved a proposal to distribute profits and rules for paying out dividends for 2017, approved the amendment to the company's Articles of Association, elected members of the Board of Directors and approved the company auditor for 2018.

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 the company's affairs, 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 the Board of Directors' members cover the most important areas of the company's business and operations and underpin the competent performance of the Board of Directors' duties.

In compliance with the 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 require 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 & Defence 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 2018, 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 the 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 at 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 the company that are related to the General Meeting's agenda; submit proposals to the General Meeting; ask for the inclusion of issues in the General Meeting's agenda as specified by the shareholder, all in line with legal regulations in effect. Shareholders may exercise their rights at 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 the power of attorney in relation to the exercise of voting rights attached to the same shares to more than one proxy at the same General Meeting, the company will permit voting rights only of the proxy entered first in the General Meeting's attendance register. If several shareholders grant written power of attorney to one proxy, that proxy may vote at 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 the company's profits (dividend) the General Meeting appropriates for distribution. Shareholders are not obliged to return company dividends received in good faith. Shareholders are not entitled to ask for the 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 the company's liquidation.

Amendments to the 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 at 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 Registrar 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 in control of the company as is standard in contracts of a similar nature.

No agreements are concluded between the 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 the transparency of operations, company management is obliged to inform the company of any 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 on the 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

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

Zsolt Pethő
Member of the Board of Directors

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 (until 29 May 2018)

Szabolcs István Ferencz
Member of the Supervisory Board

Matúš Horváth
Member of the Supervisory Board elected by employees

Martina Darnadiová
Member of the Supervisory Board elected by employees

Slavomír Hatina
Member of the Supervisory Board

Zsuzsanna Éva Ortutay
Member of the Supervisory Board (until 5 April 2018)

Zoltán Áldott
Member of the Supervisory Board (since 5 April 2018)
Chairman of the Supervisory Board (since 21 June 2018)

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 the 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 6 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 December 2016, Mr. Világi was appointed Executive Vice President of MOL Group.

Gabriel Szabó

- Member of the Board of Directors since April 2010
- CEO of SLOVNAFT, a.s., since December 2016

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 of 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 became the Vice President of Downstream at SLOVNAFT, a.s., with responsibilities 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 1 December 2016, Mr. Szabó was appointed Chief Executive Officer of SLOVNAFT, a.s.

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 1 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 at 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 the purchasing of crude oil and raw materials needed for crude oil processing.

Mihály Kupa

- Member of the Board of Directors since May 2011

Mr. Kupa was Chairman of the MOL Nyrt. 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 managerial 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 2017, Zsolt Pethö became MOL Group's Vice President for Downstream Commerce & Optimization.

Tímea Reicher

▸ Member of the Board of Directors since April 2013

Mrs. Reicher graduated from the Faculty of National Economy at the University of Economics in Bratislava, in 1998. Since 2006, she has been within MOL Group. In March 2006, she took a managerial position at the Corporate Centre in SLOVNAFT, a.s.From 2009 to 2011, she worked as a 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 by the University of Minnesota – Carlson School of Management and by 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 and 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 of Refining at the Naantali Refinery. Between the years 2009 and 2011 he was the Vice President of Refining at the Porvoo refinery. He joined Česká rafinérská in 2011, firstly as the Executive Director of Technology & Investment and a member of the Board of Directors, and then was appointed the Executive Director of Production & Maintenance. He has been the Senior Vice President of Production at MOL Group since February 2013.

REPORT ON THE SUPERVISORY BOARD OF SLOVNAFT, A.S., ACTIVITIES IN THE FISCAL YEAR 2018

The report submitted by the Supervisory Board for the fiscal year of 2018 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 2018 and the regular evaluation of the company's business activities.

The Supervisory Board has been regularly informed about the economic results of the company by the Chief Executive Officers. The Supervisory Board has reviewed the reports on activities carried out by the Internal Audit department, concerning the administration of the HSE Department (Sustainable Development, Occupational Safety & Health and Environmental Protection).

The Supervisory Board has actively pursued information 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 on the Supervisory Board attended every meeting of the Supervisory Board.

The Supervisory Board examined and verified the independent auditors report on the ordinary individual and consolidated financial statements of SLOVNAFT, a.s., for the year 2018, 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 the 31st of December, 2018 and its financial results and cash flows for the year in all important respects.

After reviewing and discussing the report of the Board of Directors on the company's activities in 2018, the Supervisory Board recommends that the General Meeting approves the ordinary individual and consolidated financial statements of SLOVNAFT, a.s., for 2018, in accordance with the proposal of the Board of Directors of SLOVNAFT, a.s.. The Supervisory Board also agrees that the net profit of SLOVNAFT, a.s., reported for 2018 shall be resolved by allocating it to the retained earnings from previous years.

Zoltán Áldott
Chairman of the Supervisory Board

APPROVAL OF THE ORDINARY INDIVIDUAL AND ORDINARY CONSOLIDATED FINANCIAL STATEMENTS OF SLOVNAFT, A.S., FOR THE YEAR ENDING ON 31 DECEMBER 2018

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 22nd of August 2019 approves the following resolution:

The Annual General Meeting of SLOVNAFT, a.s., having its registered office at Vlčie hrdlo 1, 824 12 Bratislava, ID No.: 31322 832, approves the ordinary individual financial statement for 2018 and ordinary consolidated financial statement for 2018.

PROPOSAL ON DISTRIBUTION OF THE 2018 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 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 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 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 2018, the company did not acquire its own shares, interim certificates, ownership interests, stocks, interim certificates or ownership interests in the parent accounting entity.
- Neither bonds nor employee shares were issued by the Company as of 31st of December 2018.
- 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

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