Statistical code: 10625790-1920-114-01
Company registration number: 01-10-041683

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY

1117 Budapest, Október huszonharmadika u. 18.

2018

FINANCIAL STATEMENTS

József Molnár
Chief Executive Officer

József Simola
Executive Vice President for Finance

Budapest, 14 March 2019

FINANCIAL STATEMENTS

Introduction

General information

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc. or Company) was incorporated on 1 October 1991 on the transformation of its legal predecessor, the Országos Kőolaj- és Gázipari Tröszt (OKGT). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of OKGT were revalued as at that date. MOL Plc. is involved in the exploration and production of crude oil, natural gas and other gas products, refining, transportation and storage of crude oil and wholesale and retail marketing of crude oil products. The registered office address of the Company is 1117 – Budapest, Október huszonharmadika u. 18., Hungary.

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. Depositary Receipts (DRs) are traded Over The Counter (OTC) market in the USA.

Authorisation and Statement of Compliance

These separate financial statements have been approved and authorised for issue by the Board of Directors on 14 March 2019.

These separate financial statements have been prepared in accordance with International Financial Reporting Standards that have been adopted by the European Union (EU). IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC). Notes to the financial statements also contains disclosures required by Hungarian Accounting Law.

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of MOL Hungarian Oil and Gas Plc.

Report on the audit of the financial statements

Opinion

We have audited the accompanying 2018 financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprise the statement of financial position as at 31 December 2018 - showing an asset total of HUF 2,972,835 million and a net profit for the year of HUF 301,417 million -, the related statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements 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 financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also 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"). 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 applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Oil and natural gas reserve estimation process	
The estimation of oil and natural gas reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company's share of reportable volumes. We considered the oil and natural gas reserve estimation process to be a key audit matter as oil and natural gas reserves are also a fundamental indicator of the future potential of the Company's performance and these estimates affect significant amounts as reported in the statement of financial position and statement of profit or loss.	Audit procedures included understanding of the process for determination of the oil and natural gas reserves and testing of the design of internal controls implemented in the process. We assessed the competence and objectivity of technical experts of the Company, to evaluate whether they are qualified to carry out the oil and natural gas reserve volumes estimation. We performed an inquiry of the management of the Company and our procedures were planned and executed to assess that the applied methodology for oil and natural gas reserves estimate is consistent with previous year. We selected the items with significant movements compared to the prior year and for these we tested if the changes were made in the appropriate period, and in compliance with the Company's internal policies. We also validated these volumes against underlying information such as technical evaluations and Reserve and Resources Committee decision papers. We also performed analytical procedures on movements in oil and natural gas reserves during the year and reviewed whether all significant changes were approved by the Reserves and Resources Committee. We assessed the adequacy of the Company's disclosures in respect of oil and natural gas reserves.

The Company's disclosures about oil and natural gas reserves estimation policies are included in Note 8.c) Depreciation, depletion and amortization to the financial statements.

Wholesale Revenue recognition

The Company's net revenue derives from different activities and we identified wholesale revenue as a significant revenue stream. Revenue is recognized when all the 5 step criteria of IFRS 15 - Revenue from Contracts with Customers are met.

Revenue is measured taking into account discounts, incentives and rebates earned by customers on the Company's sales. Due to the multitude and variety of contractual terms across the Company's markets, typically related to the wholesale activity, we consider the estimation of discounts, incentives and rebates recognized based on sales made during the year to be a complex area and therefore we consider revenue recognition related to wholesale activity as a key audit matter.

Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies including those relating to discounts, incentives and rebates in accordance and compliance with IFRS 15 - Revenue from Contracts with Customers. We tested the design and operational effectiveness of the Company's controls over calculation of discounts, incentives and rebates and correct timing and estimations related to revenue recognition. We tested a sample of the sales transactions close to the balance sheet date as well as credit notes issued after the balance sheet date to assess whether revenue was recognized in the correct period. We also performed analytical reviews over revenue accounts and we assessed the adequacy of the Company's disclosures in respect of revenue.

The Company's disclosures about revenue and revenue recognition policies are included in Note 3 Total operating income to the financial statements.

Asset impairments

Movements in oil and gas prices can have a significant effect on the carrying value of the Company's assets including upstream offshore and onshore, refining, retail and service related long lived assets as well as goodwill. A significant and rapid drop in prices will also quickly impact the Company's operations and cash flows. We assessed the principal risk arising in relation to the financial statements to be associated with the carrying value of the above

We examined the methodology used by management to assess the carrying value of respective assets to determine its compliance with EU IFRSs and consistency of application. We performed understanding of the process and tested the design of the internal controls operated by the Company relating to the assessment of the carrying value of respective assets. For the assets where impairment indicators were not identified by the Company we assessed the assumptions used by the Company in

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listed assets, many of which are supported by an assessment of future cash flows.

As asset impairment is complex and judgmental area with significant potential impact on the valuation of assets, we consider asset impairments a key audit matter.

determination of whether impairment indicators exist. The assessment took into consideration current industry and Company expectations for the key inputs to impairment models.

In respect of performed impairment tests, we used external data in assessing and corroborating the assumptions used in impairment testing, the most significant being future market oil prices, reserves and resources volumes and discount rates. We involved experts in the evaluation of discount rates. We also performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and procedures to assess the completeness of the impairment charges.

We assessed the adequacy of the Company's disclosures in respect of valuation of intangible assets and tangible fixed assets in accordance with EU IFRSs.

The disclosures about intangible assets and tangible fixed assets are included in Note 8.d) Impairment of assets to the financial statements.

<u>Trading operations</u>

Unauthorized trading activity (which covers physical and paper trading of products and product related derivatives) gives rise to an inherent risk of fraud in revenue or profit recognition as there is an incentive to mismarking of the Company's trading positions to minimize trading losses or maximize trading profits or understate profits or move profits to subsequent periods when bonus ceilings have already been reached, to maximize individual bonuses across financial years. This risk together with the potential significant effect on the revenue or profit of the Company led us to identify the risk of unauthorized trading operation as a key audit matter

Our audit procedures included testing of the design of internal controls implemented in the process and testing of the design and operating effectiveness of the controls implemented by the Company to avoid unauthorized trading activity. We selected a sample of third parties to whom we sent confirmation letters to confirm the year-end balances of open transactions.

We tested fair value of a sample of derivatives using contract and external market prices. We performed test of the completeness of the trading transactions and amounts recorded in the financial statements through performing procedures to detect unrecorded liabilities as well as

procedures related to the recognition of sales, purchases, trade receivables and trade payables.
We assessed the appropriateness of disclosures made in relation of the result and details of trading transactions as detailed in Note 16 Financial risk and capital management and Note 17 Financial instruments to the financial statements.

Other information

Other information consists of the 2018 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the financial statements does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether 1) the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2018 is consistent, in all material respects, with the 2018 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 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 International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 12 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 17 years.

Consistency 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 in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 11 March 2019.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Company in conducting the audit.

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

Unbundling of the activities

In accordance with section 105A/(1) of Act LXXXVI of 2007 on Electric Energy we have examined Note g) in Appendix 4 to the financial statements of the Company for 2018, which presents Unbundling of the activities.

Management is responsible for development and application of the accounting policies pertaining to unbundling, for pricing the various activities to ensure that various activities are free from cross financing and for the separate presentation of unbundled activities in the notes to the financial statements in accordance with section 105/(2)-(4) of act LXXXVI of 2007 on Electric Energy.

Our responsibility is to express a conclusion on information included in Note g) in Appendix 4. We performed our limited assurance engagement in accordance with Hungarian National Standard on Assurance Engagements. Those standards require that we comply with ethical requirements and plan and perform the limited assurance engagement in order to obtain a limited assurance that the Company meets the requirements on cross financing and separate presentation of unbundled activities contained in the Hungarian Accounting law and the guidance of the Hungarian Energy and Public Utility Regulatory Authority. The evidence-gathering procedures are more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement. We have also not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accounting policies applied by the Company and the information included in Note g) in Appendix 4, in all material respects, are not in line with the Hungarian Accounting law, with section 105/(2)-(4) of act LXXXVI of 2007 on Electric Energy and the guidance of the Hungarian Energy and Public Utility Regulatory Authority related to unbundling and elimination of cross financing between activities.

The engagement partner on the audit resulting in this independent auditor's report is Gergely Szabó.

Budapest, 14 March 2019

(The original Hungarian language version has been signed.)

Szabó Gergely
Engagement Partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No.: 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

STATEMENT OF PROFIT OR LOSS

	Notes	2018 HUF million	2017 HUF million
Net sales		2,129,059	1,539,530
Other operating income		5,083	9,538
Total operating income	3	**2,134,142**	**1,549,068**
Raw materials and consumables used		1,759,799	1,220,101
Employee benefits expense		71,554	70,787
Depreciation, depletion, amortisation and impairment		101,343	81,220
Other operating expenses		108,706	105,975
Change in inventory of finished goods & work in progress		(6,678)	(12,037)
Work performed by the enterprise and capitalised		(16,263)	(17,185)
Total operating expenses	4	**2,018,461**	**1,448,861**
Profit from operation		**115,681**	**100,207**
Finance income		413,492	278,026
Finance expense		164,117	141,021
Total finance income, net	5	**249,375**	**137,005**
Profit before tax		**365,056**	**237,212**
Income tax expense	6	63,639	51,345
PROFIT FOR THE YEAR		**301,417**	**185,867**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 HUF million	2017 HUF million
Profit for the year		**301,417**	**185,867**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of debt instruments at fair value through other comprehensive income	7	(246)	6
Changes in fair value of cash flow hedges	7	-	(58)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(246)**	**(52)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of post-employment benefit obligations	7	43	(1,024)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**43**	**(1,024)**
Other comprehensive income/(loss) for the year		**(203)**	**(1,076)**
Total comprehensive income/(loss) for the year		**301,214**	**184,791**

STATEMENT OF FINANCIAL POSITION

	Notes	2018 HUF million	2017 HUF million
NON-CURRENT ASSETS			
Property, plant and equipment	8	348,005	362,125
Intangible assets	8	33,032	37,062
Investments	9	1,538,164	1,587,848
Other non-current financial assets	17	36,578	114,981
Deferred tax asset	6	65,524	118,464
Other non-current assets	10	754	943
Total non-current assets		**2,022,057**	**2,221,423**
CURRENT ASSETS			
Inventories	11	192,270	186,285
Trade and other receivables	19	229,700	171,587
Securities	17	54	26,043
Other current financial assets	17	216,467	119,727
Income tax receivable	6	13,351	496
Cash and cash equivalents	20	283,547	108,191
Other current assets	12	15,389	17,676
Total current assets		**950,778**	**630,005**
Total assets		**2,972,835**	**2,851,428**
EQUITY			
Share capital		80,828	80,809
Retained earnings and other reserves		1,445,583	1,343,250
Profit for the year		301,417	185,867
Total equity		**1,827,828**	**1,609,926**
NON-CURRENT LIABILITIES			
Long-term debt	17	303,704	423,996
Other non-current financial liabilities	17	124	420
Non-current provisions	13	155,988	309,462
Other non-current liabilities	14	921	1,196
Total non-current liabilities		**460,737**	**735,074**
CURRENT LIABILITIES			
Short-term debt	17	170,210	29,969
Trade and other payables	17	224,047	188,703
Other current financial liabilities	17	223,299	217,896
Current provisions	13	5,279	13,100
Other current liabilities	15	61,435	56,760
Total current liabilities		**684,270**	**506,428**
Total liabilities		**1,145,007**	**1,241,502**
Total equity and liabilities		**2,972,835**	**2,851,428**

STATEMENT OF CHANGES IN EQUITY

	Issued share capital HUF million	Treasury shares [1] HUF million	Share capital HUF million	Share premium HUF million	Fair valuation reserve HUF million	Retained earnings HUF million	Retained earnings and other reserves HUF million	Profit for the year HUF million	Total equity HUF million
Opening balance 1 January 2017	102,429	(21,638)	80,791	219,389	284	921,381	1,141,054	254,396	1,476,241
Profit for the year	-	-	-	-	-	-	-	185,867	185,867
Other comprehensive income/(loss) for the year	-	-	-	-	(52)	(1,024)	(1,076)	-	(1,076)
Total comprehensive income/(loss) for the year	-	-	-	-	(52)	(1,024)	(1,076)	185,867	184,791
Transfer to reserves	-	-	-	-	-	254,396	254,396	(254,396)	-
Dividends	-	-	-	-	-	(58,007)	(58,007)	-	(58,007)
Settlement of share option agreement	-	-	-	-	-	5,327	5,327	-	5,327
Share-based incentive plan	-	18	18	-	-	368	368	-	386
Share-based incentive plans via MRP organisation [2]	-	-	-	-	-	1,188	1,188	-	1,188
Closing balance 31 December 2017	102,429	(21,620)	80,809	219,389	232	1,123,629	1,343,250	185,867	1,609,926
Opening changes due to effect of IFRS standard change (IFRS 9)	-	-	-	-	-	(80)	(80)	-	(80)
Opening balance 1 January 2018	102,429	(21,620)	80,809	219,389	232	1,123,549	1,343,170	185,867	1,609,846
Profit for the year	-	-	-	-	-	-	-	301,417	301,417
Other comprehensive income/(loss) for the year	-	-	-	-	(246)	43	(203)	-	(203)
Total comprehensive income/(loss) for the year	-	-	-	-	(246)	43	(203)	301,417	301,214
Transfer to reserves	-	-	-	-	-	185,867	185,867	(185,867)	-
Dividends	-	-	-	-	-	(94,278)	(94,278)	-	(94,278)
Settlement of share option agreement	-	-	-	-	-	8,029	8,029	-	8,029
Share-based incentive plan	-	19	19	-	-	431	431	-	450
Share-based incentive plans via MRP organisation [2]	-	-	-	-	-	2,567	2,567	-	2,567
Closing balance 31 December 2018	102,429	(21,601)	80,828	219,389	(14)	1,226,208	1,445,583	301,417	1,827,828

[1] Including shares under repurchase obligation

[2] See Note 4

STATEMENT OF CASH FLOWS

	Notes	2018 HUF million	2017 HUF million
Profit before tax		**365,056**	**237,212**
Adjustments to reconcile profit before tax to cash flows from operations before changes in working capital			
Depreciation, depletion, amortisation and impairments	4	101,343	81,220
Increase / (decrease) in provisions	13	(163,127)	(89,026)
Net (gain) / loss on asset disposal and divestments		(182)	(572)
Net interest expense / (income)	5	15,940	18,385
Other finance expense / (income)	5	(99,722)	(66,101)
Other items	22	12,793	11,143
Income taxes paid	6	(23,546)	(9,660)
Cash flows from operations before changes in working capital		**208,555**	**182,601**
Change in working capital		*(17,946)*	*(30,247)*
(Increase) / decrease in inventories	11	(11,805)	(25,005)
(Increase) / decrease in trade and other receivables	19	(119,822)	(18,725)
Increase / (decrease) in trade and other payables		108,873	24,164
(Increase)/decrease in other assets and liabilities	12,15	4,808	(10,681)
Cash flows from operations		**190,609**	**152,354**
Capital expenditures	2	(99,498)	(92,839)
Proceeds from disposal of fixed assets	8	13,576	2,174
Increase / (decrease) in other financial assets		(33,672)	18,284
Interest received and other financial income	5	9,068	9,704
Dividends received	5	193,010	141,232
Cash flows from investing activities		**82,484**	**78,555**
Repayments of bonds, notes and debentures		-	(234,840)
Proceeds from borrowings		2,591	319,979
Repayments of borrowings		(10,647)	(237,633)
Interest paid and other finance expense	5	(20,390)	(48,230)
Dividends paid to owners of parent		(86,234)	(52,666)
Cash flows from financing activities		**(114,680)**	**(253,390)**
Currency translation differences relating to cash and cash equivalents		8,519	(4,030)
Increase/(decrease) in cash and cash equivalents		**166,932**	**(26,511)**
Cash and cash equivalents at the beginning of the year		108,191	131,559
Cash and cash equivalents at the end of the year		283,547	108,191
Change in Cash and cash equivalents		**175,356**	**(23,368)**
Change in Overdraft		(8,424)	(3,143)
Increase / (decrease) in cash and cash equivalents		**166,932**	**(26,511)**

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING INFORMATION, POLICIES AND SIGNIFICANT ESTIMATES

This section describes the basis of preparation of the financial statements and MOL Plc.'s applicable accounting policies. Accounting policies, critical accounting estimates and judgements that are specific to a given area are set out in detail in the relevant notes. This section also provides a brief summary of new accounting standards, amendments and interpretations that have already been adopted in the current financial year or will be adopted as those will be in force in the forthcoming years.

1. Accounting information, policies and significant estimates

Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by IFRS Interpretations Committee as adopted by the EU and effective on 31 December 2018. Notes to the financial statements also contains disclosures required by Hungarian Accounting Law.

The separate financial statements are prepared on a going concern basis under the historical cost convention. For the purposes of the application of the historical cost convention, the separate financial statements treat the Company as having come into existence as of 1 October 1991, at the carrying values of assets and liabilities determined at that date, subject to the IFRS adjustments.

New and amended standards adopted

MOL has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from Contracts with Customers
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Amendment to IFRS 7 – Financial instruments: Disclosures, requiring additional hedge accounting disclosures related to the application of IFRS 9
- Amendments to IAS 40 –Transfers of investment property
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions

The above-mentioned standards and amendments do not impact significantly the Company separate results, financial position or disclosures.

Issued but not yet effective International Financial Reporting Standards

Issued but not yet effective International Financial Reporting Standards are in the Appendix I.

Summary of significant accounting policies

The accounting policies are detailed in the respective notes.

Presentation currency

Based on the economic substance of the underlying events and circumstances the functional currency and presentation currency of MOL Plc. is Hungarian Forint (HUF).

Financial statement data is presented in millions of HUF, rounded to the nearest million HUF.

Foreign Currency Transactions

Foreign currency transactions are recorded initially at the rate of exchange at the date of the transaction, except for advanced payments for non-monetary items for which the date of transaction is the date of initial recognition of the prepayment. Exchange differences arising when monetary items are settled or when monetary items are translated at rates different from those at which they were translated when initially recognised or in previous financial statements are reported in profit or loss in the period. Monetary items denominated in foreign currencies are retranslated at exchange rate prevailing at the balance sheet date.

Significant accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements that have significant effect on the amounts recognised in the financial statements which are set out in detail in the respective notes.

The preparation of separate 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 differ from those estimates. These are set out in detail in the respective notes.

RESULTS FOR THE YEAR

This section explains the results and performance of MOL Plc. for the financial years ended 31 December 2018 and 31 December 2017. Disclosures are following the structure of statement of profit or loss and provide information on segmental data, total operating income, total operating expense, finance result. For taxation and share-based payments, disclosures related to the statement of financial position are also provided in this section.

2. Segmental information

Accounting policies

For management purposes MOL Plc. is organised into four major operating business units: Upstream, Downstream, Consumer Services and Corporate and other segments. The business units are the basis upon which MOL Plc. reports its segment information to the management which is responsible for allocating business resources and assessing performance of the operating segments.

2018	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Corporate and other HUF million	Intersegment transfers HUF million	Total HUF million
Net Revenue						
External sales	11,769	1,765,551	339,094	12,645	-	**2,129,059**
Inter-segment transfers	190,932	267,127	673	15,484	(474,216)	-
Total revenue	**202,701**	**2,032,678**	**339,767**	**28,129**	**(474,216)**	**2,129,059**
Results						
Profit / (loss) from operation	66,853	77,525	15,263	(42,500)	(1,460)	**115,681**

2017	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Corporate and other HUF million	Intersegment transfers HUF million	Total HUF million
Net Revenue						
External sales	13,110	1,241,112	273,411	11,897	-	**1,539,530**
Inter-segment transfers	153,214	210,193	656	13,881	(377,944)	-
Total revenue	**166,324**	**1,451,305**	**274,067**	**25,778**	**(377,944)**	**1,539,530**
Results						
Profit / (loss) from operation	38,250	86,770	10,858	(35,543)	(128)	**100,207**

2018	Upstream	Downstream	Consumer Services	Corporate and other	Intersegment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Other segment information						
Capital expenditure:	29,349	48,984	6,091	14,552	-	98,976
Property, plant and equipment	27,533	45,495	5,374	8,043	-	86,445
Intangible assets	1,816	3,489	717	6,509	-	12,531
Depreciation, depletion, amortisation and impairment	38,566	51,764	2,280	8,733	-	101,343
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	1,586	24,484	-	2,016	-	28,086
From this: reversal of impairment recognised in statement of profit or loss	2,315	-	-	-	-	2,315

2017	Upstream	Downstream	Consumer Services	Corporate and other	Intersegment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Other segment information						
Capital expenditure:	25,691	53,436	6,073	9,846	-	95,046
Property, plant and equipment	23,706	50,012	5,928	4,846	-	84,492
Intangible assets	1,985	3,424	145	5,000	-	10,554
Depreciation, depletion, amortisation and impairment	46,817	24,751	1,845	7,807	-	81,220
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	19,202	491	-	-	-	19,693
From this: reversal of impairment recognised in statement of profit or loss	70	-	-	-	-	70

The operating profit of the segments includes the profit arising both from external sales and transfers to the other business segments. Corporate and other segment provide maintenance, financing and other services to the business segments. The internal transfer prices used are based on prevailing market prices.

The differences between the capital expenditures presented above and the additions in the intangible and tangible movement schedule are due to the additions of emission rights, and non-cash items such as capitalisation of field abandonment provisions, and assets received free of charge.

3. Total operating income

Accounting policies

Net sales

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised 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. Revenue is recognised 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 recognised when control of the goods or services are transferred to the customer.

Lease income

Lease income from operating lease is recognised on a straight-line basis over the lease term.

Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax (e.g. excise duty), except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority (e.g. if the entity is not subject of sales tax), in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- receivables and payables that are stated with the amount of sales tax included

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

Other operating income

Other operating income is recognised on the same accounting policy basis as the net sales.

a) Sales by product lines

	2018 HUF million	2017 HUF million
Sales of crude oil and oil products	1,868,117	1,295,171
Sales of natural gas and gas products	155,768	143,970
Sales revenue of services	71,777	62,636
Sales of other products	33,397	37,753
Total	2,129,059	1,539,530

b) Sales by geographical area

	2018 HUF million	2017 HUF million
Hungary	1,333,500	1,029,437
Italy	146,385	23,140
Romania	135,752	100,673
Slovakia	85,732	59,241
Austria	84,863	67,195
Serbia	68,432	59,244
Switzerland	53,166	38,126
Slovenia	49,768	35,080
Germany	37,170	35,775
Great Britain	35,152	8,576
Croatia	29,523	30,432
Poland	25,828	13,721
Rest of Europe	40,251	36,344
Rest of the World	3,537	2,546
Total	2,129,059	1,539,530

MOL Plc. has one single major customer the revenue from which would exceed 10% of the total net sales revenues (MOL Petrolkémia Zrt. with HUF 250,816 million in 2018 and HUF 183,902 million in 2017).

c) Impact of the adoption of IFRS 15

MOL Plc. has generally concluded that:

- it satisfies performance obligations at a point in time, because control is transferred to the customer on delivery of the goods;
- it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to customers;
- significant financing component does not exist, because the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service is expected to be one year or less at contract inception.

As a result, the adoption of IFRS 15 does not impact significantly the Company's results, financial position or disclosures.

MOL Plc. elected to adopt IFRS 15 – Revenue from Contracts with Customers using the modified retrospective method of adoption.

d) Other operating income

	2018 HUF million	2017 HUF million
Net gain on commodity price transactions	2,456	-
Gain on sales and contribution in kind of intangibles, property, plant and equipment	905	991
Allowances and subsidies received	431	540
Penalties, late payment interest, compensation received	401	686
Claim adjustment	275	110
Reimbursement of costs from exploration	170	1,919
Reimbursement of legal costs	-	4,809
Other	445	483
Total	**5,083**	**9,538**

4. Total operating expenses

Accounting policies

Total operating expense

If specific standards do not regulate, operating expenses are recognised at point in time or through the period basis. When a given transaction is under the scope of a specific IFRS transaction it is accounted for in line with those regulations.

	2018 HUF million	2017 HUF million
Raw material and consumables used	**1,759,799**	**1,220,101**
Material expenses	1,191,354	883,389
Cost of goods purchased for resale	464,745	238,394
Value of material-type services used	88,747	81,871
Value of intermediated services	14,953	16,447
Employee benefits expense	**71,554**	**70,787**
Wages and salaries	49,249	45,919
Social security	11,482	12,470
Other employee benefits expenses	10,823	12,398
Depreciation, depletion, amortisation and impairment	**101,343**	**81,220**
Other operating expenses	**108,706**	**105,975**
Mining royalties	28,413	22,409
Rental cost	15,748	16,013
Consultancy fees	13,429	9,125
Contribution to strategic inventory storage	11,834	7,521
Other services	10,529	11,089
Advertising expenses	6,779	4,555
Taxes and contributions	3,769	4,035
Bookkeeping services	2,586	2,593
Insurance fees	1,726	1,599
Penalties, late payment interest, compensation [1]	286	8,355
Net loss on commodity price transactions	-	8,209
Other	13,607	10,472
Change in inventory of finished goods & work in progress	**(6,678)**	**(12,037)**
Work performed by the enterprise and capitalised	**(16,263)**	**(17,185)**
Total operating expenses	**2,018,461**	**1,448,861**

[1] In 2017 the amount includes HUF 6,874 million payment in connection with CEOC-MOL arbitration

Raw materials and consumables used

Raw materials mainly consist of crude oil and other products, maintenance materials and other chemical and non-chemical materials that are inevitable for production.

Employee benefit expenses

Other employee benefits expense contains fringe benefits, reimbursement of expenses and severance payments.

Share-based payments

Certain employees (including directors and managers) of MOL Plc. receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

MOL Plc.'s Employee Share Ownership Programme Organisation works in alignment with the provisions of the so-called employee Share Ownership Programme ('MRP') legislation.

Equity-settled transactions

The cost of equity-settled transactions is measured at their fair value at grant date. The fair value is determined by applying generally accepted option pricing models (usually binomial model). In valuing equity-settled transactions, only market conditions are taken into consideration.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the MOL Plc. at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date 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 balance sheet date up to and including the settlement date to fair value with changes therein recognised in the statement of profit or loss.

	2018 HUF million	2017 HUF million
Cash-settled share-based payment expense	405	4,508
Equity-settled share-based payment expense	3,116	1,659
Total expense of share-based payment transactions	**3,521**	**6,167**

The share-based payments serve the management's long-term incentives as an important part of their total remuneration package. They ensure the interest of the top and senior management of MOL Plc. in the long-term increase of MOL share price and so they serve the strategic interest of the shareholders.

Cash-settled share-based payments

Share Option Incentive Schemes for management

The Share Option Plan is a call option to sell hypothetical MOL shares granted on a past strike price, at a spot price and so realise profit from the difference between these prices. The incentive has the following characteristics:

- For incentive plans starting before 1 January 2017 it covers a five-year period starting annually, where periods are split into a two-year vesting period (it is not possible to exercise Share Options) and a three-year redeeming period. If unexercised, the Share Option lapses after 31 December of the redeeming period.
- The grants are defined centrally in line with MOL job category.
- The payout is linked to individual short-term performance.

Share Option is calculated in Hungarian Forints and paid out in cash in local currency.

The payment of incentive is upon exercising of option by management. The payout/earning is the difference between the exercise price and Strike Price for one Share Option, multiplied by the number of Share Options the manager is entitled to.

As managerial remuneration package, the managers, who are entitled to long-term incentives are eligible for a one-time payout annually, in case the Annual General Meeting of MOL Plc. decides on dividend payment in the given year. Payment of one manager is the value equal to the dividend payment per share multiplied by the Share Option unit numbers the manager is entitled to.

	2018		2017 [1]	
	Number of shares in conversion option units number of share	Weighted average exercise price HUF/share	Number of shares in conversion option units number of share	Weighted average exercise price HUF/share
Outstanding at the beginning of the year	**2,105,008**	**1,651**	**3,276,968**	**1,797**
Granted during the year	19,088	1,669	159,976	1,665
Forfeited during the year	(3,888)	1,669	(91,408)	1,729
Exercised during the year	(1,235,728)	1,691	(1,240,528)	2,031
Expired during the year	-	-	-	-
Outstanding at the end of the year	**884,480**	**1,596**	**2,105,008**	**1,651**
Exercisable at the end of the year	884,480	1,596	1,127,512	1,635

[1] Solely contain the cash-settled Share Option Incentives Schemes for management

As required by IFRS 2 - Share-based payment, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. In 2018 expenses amount to HUF 462 million (2017: HUF 1,686 million). Liabilities in respect of share-based payment plans amount to HUF 1,590 million as at 31 December 2018 (31 December 2017: HUF 3,452 million), recorded in Other non-current liabilities and Other current liabilities.

Fair value as of the statement of financial position date has been calculated using the binomial option pricing model.

	2018	2017
Weighted average exercise price (HUF / share)	1,596	1,651
Share price as of 31 December (HUF / share)	3,078	3,005
Expected volatility based on historical data	23.51%	22.05%
Expected dividend yield	2.91%	2.91%
Estimated maturity (years)	1.63	2.22
Risk free interest rate	0.92%	0.37%

Performance Share Plan for management

The Performance Share Plan is a three-year cash based programme using the Comparative Share Price methodology with following characteristics:

- Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and Dow Jones Emerging Market Titans Oil & Gas 30 Index).
- Basis of the evaluation is the average difference in MOL's year-on-year (12 months) 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.
- The rate of incentive is influenced by the individual short-term performance.

Revenues arising from the Performance Share Plan programme amount to HUF 57 million in 2018 (2017: expense of HUF 2,822 million). Liabilities in respect of the Performance Share Plan programme amount to HUF 859 million as at 31 December 2018 (31 December 2017: HUF 2,684 million) recorded in Other non-current liabilities and Other current liabilities.

Equity-settled share-based payments

From 1 January 2017, MOL Plc. established two new equity-settled share-based payment remuneration plans to supersede former cash-settled share-based payment programmes in Hungary: Absolute Share Value Based Remuneration Incentive and Relative Market Index Based Remuneration Incentive.

From 1 January 2018, MOL Plc. established new equity-settled share-based payment remuneration plan: Short-term Share Ownership Incentive, as an alternative to current managerial short-term incentive plan.

Absolute Share Value Based Remuneration Incentive for management

The Absolute Share Value Based Remuneration Plan is a call option to sell hypothetical MOL shares granted on a past strike price, at a spot price and so realise profit from the difference between these prices. The incentive has the following characteristics:

- Covers a four-year period starting annually, where periods are split into two-year vesting period (it is not possible to exercise Share Option) and a two-year redeeming period. If unexercised, the Share Option lapses after 31 December of the redeeming period.
- The grants are defined centrally in line with MOL job category.
- The payout is linked to individual performance.
- Payout is either in form of providing of MOL shares or in cash payment based on MOL Plc. decision. For plans starting 1 January 2018 and later, payout is solely in form of shares.

Payment is upon exercising of option by management. The value of the incentive is the difference between the strike price and a selected spot price for each unit of entitlement.

In case the Annual General Meeting of MOL Plc. decides on dividend payment after the grant date, the managers, who are entitled to long-term incentives are eligible for a compensation in share equivalent when redeeming the share entitlement. Payment to one manager is the value equal to the dividend payment per share multiplied by the share unit numbers the manager is entitled to. This is paid at redemption.

	2018		2017	
	Number of shares in conversion option units	Weighted average exercise price	Number of shares in conversion option units	Weighted average exercise price
	number of share	HUF/share	number of share	HUF/share
Outstanding at the beginning of the year	**2,498,976**	**2,352**	**-**	**-**
Granted during the year	2,757,011	3,060	2,532,640	2,352
Forfeited during the year	(631,105)	2,611	(33,664)	2,352
Exercised during the year	(26,640)	2,352	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**4,598,242**	**2,741**	**2,498,976**	**2,352**
Exercisable at the end of the year	-	-	-	-

As required by IFRS 2 – Share-based payment, this share-based compensation is accounted for as equity-settled, expensing the fair value of the benefit as determined at grant date during the vesting period. In 2018 expenses amount to HUF 1,227 million (31 December 2017: HUF 949 million).

Relative Market Index Based Remuneration Incentive for management

The Relative Market Index Based Remuneration Plan is a three-year programme using the Comparative Share Price methodology with following characteristics:

- Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and Dow Jones Emerging Market Titans Oil & Gas 30 Index).
- Basis of the evaluation is the average difference in MOL's year-on-year (12 months) 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.
- The rate of incentive is influenced by the individual short-term performance.
- Payout is either in form of providing of MOL shares or in cash payment based on MOL Plc. decision. For plans starting 1 January 2018 and later, payout is solely in form of shares.

Expenses arising from the Relative Market Index Based Remuneration Plan amount to HUF 309 million in 2018 (31 December 2017: HUF 212 million).

Short-term Share Ownership Incentive for management

Short-term Share Ownership Plan is a one-year programme with the following characteristics:

- Programme starts each year on a rolling scheme with a one-year vesting period. Payments are due in a following year.
- The grants are defined based on participant's base salary, internal grade and related bonus rate.
- The rate of incentive is influenced by the individual short-term performance during vesting period.
- Payout is in form of providing of MOL shares.

Expenses arising from the Short-term Share Ownership Plan amount to HUF 1,024 million in 2018.

Share Incentive scheme for the members of the Board of Directors

The members of the Board of Directors become entitled to defined annual amount of MOL shares based on the number of days spent in the position. 1,200 shares per month are granted to each director, the Chairman of the Board is entitled to an additional amount of 400 shares per month. If not a non-executive director is in charge as the Chairman of the Board, then this additional amount of shares should be granted to the non-executive Deputy Chairman. The incentive system ensures the interest of the Board of Directors in the long-term increase of the MOL share price as 2/3 of the shares vested in the year are under transferring restriction for one year.

According to IFRS 2, the incentive qualifies as an equity-settled share-based scheme; therefore the fair value of the benefit should be expensed during the one year vesting period with a corresponding increase in the equity. The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant, which is the first trading day of the year. In 2018 with respect of the share scheme programme, HUF 556 million (2017: HUF 498 million) is recorded as an expense, parallel with the corresponding increase in the equity.

	2018	2017
Number of shares vested	148,800	148,800
Share price at the date of grant (HUF / share)	3,021	2,598

5. Finance result

Accounting policies

Foreign exchange gains and losses are aggregated separately on monthly basis for transactions similar in nature. Foreign exchange gains or losses of each transaction groups are aggregated and presented in the statement of profit or loss within finance income and expense.

Non-foreign exchange type items are presented based on their balances.

Finance result	2018 HUF million	2017 HUF million
Dividend income	197,603	139,952
Provision reversal for intercompany obligation	165,608	89,339
Impairment reversal of investments in subsidiaries[1]	30,493	-
Foreign exchange gain	10,911	39,570
Interest income	6,609	5,822
Other finance income	2,268	3,343
Total finance income	**413,492**	**278,026**
Impairment of investments in subsidiaries[1]	109,093	106,561
Foreign exchange losses	28,955	-
Interest on borrowings for loans	18,198	21,654
Unwinding of discount on provisions	4,353	2,554
Impairment reversal of investments in subsidiaries[1]	-	(1,988)
Other finance expense	3,518	12,240
Total finance expense	**164,117**	**141,021**
Total finance income, net	**249,375**	**137,005**

[1] See Note 9

The highest dividend income came from FGSZ Földgázszállító Zrt. in the amount of HUF 47,375 million in 2018 (2017: HUF 41,500 million from MOL Petrolkémia Zrt.).

In 2018 the treatment of impairment and impairment reversal of investments in subsidiaries has changed, it is presented gross in the finance expense and income (in 2017 was reported net). In 2018 gains and losses arose on investments appraisal are material hence according to IAS 1 they are reported separately.

6. Income taxes

Accounting policies

Income tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

The current income tax is based on taxable profit for the year. Taxable profit differs from accounting profit because of temporary differences between accounting and tax treatments and due to items, that are never taxable or deductible or are taxable or deductible in other years. Full provision for deferred tax is made the temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their value for tax purposes using the balance sheet liability method. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets are recognised where it is more likely than not that the assets will be realised in the future. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets.

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 MOL Plc. intends to settle its current tax assets and liabilities on a net basis.

Significant accounting estimates and judgements

Corporate tax is required to be estimated in each tax jurisdiction in which MOL Plc. operates. The recognition of tax benefits requires management judgement. The actual tax liability may differ from the provision and adjustment in subsequent period could have a material effect on MOL Plc.'s profit for the year.

The evaluation of deferred tax assets recoverability requires judgements regarding the likely timing and the availability of future taxable income.

a) Analysis of taxation charge for the year

Total applicable income taxes reported in the financial statements for 31 December 2018 and year ended 2017 include the following components:

	2018 HUF million	2017 HUF million
Deferred taxes	52,948	41,948
Local trade tax and innovation fee	10,506	9,164
Current corporate tax and industry taxes	185	233
Total income tax expense	**63,639**	**51,345**

b) Current income taxes

The applicable corporate income tax rate on the taxable income was 9% in 2018 and 2017.

Industry taxes refer to tax on energy supply activities in Hungary with an effective tax rate of 21% on taxable statutory profit of MOL Plc. payable on net operating profits derived from extractive activities.

Local trade tax represents a revenue-based tax for Hungarian entities, payable to local municipalities. Tax base is calculated by deducting material costs, cost of goods sold and mediated services from sales revenue. Tax rates vary between 1-2% depending on the regulation of local governments where the entities carry on business activities.

c) Deferred tax assets and liabilities

The deferred tax balances as of 31 December 2018 and 31 December 2017 in the statement of financial position consist of the following items by categories:

	2018 HUF million	2017 HUF million
Statutory losses carried forward	29,391	27,144
Provisions	22,100	69,458
Deferred tax impact on IFRS transition	15,030	27,341
Property, plant and equipment and intangible assets	(3,140)	(7,591)
Other temporary differences [1]	2,143	2,112
Net deferred tax asset	**65,524**	**118,464**
of which:		
Deferred tax assets	68,664	126,055
Deferred tax liabilities	(3,140)	(7,591)

[1] Deferred tax on other temporary differences includes receivables write-off and unused tax allowance

MOL Plc. has a deferred tax asset related to the negative tax base cumulated until 2014, which can be utilised until 2025 against taxable incomes according to the corporate income tax law. The balance also contains part of the loss of 2017 and loss of 2018, which can be used in a 5-year period from the year when the tax loss was created.

At transition to IFRS equity difference arising from reporting GAAP change is taxable as per corporate and industry tax law. In case of MOL Plc. this difference gave rise to a deductible difference which can be utilised against positive tax base during 2016-2018 in case of corporate income tax, and during 2016-2020 in case of industry tax on energy supply activities. All transition differences have been utilised as planned.

Change in deferred tax assets and liabilities are recorded against profit or loss.

d) Reconciliation of taxation rate

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates is as follows:

	2018 HUF million	2017 HUF million
Profit before tax	**365,056**	**237,212**
Tax expense at the applicable tax rate (2018, 2017: 9%)	32,855	21,349
Deferred tax impact of industry tax	37,674	33,154
Other tax expenses (local trade tax, innovation fee)	10,691	9,397
Losses not recognised as deferred tax asset	1,113	310
Non-deductible expenses	112	119
Recognition of prior year tax losses carried forward	72	-
Effect of tax audit	(39)	147
Tax allowance available	(214)	(208)
Non-taxable income	(17,785)	(12,596)
Other tax expenses	(840)	(327)
Total income tax expense for the year	**63,639**	**51,345**
Effective tax rate	**17%**	**22%**

e) Unrecognised deferred tax assets

No deferred tax assets have been recognised in respect of the following tax losses due to uncertainty of realisation:

	2018 HUF million	2017 HUF million
Tax losses - expiry within 5 years	168,460	156,095
Total tax losses	**168,460**	**156,095**

The tax loss of financial years 2015 and subsequent years may be used in a 5-year period from the year when the tax loss was created. MOL Plc. has not created deferred tax asset related to the tax loss of 2015-2016 and part of the loss of 2017, as its usability is not probable.

7. Components of other comprehensive income

	2018 HUF million	2017 HUF million
Changes in fair value of debt instruments at fair value through other comprehensive income		
Gains / (losses) arising during the year	(246)	6
Total	**(246)**	**6**
Changes in fair value of cash flow hedges		
Gains / (losses) arising during the year	-	(58)
Total	**-**	**(58)**
Remeasurement of post-employment benefit obligations		
Gains / (losses) arising during the year	43	(1,024)
Total	**43**	**(1,024)**

NON-FINANCIAL ASSETS AND LIABILITIES

This section describes those non-financial assets that are used and liabilities incurred to generate MOL Plc.'s performance. This section also provides detailed disclosures on the significant exploration and evaluation related matters as well as MOL Plc.'s recent acquisitions and disposals.

8. Property, plants and equipment and intangible assets

a) Property, plants and equipment

Accounting policies

Property, plant and equipment are stated at cost (or the carrying value of the assets determined as of 1 October 1991) less accumulated depreciation, depletion and accumulated impairment loss.

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 field abandonment and site restoration costs are capitalised upon initial recognition or, if decision on field abandonment is made subsequently, at the time of the decision. Expenditures incurred after the property, plant and equipment have been put into operation are charged to statement of profit or loss in the period in which the costs are incurred, except for periodic maintenance costs which are capitalised as a separate component of the related assets.

Construction in progress represents plant and properties under construction and is stated at cost without being depreciated. Construction in progress is reviewed for impairment annually.

	Land and buildings	Machinery and equipment	Other machinery and equipment	Construction in progress	Total
	HUF million	HUF million	HUF million	HUF million	**HUF million**
At 1 Jan 2017					
Gross book value	598,074	480,381	50,610	73,255	**1,202,320**
Accumulated depreciation and impairment	(446,466)	(395,265)	(44,104)	(4,537)	**(890,372)**
Net book value	*151,608*	*85,116*	*6,506*	*68,718*	*311,948*
Year ended 31 Dec 2017					
Additions and capitalisations	40,903	40,476	4,738	20,905	**107,022**
Depreciation for the year	(29,905)	(21,930)	(2,994)	-	**(54,829)**
Impairment including dry-hole	(4,377)	(606)	(20)	(5,313)	**(10,316)**
Reversal of impairment	57	13	-	-	**70**
Disposals	(71)	(8)	(24)	(2,253)	**(2,356)**
Transfers and other movements	67	7,924	4,049	(1,454)	**10,586**
Closing net book value	*158,282*	*110,985*	*12,255*	*80,603*	*362,125*
At 31 Dec 2017					
Gross book value	640,114	519,271	58,228	85,139	**1,302,752**
Accumulated depreciation and impairment	(481,832)	(408,286)	(45,973)	(4,536)	**(940,627)**
Net book value	158,282	110,985	12,255	80,603	362,125
Year ended 31 Dec 2018					
Additions and capitalisations	26,978	32,487	8,212	18,452	**86,129**
Depreciation for the year	(42,014)	(24,860)	(4,542)	-	**(71,416)**
Impairment including dry-hole	(18)	(248)	(4)	(25,152)	**(25,422)**
Reversal of impairment	2,032	270	13	-	**2,315**
Disposals	(5)	(17)	(4)	(11,988)	**(12,014)**
Transfers and other movements	3,570	1,073	1,503	142	**6,288**
Closing net book value	*148,825*	*119,690*	*17,433*	*62,057*	*348,005*
At 31 Dec 2018					
Gross book value	676,279	544,255	66,352	82,184	**1,369,070**
Accumulated depreciation and impairment	(527,454)	(424,565)	(48,919)	(20,127)	**(1,021,065)**
Net book value	148,825	119,690	17,433	62,057	348,005

The Hydrogen Production Plant and Hydrocrack are scraped and impaired in amount of HUF 24,059 million to scrap metal value in 2018.

Leased assets

Accounting polices

If fulfilment of an 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 are capitalised 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. Initial direct costs incurred are added to or deducted from the fair value. Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are charged directly against finance expense.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Property, plant and equipment include machinery acquired under finance leases:

	2018 HUF million	2017 HUF million
Gross book value	11,626	10,086
Accumulated depreciation	(1,173)	(134)
Net book value	**10,453**	**9,952**

Borrowing costs

Accounting policies

Borrowing costs (including interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings) directly attributable to the acquisition, construction or production of qualified assets are capitalised until these assets are substantially ready for their intended use or sale. All other costs of borrowing are expensed in the period in which they are incurred.

Property, plant and equipment include borrowing costs incurred in connection with the construction of qualifying assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 515 million in 2018 (2017: HUF 275 million). In 2018 the applicable capitalisation rate (including the impact of foreign exchange differences) has been 1.4 % (2017: 0.9%).

b) Intangible assets

Accounting policies

An intangible asset is recognised initially at cost.

Following initial recognition, intangible assets, other than goodwill are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses.

Intangible assets, excluding development costs, created within the business are not capitalised.

Development costs are capitalised if the recognition criteria according to IAS 38 are fulfilled. Costs in development stage can be not amortised. 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 reporting year indicating that the carrying value may not be recoverable.

Free granted emission quotas are not recorded in the financial statements, while purchased quotas are initially recognised as intangible assets at cost at the emitting segments subsequently remeasured to fair value through profit or loss.

	Rights HUF million	Software HUF million	Exploration and evaluation assets HUF million	Emission quotas [1] HUF million	Goodwill HUF million	Total HUF million
At 1 Jan 2017						
Gross book value	72,123	15,063	74,208	353	281	162,028
Accumulated amortisation and impairment	(56,085)	(12,003)	(51,060)	-	(49)	(119,197)
Net book value	*16,038*	*3,060*	*23,148*	*353*	*232*	*42,831*
Year ended 31 Dec 2017						
Additions	2,726	6,122	1,706	-	-	10,554
Amortisation for the year	(4,714)	(1,101)	(953)	-	-	(6,768)
Write-off	-	(76)	(9,273)	-	(28)	(9,377)
Disposals	-	-	-	(1,260)	-	(1,260)
Revaluation of emission quotas	-	-	-	907	-	907
Transfers and other movements	903	(464)	(264)	-	-	175
Closing net book value	14,953	7,541	14,364	0	204	*37,062*
At 31 Dec 2017						
Gross book value	75,752	20,759	71,787	-	281	168,579
Accumulated amortisation and impairment	(60,799)	(13,218)	(57,423)	-	(77)	(131,517)
Net book value	14,953	7,541	14,364	-	204	37,062
Year ended 31 Dec 2018						
Additions	2,582	5,250	3,442	1,572	-	12,846
Amortisation for the year	(3,436)	(526)	(194)	-	-	(4,156)
Write-off	(1,861)	-	(803)	-	-	(2,664)
Disposals	-	(2,454)	-	(1,655)	-	(4,109)
Revaluation of emission quotas	-	-	-	571	-	571
Transfers and other movements	1,375	719	(8,612)	-	-	(6,518)
Closing net book value	*13,613*	*10,530*	*8,197*	*488*	*204*	*33,032*
At 31 Dec 2018						
Gross book value	78,415	24,635	60,588	488	281	164,407
Accumulated amortisation and impairment	(64,802)	(14,105)	(52,391)	-	(77)	(131,375)
Net book value	13,613	10,530	8,197	488	204	33,032

[1] 'Disposals' also contain the sale and surrender of CO2 quote purchased. In 2017 'Revaluation of emission quotas' was reported in 'Transfers and other movements'.

Oil and natural gas exploration and development expenditures

Accounting policies

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

License and property acquisition costs

Cost of exploration and property rights are capitalised as intangible assets and amortised on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the remaining balance of the license and property acquisition costs is written off. Upon recognition of proved reserves ('proved reserves' or 'commercial reserves') and internal approval for development, the relevant expenditure is transferred to property, plant and equipment.

Exploration expenditure

Geological and geophysical exploration costs are charged against income statement as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry-hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment.

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within property, plant and equipment.

Significant accounting estimates and judgements

Application of Successful Efforts method of accounting for exploration and evaluation assets:

Management uses judgement when capitalised exploration and evaluation assets are reviewed to determine capability and continuing intent of further development.

Write-offs of dry-holes

Dry-holes	2018 HUF million	2017 HUF million
Hungary	882	-

c) Depreciation, depletion and amortisation

Accounting policies

Depreciation of assets begin when the relevant asset is available for use. Depreciation of each component of an intangible asset and property, plant and equipment, except for given Upstream assets, is computed on a straight-line basis over their respective useful lives. Usual periods of useful lives for different types of property, plant and equipment are as follows:

- Software: 3 – 5 years
- Buildings: 10 – 50 years
- Refineries and chemicals manufacturing plants: 4 –12 years
- Gas and oil storage and transmission equipment: 7 – 50 years
- Petrol service stations: 5 – 30 years
- Telecommunication and automatization equipment: 3 – 10 years

In Upstream segment depletion and depreciation of production installations and transport systems for oil and gas is calculated for each individual field or field-dedicated transport system using the unit of production method, based on proved and developed commercially recoverable reserves. Recoverable reserves are reviewed on an annual basis prospectively. Transport systems used by several fields and other assets are calculated on the basis of the expected useful life, using the straight-line method.

Amortisation of leasehold improvements 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 costs are depreciated until the next similar maintenance takes place.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with a finite useful life over the best estimate of their useful lives using the straight-line method.

The useful life and depreciation methods are reviewed at least annually.

Significant accounting estimates and judgements

The determination of MOL Plc.'s estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are yearly reviewed and updated. Numerous factors have impact on determination of MOL Plc.'s estimates of its oil and natural gas reserves (e.g. geological and engineering data, reservoir performance, acquisition and divestment activity, drilling of new wells, commodity prices). MOL Plc. bases its proved and developed reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and regulatory requirements. Oil and natural gas reserve data are used to calculate depreciation, depletion and amortisation charges for MOL Plc.'s oil and gas properties. The impact of changes in these estimations is handled prospectively by amortising the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the value in use calculations applied for determination of the recoverability of assets.

d) Impairment of assets

Accounting policies

Property, plant and equipment and intangible assets 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 exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss for items of property, plant and equipment and intangibles 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. Intangible assets with indefinite useful life are not depreciated, instead impairment test is performed at each financial year-end.

MOL Plc. assesses at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognised. 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 recognised in prior years.

Significant accounting estimates and judgements

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units. Value in use is usually determined on the basis of discounted estimated future net cash flows. In determination of cash flows the most significant variables 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, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products.

Impairment

Impairments and write-offs (without dry-holes)	2018 HUF million	2017 HUF million
Downstream	24,483	491
Upstream	705	19,202
Corporate and other	2,016	-
Total	27,204	19,693
Impairment reversals		
Upstream	2,315	70
Total	2,315	70

9. Investments in subsidiaries, associated companies and joint ventures

Accounting policies

In the separate financial statements investments in subsidiaries, associated companies and joint ventures are presented at cost according to IAS 27. Cost at initial recognition is the paid amount in cash or cash equivalent, or the fair value of other consideration given by the purchaser. Cost include those costs which are directly attributable to the acquisition.

In case of investments paid in foreign currency:

- if the consideration of the purchase is paid before acquiring the owner's rights, cost is the amount calculated by applying the official foreign currency rate of Hungarian National Bank on the day of the bank transfer,
- if the consideration of the purchase is paid after acquiring the owner's rights, cost is the amount calculated by applying the official foreign currency rate of Hungarian National Bank on the day of the transfer of owner's rights.

There is no subsequent revaluation of investments paid in foreign currency due to foreign exchange rate changes.

Investments in subsidiaries, associated companies and joint ventures 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. In case of upstream investments, impairment reversal cannot be recorded, only if the project turns into development phase.

The net recoverable amount is the present value of future cash flows of the investment proportioned based on ownership except for those upstream investments which are in exploration phase. In such cases recoverability depends on the existence of successful exploration and proved trading reserve. Therefore, future cash flows cannot be properly estimated and considered, until the project is qualified commercially successful. In these cases, net recoverable amount equals to the IFRS net assets of the company.

Investments	2018 HUF million	2017 HUF million
Subsidiaries	1,461,137	1,510,821
Joint ventures	1,750	1,750
Associates	6	6
Other investments	75,271	75,271
Total investments	1,538,164	1,587,848

	Subsidiaries	Joint ventures	Associates	Other investments	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
Opening net balance of 2017	**1,517,497**	**13,259**	**6**	**75,271**	**1,606,033**
Capital increase	88,677	-	-	-	88,677
Acquisition	10,176	-	-	-	10,176
Impairment reversal	1,988	-	-	-	1,988
Establishment	34	-	-	-	34
Impairment	(106,561)	-	-	-	(106,561)
Capital decrease	-	(11,509)	-	-	(11,509)
Disposal	(429)	-	-	-	(429)
Other	(561)	-	-	-	(561)
Closing net balance of 2017	**1,510,821**	**1,750**	**6**	**75,271**	**1,587,848**
Capital increase	26,155	-	-	-	26,155
Acquisition	16,667	-	-	-	16,667
Impairment reversal	30,493	-	-	-	30,493
Establishment	1,115	-	-	-	1,115
Impairment	(109,093)	-	-	-	(109,093)
Capital decrease	(14,964)	-	-	-	(14,964)
Other	(57)	-	-	-	(57)
Closing net balance of 2018	**1,461,137**	**1,750**	**6**	**75,271**	**1,538,164**

Significant economic events regarding investments in 2018 were the following:

Investments	Capital increase	Aquisition	Impairement reversal	Impairment	Capital decrease	Other [1]	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	870	-	-	(3,946)	-	-	(3,076)
EMSZ Első Magyar Koncessziós Kft.	2,010	-	-	(1,506)	-	-	504
Italiana Energia e Servizi S.p.A. (IES)	4,643	-	-	(18,175)	-	-	(13,532)
Kalegran BV (formerly MOL Iraq BV)	-	-	-	(61,528)	-	62,236	708
KMSZ Kelet-Magyarországi Szénhidrogén Koncessziós Kft.	-	-	-	(5,407)	-	-	(5,407)
MH Oil and Gas B.V.	33	-	-	(10,384)	-	-	(10,351)
MNS Oil&Gas BV.	17	-	26,824	-	-	-	26,841
MOL Bázakerettye Szénhidrogén Koncessziós Kft.	2,456	-	-	(2,395)	-	-	61
MOL Bucsa Szénhidrogén Koncessziós Kft.	-	-	-	(673)	-	-	(673)
MOL Ingatlan HOLDING Kft.	10,179	-	-	-	-	-	10,179
MOL Investment Kft.	-	-	-	-	(14,964)	-	(14,964)
MOL Nordsjön BV	20	-	-	(2,580)	-	-	(2,560)
MOL Solar Investment Kft.	1,700	-	-	-	-	-	1,700
MOL Vagyonkezelő Kft. (Hermész Kft.)	-	-	1,403	-	-	-	1,403
MOL West Oman BV	1,664	-	-	(1,664)	-	-	-
Neptunus Investment Kft	1,400	-	-	-	-	3	1,403
Theatola Ltd.	-	-	2,266	-	-	(62,236)	(59,970)
Zväz pre skladovanie zásob, a.s.	-	16,667	-	-	-	-	16,667
Other	1,163	-	-	(835)	-	1,055	1,383
Total changes in investments	**26,155**	**16,667**	**30,493**	**(109,093)**	**(14,964)**	**1,058**	**(49,684)**

[1] Most part of other item is the effect of that Theatola Ltd. merged into Kalegran B.V.

Significant economic events regarding investments in 2017 were the following:

Investments	Capital increase	Impairment reversal	Impairment	Capital decrease	Other	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Theatola Ltd.	-	-	(59,509)	-	-	(59,509)
MNS Oil&Gas BV.	23,791	-	(23,791)	-	-	-
MOL South-East Europe Holding Kft.	18,700	-	-	-	(18,737)	(37)
MOL Retail Holding Kft.	-	-	-	-	18,737	18,737
Kalegran BV	14,043	-	(14,043)	-	-	-
CM European Power International B.V.	-	-	-	(11,509)	-	(11,509)
MOL (FED) Kazakhstan BV	5,761	-	(3,674)	-	-	2,087
IES S.p.A	4,328	-	-	-	-	4,328
MOL Ingatlan HOLDING Kft.	3,410	-	-	-	4	3,414
MOL Slovenia (Slovakia) Downstream Investment BV	3,214	-	-	-	-	3,214
KMSZ Kelet-Magyarországi Szénhidrogén Koncessziós Kft.	2,642	641	-	-	-	3,283
MOL Nordsjön BV	-	805	(2,205)	-	-	(1,400)
Other	12,788	542	(3,339)	-	9,216	19,207
Total changes in investments	**88,677**	**1,988**	**(106,561)**	**(11,509)**	**9,220**	**(18,185)**

10. Other non-current assets

	2018 HUF million	2017 HUF million
Prepaid mining royalty	530	930
Advance payments for assets under construction	224	13
Total	754	943

11. Inventories

Accounting policies

Inventories, including work-in-progress are valued at the lower of cost and net realisable value, after provision for slow-moving and obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of making the sale. Cost of purchased goods, including crude oil and purchased gas inventory, is determined primarily on the basis of weighted average cost. The acquisition cost of own produced inventory consists of direct materials, direct wages and the appropriate portion of production overhead expenses including royalty. Inventory with nil net realisable value is fully written off.

	2018		2017	
	At cost	Lower of cost or net realisable value	At cost	Lower of cost or net realisable value
	HUF million	HUF million	HUF million	HUF million
Purchased crude oil	68,691	68,691	66,830	66,830
Work in progress and semi-finished goods	50,602	50,602	46,678	46,678
Finished goods	47,779	45,228	42,473	42,473
Other raw materials	17,399	15,654	17,251	15,604
Other goods for resale	12,454	12,095	14,700	14,700
Total	196,925	192,270	187,932	186,285

Impairment of HUF 5,594 million has been recorded in 2018 (2017: HUF 1,333 million), mainly on raw materials and finished goods.

12. Other current assets

	2018 HUF million	2017 HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	9,114	7,906
Prepaid expenses	5,439	5,646
Advances paid	744	3,808
Other	92	316
Total	15,389	17,676

13. Provisions

Accounting policies

Provision is made for the best estimate of the expenditure required to settle the present obligation (legal or constructive) as a result of past event where it is considered to be probable that a liability exists and a reliable estimate can be made of the outcome. Long-term obligation is discounted to the present value. Where discounting is used, the carrying amount of the provisions increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as interest expense. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is possible that a settlement may be reached or it is not possible to make a reliable estimate of financial impact, appropriate disclosure is made but no provision created.

Provision for Environmental Expenditures

Environmental expenditures that relate to current or future economic benefits are expensed or capitalised as appropriate. Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the amount recognised is the best estimate of the expenditure required. In case of long-term liability, the present value of the estimated future expenditure is recognised.

Provision for Field abandonment

MOL Plc. records a provision upon initial recognition for the present value of the estimated future cost of abandonment of oil and gas production facilities following the termination of production. At the time the obligation arises, it is provided for in full by recognising the present value of future field abandonment and restoration expenses as a liability. An equivalent amount is capitalised as part of the carrying amount of long-lived assets. The estimate is based upon current legislative requirements, technology and price levels. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the facility or item of plant (on a straight-line basis in Downstream, and using the unit-of production method in Upstream). Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Provision for Redundancy

The employees of MOL Plc. are eligible, immediately upon termination, for redundancy payment pursuant to the terms of Collective Agreement between the MOL Plc. and its employees. The amount of such a liability is recorded as a provision in the statement of financial position when the workforce reduction programme is defined, adopted, announced or has started to be implemented.

Provision for Retirement Benefits

The cost of providing benefits under MOL Plc.'s defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as other comprehensive income immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognised as an expense immediately.

Net interest expense is calculated on the basis of the net defined benefit obligation and disclosed as part of the finance result. Differences between the return on plan assets and interest income on plan assets included in the net interest expense is recognised in other comprehensive income.

Provisions for Legal claims

Provision is made for legal cases if the negative expected outcome of the legal case is more likely than not.

Provision for Intercompany obligations

MOL Plc. provides comfort letters to its subsidiaries. This financial support might be necessary in the future for a subsidiary to fulfil its obligations under its loan facilities and accrued interest. Estimated probable expenditure is the outstanding loan liability at balance sheet date which is not covered by the recoverable value of the supported subsidiary.

Provision for Emission quotas

MOL Plc. recognises 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 recognised for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

Significant accounting estimates and judgements

A judgement is necessary in assessing the likelihood that a claim will succeed, or liability will arise, and to quantify the possible range of any settlement. Due to the inherent uncertainty on this evaluation process, actual losses may be different from the liability originally estimated.

Scope, quantification and timing of environmental and field abandonment provision

MOL Plc. holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. Management uses its previous experience and its own interpretation of the respective legislation to determine environmental and field abandonment provisions.

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations, which 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

MOL Plc. is party to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Other provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

	Environ-mental	Field abandon-ment	Redundancy	Long-term employee benefits	Legal claims	Provision for intercompany obligations	Emission rights and other	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Balance as of 01 Jan 2017	9,831	104,517	453	6,107	12,594	269,974	2,834	406,310
Additions and revision of previous estimates	1,251	18,829	108	1,099	819	(89,289)	468	(66,715)
Unwinding of the discount	194	2,215	-	122	-	-	23	2,554
Currency differences	-	-	-	-	(31)	(14,951)	-	(14,982)
Provision used during the year	(1,240)	(13)	(244)	(365)	(1,478)	-	(1,265)	(4,605)
Balance as of 31 Dec 2017	10,036	125,548	317	6,963	11,904	165,734	2,060	322,562
Additions and revision of previous estimates	376	(3,199)	189	495	716	(165,592)	4,271	(162,744)
Unwinding of the discount	274	3,852	-	202	-	-	25	4,353
Currency differences	-	-	-	-	430	47	-	477
Provision used during the year	(974)	(92)	(238)	(422)	(17)	-	(1,638)	(3,381)
Balance as of 31 Dec 2018	9,712	126,109	268	7,238	13,033	189	4,718	161,267
Current portion 31 December 2017	1,391	150	-	482	9,737	-	1,340	13,100
Non-current portion 31 December 2017	8,645	125,398	317	6,481	2,167	165,734	720	309,462
Current portion 31 December 2018	984	150	-	260	-	-	3,885	5,279
Non-current portion 31 December 2018	8,728	125,959	268	6,978	13,033	189	833	155,988

Provision for Environmental expenditures

The closing balance of provision for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar is HUF 9,712 million. The provision is made on the basis of assessments prepared by MOL's internal environmental expert team. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates.

Provision for Field abandonment

As of 31 December 2018, provision of HUF 126,109 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 1% of these costs are expected to be incurred between 2019 and 2023 and the remaining 99% between 2024 and 2070. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgement of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalised as a component of the underlying fields.

Provision for Redundancy

As part of continuing efficiency improvement projects MOL Plc. decided to further optimise workforce. The management is committed to these changes and the restructuring plan was communicated in detail to parties involved, MOL Plc. recognised a provision for the net present value of future redundancy payments and related tax and contribution. The closing balance of provision for redundancy is HUF 268 million as of 31 December 2018 (31 December 2017: HUF 317 million).

Provision for Long-term employee benefits

As of 31 December 2018, MOL Plc. has recognised a provision of HUF 7,238 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from MOL Plc. The company operates benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service and the amount of 8 MOL shares after every year of service. In addition to the above-mentioned benefits, in Hungary the retiring employees are entitled to the absence fee for their notice period – which lasts for 1-3 months depending on the length of the past service – which is determined by the Hungarian Labour Code. None of these plans have separately administered funds; therefore there are no plan assets. 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 which are in line with those incorporated in the business plan of MOL Plc.

	2018 HUF million	2017 HUF million
Present value of total retirement and jubilee benefit obligation at the beginning of the year	**6,963**	**6,107**
Current service cost	320	267
Interest expense	202	122
Provision used during the year	(422)	(366)
Net actuarial (gain)/loss	175	833
from which:		
Retirement benefit	(43)	1,024
Jubilee benefit	218	(191)
Present value of total retirement and jubilee benefit obligation at year end	**7,238**	**6,963**

The following table summarises the components of net benefit expense recognised in the statement of profit or loss as personnel expenses regarding provision for long-term employee retirement benefits:

	2018 HUF million	2017 HUF million
Current service cost	320	267
Net actuarial (gain)/loss	218	(191)
Balance as at year end	**538**	**76**

The following table summarises the main financial and actuarial variables and assumptions based on which the amount of retirement benefits has been determined:

	2018	2017
Discount rate in %	3.82 -4.84	2.96 - 5.24
Average wage increase in %	4.03 - 5.00	4.00 - 5.24
Mortality index (male)	0.05 - 3.57	0.05 - 3.57
Mortality index (female)	0.02 - 1.53	0.02 - 1.53

Actuarial (gains) and losses comprises of the following items:

	Retirement benefits		Jubilee benefits	
	2018 HUF million	2017 HUF million	2018 HUF million	2017 HUF million
Actuarial (gains) / losses arising from changes in financial assumptions	362	842	184	(296)
Actuarial (gains) / losses arising from experience adjustments	(405)	182	34	105
Total actuarial (gains) / losses	**(43)**	**1,024**	**218**	**(191)**

Provision for legal claims

As of 31 December 2018, provision of HUF 13,033 million (31 December 2017: HUF 11,904 million) has been made for estimated total future losses from litigations.

Provision for intercompany obligations

MOL Plc. records provisions for intercompany obligations, because MOL Plc. will provide financial support to these companies, which might be necessary in the future for the companies to fulfil its obligations under the outstanding loan facilities and accrued interest.

In 2018 reversal of provision recorded in amount of HUF 165,608 million as the exposure under intercompany obligation has significantly decreased and provision has been created in amount of HUF 16 million (2017: HUF 89,339 million and HUF 50 million).

Provision for emission quotas

As of 31 December 2018, the MOL Plc. has recognised a provision of HUF 3,456 million for the shortage of emission quotas (31 December 2017: 584 million). In 2018, MOL Plc. was granted 1,302,902 tons emission quotas by Hungarian authorities (in 2017: 1,387,097 tons). The total emissions of 2018 amounted to the equivalent of 1,731,208 tons of emission quotas (2017: 1,624,140 tons).

14. Other non-current liabilities

	2018 HUF million	2017 HUF million
Government grants received	523	690
Compensation received for pipeline eliciting	285	380
Other	113	126
Total	921	1,196

15. Other current liabilities

	2018 HUF million	2017 HUF million
Taxes, contributions payable (excluding corporate tax)	45,079	38,012
Amounts due to employees	11,843	15,901
Other incomes received in advance	3,011	897
Other	1,502	1,950
Total	61,435	56,760

Taxes, contributions payable mainly include mining royalty, contributions to social security, value added taxes and excise taxes.

FINANCIAL INSTRUMENTS, CAPITAL AND FINANCIAL RISK MANAGEMENT

This section explains policies and procedures applied to manage MOL Plc.'s capital structure and the financial risks MOL Plc. is exposed to. This section also describes the financial instruments applied to fulfil these procedures. Hedge accounting related policies and financial instruments disclosures are also provided in this section.

Accounting policies

Initial recognition

Financial instruments are recognised initially at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets - Classification

The MOL Plc.'s financial assets are classified at the time of initial recognition depending on their nature and purpose. To determine which measurement category a financial asset falls into, it should be first considered whether the financial asset is an investment in an equity instrument or a debt instrument. Equity instruments should be classified as fair value to profit or loss, however if the equity instrument is not held for trading, fair value through other comprehensive income option can be elected. If the financial asset is a debt instrument the following assessment should be considered in determining its classification.

<u>Amortised cost</u>

Financial instruments measured at amortised cost are those financial assets that is 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.

<u>Fair value through other comprehensive income</u>

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.

<u>Fair value through profit or loss</u>

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.

Financial liabilities – Classification

By default, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or the entity has opted to measure a liability at fair value through profit or loss. A financial liability is required to be measured at fair value through profit or loss in case of liabilities that is classified as 'held for trading' and derivatives. An entity can, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss (fair value option) where doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency, or
- the liability is part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis.

Subsequent measurement

Subsequent measurement depends on the classification of the given financial instrument.

<u>Amortised cost</u>

The asset or liability is measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit and loss. Changes in fair value are recognised in profit and loss when the asset is derecognised or reclassified.

<u>Fair value through other comprehensive income – debt instrument</u>

The asset is measured at fair value. Interest revenue, impairment gains and losses, and a portion of foreign exchange gains and losses, are recognised in profit and loss on the same basis as for amortised cost assets. Changes in fair value are recognised initially in other comprehensive income. When the asset is derecognised or reclassified, changes in fair value previously recognised 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 amortised cost.

Fair value through other comprehensive income – equity instrument

Dividends are recognised 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 recognised 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 recognised in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

Fair value through profit or loss

The asset or liability is measured at fair value. Changes in fair value are recognised in profit and loss as they arise.

Fair value measurement

Fair value of instruments is determined by reference to quoted market prices at the close of business on the balance sheet date 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

Derecognition of a financial asset takes place when the MOL Plc. 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 MOL Plc. neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognises its retained interest in the asset and a liability for the amounts it may have to pay.

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

Hedging

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

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

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the statement of profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in the statement of profit or loss.

Amounts taken to other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects the statement of profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the statement of profit or loss.

Impairment of Financial Assets

The MOL Plc. assesses at each balance sheet date whether a financial asset or group of financial assets that is measured at amortised cost or fair value through other comprehensive income is impaired.

As a general approach, impairment losses on a financial asset or group of financial assets are recognised 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. Unless 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 and 12-month expected credit losses can be applied. MOL Plc. 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 MOL Plc. applies the simplified approach to recognise full lifetime expected losses from origination for trade receivables, IFRS 15 contract assets, lease receivables and other financial receivables. For all other financial instruments, general approach is applied.

An entity shall recognise 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 recognised 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 MOL Plc. is 100% of unsecured part of the financial asset. The amount of loss is recognised 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 recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Significant accounting estimates and judgements

For determination of fair value, management applies estimates of the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates, and in case of the conversion option volatility of MOL share prices and dividend yield.

Management judgements are required in assessing the recoverability of loans and receivables and determining whether a provision against those is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

16. Financial risk and capital management

Financial risk management

As financial risk management is a centralised function in MOL Plc., it is possible to integrate and measure all financial risks in a model using Value at Risk approach. A quarterly Financial Risk Report is submitted to the senior management.

As a general approach, risk management considers the business as a well-balanced integrated portfolio. MOL Plc. actively manages its commodity exposures for the following purpose:

MOL Plc. Level Objectives – protection of financial ratios and targeted financial results, reducing the exposure of cash flow to market price fluctuations and managing commodity price exposures at physical transactions etc.,

Key exposures

Risk Management identifies and measures the key risk drivers and quantifies their impact on the MOL Plc.'s operating results. MOL Plc. uses a bottom-up model for monitoring the key exposures. According to the model, the diesel crack spread, the crude oil price and gasoline crack spread have the biggest contribution to the cash flow volatility. The cash flow volatility implied by the foreign exchange rates are also significant.

Commodity price risk

MOL Plc. as an integrated oil and gas company is exposed to commodity price risk on demand and supply side as well. The main commodity risks stem from our integrated business model with downstream processing cruder than our own crude oil production. In Upstream MOL Plc. has long position in crude oil and in Downstream MOL Plc. has a long position in refinery margin. Investors buying oil industry shares are generally willing to take the risk of oil business so commodity price risk should not be fully eliminated from the cash flow. When necessary, commodity hedging is considered to eliminate risks other than 'business as usual' risks or general market price volatility.

In 2018 MOL Plc. concluded short and mid-term commodity swap and option transactions. These transactions are mainly conducted for operational hedging purposes, in order to mitigate the effects of the price volatility in our operations and in the same time, when possible, to lock in favorable forward curve structure.

Foreign currency risk

MOL Plc. follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect the net long-term currency position of profit generation ('natural hedge') however, when necessary our practice allows for flexibility when the currency market environment is favorable or challenging. MOL Plc. also uses foreign exchange derivatives to hedge the foreign exchange exposures if it is necessary.

Interest rate risk

As an energy Company, MOL Plc. has limited interest rate exposure. The ratio of fix/floating interest debt is monitored by Risk Management and regularly reported to the Board of Directors.

MOL Plc., when necessary, uses interest rate swaps to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings.

Credit risk

MOL Plc. sells products and services to a diversified customer portfolio - both from business segment and geographical point of view – with a large number of customers representing acceptable credit risk profile.

Policies and procedures are in place to set the framework and principles for customer credit risk management and collection of receivables to minimise credit losses deriving from delayed payment or non-payment of customers, to track these risks on a continuous basis and to provide financial support to sales process in accordance with MOL Plc.'s sales strategy and ability to bear risk.

Creditworthiness of customers with deferred payment term is thoroughly assessed, regularly reviewed and appropriate credit risk mitigation tools are applied. Credit insurance, bank guarantee, letter of credit, cash deposit and lien are the most preferred types of security to cover clean customer credit risk, as according to the MOL Plc.'s policy, customer credit limits should be covered by payment securities where applicable.

Individual customer credit limits are calculated taking into account external and/or internal assessment of customers as well as the securities provided. Information on existing and potential customers is gathered from well-known and reliable Credit Agencies and internal data available. Customer credit limits are reviewed at least once a year.

Various solutions support the customer credit management procedures, including online monitoring of credit exposures for immediate information on breach and expiry of credit limits or guarantees. When such credit situations occur, deliveries shall be blocked; decisions on the unblocking of deliveries shall be made by authorised persons on both Financial and Business side.

Liquidity risk

The MOL Plc. aims to manage liquidity risk by covering liquidity needs from bank deposits, other cash equivalents and from adequate amount of committed credit facilities. Besides, on operational level various cash pools throughout the group help to optimise liquidity surplus and need on a daily basis.

The existing bank facilities ensure both sufficient level of liquidity and financial flexibility for MOL Plc.

The amount of undrawn major committed credit facilities	2018 HUF million	2017 HUF million
Long-term loan facilities available (general corporate purpose)	791,392	824,172
Short-term facilities available	26,204	22,757
Total loan facilities available	**817,596**	**846,929**

MOL Plc. entered through its fully owned MOL Group Finance S.A. subsidiary into a EUR 555 million revolving credit facility agreement with 15 bank groups on the 9 of July 2018. Simultaneously, USD 930 million commitment was cancelled under the USD 1.55 billion revolving credit facility agreement, while the rest of that facility remained available. The maturity of the new credit line is 5 years, which can be further extended with 1-1 years altogether maximum two times.

Maturity profile of financial liabilities based on contractual undiscounted payments

2018	Due within 1 month HUF million	Due between 1 and 12 months HUF million	Due between 1 and 5 years HUF million	Due after 5 years HUF million	Total HUF million
Borrowings	19,650	160,714	316,078	23,882	520,324
Transferred "A" shares with put&call options		210,056			210,056
Trade and other payables	117,401	106,419	227	-	224,047
Other financial liabilities	646		124		770
Non-derivative financial instruments	**137,697**	**477,189**	**316,429**	**23,882**	**955,197**
Derivatives	-	-	14,054	-	14,054

Maturity profile of financial liabilities based on contractual undiscounted payments

2017	Due within 1 month HUF million	Due between 1 and 12 months HUF million	Due between 1 and 5 years HUF million	Due after 5 years HUF million	Total HUF million
Borrowings	17,300	21,942	209,071	262,501	510,814
Transferred "A" shares with put&call options	-	202,695	-	-	202,695
Trade and other payables	138,902	49,556	245	-	188,703
Other financial liabilities	712	-	277	-	989
Non-derivative financial instruments	**156,914**	**274,193**	**209,593**	**262,501**	**903,201**
Derivatives	16	9,527	6,527	-	16,070

Sensitivity analysis

In line with the international benchmark, MOL Plc. Risk Management prepares sensitivity analysis. According to the Financial Risk Management Model, the key sensitivities are the following:

Effect on Clean CCS-based [1] (Current Cost of Supply) operating profit	2018 HUF billion	2017 restated[2] HUF billion
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads)		
Upstream	+7.5/-10.5	+10.4 / -9.8
Downstream	-2.3/+2.3	-2.3 / +2.3
Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)		
Upstream	+4.2/-4.2	+3.0 / -2.9
Downstream	+11.4/-11.4	+11.2 / -11.2
Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads)		
Upstream	+2.4/-2.4	+1.7 / -1.7
Downstream	+1.8/-1.8	+1.6 / -1.6
Refinery margin (change by +/- 1 USD/bbl)		
Downstream [2]	+15/-15.1	+14.7/-14.7

[1] Clean CCS-based profit / (loss) from operation (EBIT) and its calculation methodology is not regulated by IFRS. Please see the reconciliation of reported profit / (loss) from operation (EBIT) and Clean CCS profit / (loss) from operation (Clean CCS EBIT) with the relevant definitions in the Appendix III.

[2] The values are restated due to methodology update

Borrowings

Accounting policies

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

	2018 HUF million	2017 HUF million
Short-term debt		
Borrowings to subsidiaries	159,164	19,991
Bank loans	5,433	4,997
Eurobond | 2.625% €750 million due 2023	4,283	4,132
Finance lease liabilities	1,103	670
Schuldschein |€130 million due between 2020-2027	217	171
Other	10	8
Short-term debt	**170,210**	**29,969**
Long-term debt		
Eurobond | 2.625% €750 million due 2023	239,185	230,332
Schuldschein |€130 million due between 2020-2027	41,708	40,251
Bank loans	12,950	16,690
Borrowings to subsidiaries	-	127,437
Finance lease liabilities	9,861	9,286
Long-term debt	**303,704**	**423,996**
Gross debt (current+non-current)	**473,914**	**453,965**
Cash and cash equivalents	283,547	108,191
Current debt securities	54	26,043
Net Debt	**190,313**	**319,731**
Total equity	1,827,828	1,609,926
Capital and net debt	**2,018,141**	**1,929,657**
Gearing ratio (%)	**9.43%**	**16.57%**
Profit from operation	115,681	100,207
Depreciation, depletion, amortisation and impairment	101,343	81,220
Reported EBITDA	217,024	181,427
Net Debt / EBITDA	**0.88**	**1.76**

The analysis of the gross debt of MOL Plc. by currencies is the following.

Gross debt by currency	2018 HUF million	2017 HUF million
EUR	303,617	290,055
USD	159,387	152,448
HUF	10,910	11,462
Gross debt	**473,914**	**453,965**

The following issued bond is outstanding as of the current year-end:

	Ccy	Amount Issued (orig ccy, millions)	Coupon	Type	Cpn Freq	Issue date	Maturity	Issuer
Eurobond	EUR	750	2.625	Fixed	Annual	28.04.2016	28.04.2023	MOL Plc.

The reconciliation between the total of future minimum finance lease receivables and their present value is the following:

Finance lease receivable	2018 Minimum lease payments HUF million	2018 Lease receivable HUF million	2017 Minimum lease payments HUF million	2017 Lease receivable HUF million
Due within one year	341	271	346	267
Due later than one year but not later than five years	1,364	1,193	1,384	1,174
Due later than five years	483	469	836	799
Total	**2,188**	**1,933**	**2,566**	**2,240**
Future finance income	255		326	
Lease receivable	**1,933**		**2,240**	

The reconciliation between the total of future minimum finance lease payments and their present value is the following:

Finance lease liability	2018 Minimum lease payments HUF million	2018 Lease liability HUF million	2017 Minimum lease payments HUF million	2017 Lease liability HUF million
Due within one year	1,493	1,103	934	670
Due later than one year but not later than five years	4,506	3,526	3,609	2,706
Due later than five years	7,142	6,335	7,512	6,580
Total	**13,141**	**10,964**	**12,055**	**9,956**
Future finance charges	(2,177)		(2,099)	
Lease liability	**10,964**		**9,956**	

Equity

Accounting policies

Retained earnings and other reserves shown in the financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the reconciliation of equity prepared in accordance with the Hungarian Accounting Law, which is disclosed in Appendix IV.

Fair valuation reserves

The fair valuation reserve includes the cumulative net change in the fair value of effective cash flow hedges and financial assets at fair value through other comprehensive income.

Equity component of debt and difference in buy-back prices

Equity component of compound debt instruments includes the residual amount of the proceeds from the issuance of the instrument above its liability component, which is determined as the present value of future cash payments associated with the instrument. The equity component of compound debt instruments is recognised when the MOL Plc. becomes party to the instrument.

Treasury Shares

The nominal value of treasury shares held is deducted from registered share capital. Any difference between the nominal value and the acquisition price of treasury shares is recorded directly to retained earnings. In order to consistently distinguish share premium and retained earnings impact of treasury share transactions, repurchase and resale of treasury transactions affect retained earnings instead of having impact on share premium.

Share capital

There was a change in the number of issued shares due to an 8-for-1 share split of the Company's registered ordinary "A" shares in 2017. As of 31 December 2017, the issued share capital was HUF 102,429 million, consisting of 819,424,824 series "A" shares with par value of HUF 125, one series "B" share with par value of HUF 1,000 and 578 series "C" shares with par value of HUF 1,001. Outstanding share capital as of 31 December 2018 and 31 December 2017 is HUF 80,828 million and HUF 80,809 million, respectively.

Every "A" class share with a par value of HUF 125 each (i.e. one hundred and twenty-five forint) entitles the holder thereof to have one vote and every "C" class share with a par value of 1,001 each (i.e. one thousand one forint) entitles the holder to have eight and eight thousandth vote, with the following exceptions. Based on the Articles of Association, no shareholder or shareholder group may exercise more than 10% of the voting rights with the exception of organisation(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares.

Series "B" shares are voting preference shares with a par value of HUF 1,000 that entitles the holder thereof to preferential rights as specified in the Articles of Association. The "B" series share is owned by MNV Zrt., exercising ownership rights on behalf of the Hungarian State. The "B" series share entitles its holder to eight votes in accordance with its nominal value. The supporting vote of the holder of "B" series of share is required to adopt decisions in the following matters pursuant to Article 12.4. of the Articles of Association: decision on amending the articles regarding the B series shares, the definition of voting rights and shareholder group, list of issues requiring supermajority at the general meeting as well as Article 12.4. itself; further, the "yes" vote of the holder of "B" series of shares is required to adopt decisions on any proposal not supported by the Board of Directors in the following matters: election and dismissal of the members of the Board of Directors, the Supervisory Board and the auditors, decision of distribution of profit after taxation and amending of certain provisions of the Articles of Association.

Based on the authorisation granted in the Article 17.D of the Articles of Association the Board of Directors is entitled to increase the share capital until 23 April 2019 in one or more instalments by not more than HUF 30 billion in any form and method provided by the Civil Code.

Changes in the number of ordinary, treasury and authorised shares:

Series "A" and "B" shares	Number of shares issued	Number of treasury shares	Shares under repurchase obligation	Number of shares outstanding	Authorised number of shares
01 Jan 2017	819,424,825	(51,072,632)	(122,032,784)	646,319,409	1,059,424,825
Settlement of share option agreement with Unicredit Bank A.G.	-	(13,771,328)	13,771,328	-	-
Share distribution for the members of the Board of Directors	-	148,800	-	148,800	-
New share purchase agreement with MUFG Securities EMEA Plc.	-	4,894,187	(4,894,187)	-	-
Settlement of share option agreement with Unicredit Bank A.G.	-	(4,933,378)	4,933,378	-	-
Settlement of share option agreement with ING Bank N.V.	-	(5,164,470)	5,164,470	-	-
31 Dec 2017	819,424,825	(69,898,821)	(103,057,795)	646,468,209	1,059,424,825
Share distribution for the members of the Board of Directors	-	148,800	-	148,800	-
Settlement of share option agreement with MUFG Securities EMEA Plc.	-	409,108	(409,108)	-	-
Settlement of share option agreement with Unicredit Bank A.G.	-	2,750,496	(2,750,496)	-	-
Settlement of share option agreement with ING Bank N.V.	-	2,097,955	(2,097,955)	-	-
31 Dec 2018	819,424,825	(64,492,462)	(108,315,354)	646,617,009	1,059,424,825

Series "C" shares					
01 Jan 2017	578	-	-	578	578
Series "C" shares					
31 Dec 2018	578	-	-	578	578

Dividend

The shareholders at the Annual General Meeting in April 2018 approved to pay HUF 94,278 million dividend in respect of 2017, which equals to 127.5 HUF dividend per share. The total amount of reserves legally available for distribution based on the reconciliation of equity (see Appendix IV. f)) is HUF 1,523,149 million as of 31 December 2018 (31 December 2017: HUF 1,305,164 million).

Treasury share put and call option transactions

MOL Plc. has three option agreements concluded with financial institutions in respect of 68,231,346 pieces of series "A" shares ("Shares") as of 31 December 2018. Under the agreements, MOL Plc. holds American call options and the financial institutions hold European put options in respect of the shares. The expiry of both the put and call options are identical and are one year from the date of the agreement.

Counterparty	Underlying pieces of MOL ordinary shares	Strike price per share	Expiry
ING Bank N.V.	35,838,293	EUR 9.8491	26-Nov-2019
UniCredit Bank AG	27,089,758	EUR 9.2286	14-Nov-2019
MUFG Securities EMEA Plc.	5,303,295	EUR 9.4974	11-Nov-2019

MOL Plc. agreed with ING Bank N.V. ("ING") on 26 November 2018, that the option rights in relation to 33,740,338 Shares under the share option agreement executed between ING and MOL Plc. on 23 November 2017 are cash settled on 28 November 2018. Simultaneously, MOL Plc. and ING entered into a new share purchase agreement and share option agreement, according to which MOL Plc. received American call options and ING received European put options in relation to 35,838,293 Shares, with the effective date of 28 November 2018. As a result of the share purchase agreement, ING received additional 2,097,955 Shares. The maturity date of both the call and put options is 26 November 2019, and the strike price of both options is EUR 9.8491 per Share.

MOL Plc. agreed with MUFG Securities EMEA Plc. ("MUFG") on 6, November 2018 that the option rights in relation to 4,894,187 Shares under the share option agreement executed between MUFG and MOL Plc. on 6 November 2017 are cash settled on 8 November 2018. Simultaneously, MOL Plc. and MUFG entered into a new share purchase agreement and a share option agreement, according to which MOL Plc. received American call options and MUFG received European put options in relation to 5,303,295 Shares, with the effective date of 8 November 2018. As a result of these transactions, MUFG received 409,108 Shares. The maturity date of both the call and put options is 11 November 2019 and the strike price of both options is EUR 9.4974 per Share.

MOL Plc. agreed with UniCredit Bank AG ("UniCredit") on 14 November 2018 that the option rights in relation to 24,339,262 Shares under the share option agreement executed between UniCredit and MOL Plc. on 14 November 2017 are cash settled on 16 November 2018. Simultaneously, MOL Plc. and UniCredit concluded a share purchase agreement and new share option agreement, according to which MOL Plc. received American call options and UniCredit received European put options in relation to 27,089,758 Shares, with the effective date of 16 November 2018. As a result of these transactions, UniCredit received 2,750,496 Shares. The maturity date of both the call and put options is 14 November 2019, and the strike price of both options is EUR 9.22858 per Share.

Share swap agreement with OTP

MOL Plc. ('MOL') and OTP entered into a share-exchange and a share swap agreement in 2009. Under the agreements, initially MOL Plc. transferred 40,084,008 "A" series MOL ordinary shares to OTP in return for 24,000,000 pieces OTP ordinary shares. The agreement contains settlement provisions in case of certain movement of relative share prices of the parties, subject to net cash or net share settlement. The original expiration of the share-swap agreements was on 11 July 2012. During 2012 the expiration has been extended to 11 July 2017, and subsequently, in 2017 further extended until 11 July 2022, which did not trigger any movement in MOL Plc.'s treasury shares.

Until the expiration date each party can initiate a cash or physical (i.e. in shares) settlement of the deal.

17. Financial instruments

2018 Carrying amount of financial instruments		Fair value through profit or loss HUF million	Amortised cost HUF million	Fair value through other comprehensive income HUF million	Total carrying amount HUF million
Financial assets					
Other non-current financial assets	Loans given	-	-	20,202	20,202
	Securities	-	-	14,037	14,037
	Finance lease receivables	-	-	1,662	1,662
	Commodity derivatives	677	-	-	677
Total other non-current financial assets		677	-	35,901	36,578
Total non-current financial assets		**677**	**-**	**35,901**	**36,578**
Trade and other receivables		-	229,700	-	229,700
Debt securities		-	-	54	54
Other current financial assets	Loans given	-	195,803	-	195,803
	Commodity derivatives	11,114	-	-	11,114
	Deposit	-	6,184	-	6,184
	Other derivatives	2,876	-	-	2,876
	Foreign exchange derivatives	6	-	-	6
	Finance lease receivables	-	271	-	271
	Other	-	213	-	213
Total other current financial assets		13,996	202,471	-	216,467
Cash and cash equivalents		-	283,547	-	283,547
Total current financial assets		**13,996**	**715,718**	**54**	**729,768**
Total financial assets		**14,673**	**715,718**	**35,955**	**766,346**
Financial liabilities					
Long-term debt	Borrowings	-	293,843	-	293,843
	Finance lease liabilities	-	9,861	-	9,861
Total long-term debt		-	303,704	-	303,704
Other non-current financial liabilities		-	124	-	124
Total non-current financial liabilities		**-**	**303,828**	**n/a**	**303,828**
Short-term debt	Borrowings	-	169,107	-	169,107
	Finance lease liabilities	-	1,103	-	1,103
Total short-term debt		-	170,210	-	170,210
Trade and other payables		-	224,047	-	224,047
Other current financial liabilities	Transferred "A" shares with put&call options	-	208,599	-	208,599
	Other derivatives	7,980	-	-	7,980
	Commodity derivatives	6,074	-	-	6,074
	Other	-	646	-	646
Total other current financial liabilities		14,054	209,245	-	223,299
Total current financial liabilities		**14,054**	**603,502**	**n/a**	**617,556**
Total financial liabilities		**14,054**	**907,330**	**n/a**	**921,384**

2017 Carrying amount of financial instruments		Fair value through profit or loss HUF million	Amortised cost HUF million	Fair value through other comprehensive income HUF million	Total carrying amount HUF million
Financial assets					
Other non-current financial assets	Loans given	-	109,097	-	109,097
	Debt securities	-	-	3,824	3,824
	Commodity derivatives	87	-	-	87
	Finance lease	-	1,973	-	1,973
Total other non-current financial assets		87	111,070	3,824	114,981
Total non-current financial assets		**87**	**111,070**	**3,824**	**114,981**
Trade and other receivables		-	171,587	-	171,587
Debt securities		5,141	-	20,902	26,043
Other current financial assets	Loans given	-	68,020	-	68,020
	Finance lease	-	267	-	267
	Commodity derivatives	3,009	-	-	3,009
	Foreign exchange derivatives	274	-	-	274
	Deposit	-	47,290	-	47,290
	Other	534	333	-	867
Total other current financial assets		3,817	115,910	-	119,727
Cash and cash equivalents		-	108,191	-	108,191
Total current financial assets		**8,958**	**395,688**	**20,902**	**425,548**
Total financial assets		**9,045**	**506,758**	**24,726**	**540,529**
Financial liabilities					
Borrowings (Long-term debt)		-	423,996	-	423,996
Other non-current financial liabilities	Commodity derivatives	143	-	-	143
	Other	-	277	-	277
Total other non-current financial liabilities		143	277		420
Total non-current financial liabilities		**143**	**424,273**	**n/a**	**424,416**
Trade and other payables		-	188,703	-	188,703
Borrowings (short-term debt)		-	29,969	-	29,969
Other current financial liabilities	Transferred "A" shares with put&call options	-	201,257	-	201,257
	Commodity derivatives	9,527	-	-	9,527
	Foreign exchange derivatives	16	-	-	16
	Other derivatives	6,384	-	-	6,384
	Other	-	712	-	712
Total other current financial liabilities		15,927	201,969	-	217,896
Total current financial liabilities		**15,927**	**420,641**	**n/a**	**436,568**
Total financial liabilities		**16,070**	**844,914**	**n/a**	**860,984**

MOL Plc. does not have any financial instrument whose classification has changed as a result of applying IFRS 9 and does not have any instrument that designated upon initial recognition as at fair value through profit or loss in order to reduce a measurement or recognition inconsistency.

The fair values of financial instruments measured at amortised cost approximate their carrying amounts except for the issued bonds. The fair value of the issued bond is HUF 258,557 million, while its carrying amount is HUF 243,469 million as of 31 December 2018 (fair value was HUF 255,849 million, carrying amount was HUF 234,464 million as of 2017 year-end).

Impairment only accounted for on trade receivables. No impairment is recognised on the remaining financial instruments based on materiality, history and expectations.

Contract assets and contract liabilities from contracts with customers are not material for MOL Plc.

MOL Plc. made the decision to cease hedge accounting of commodities as of 1 January 2017.

18. Fair value measurement of financial instruments

Fair value hierarchy	2018 Level 1 Unadjusted quoted prices in active markets HUF million	2018 Level 2 Valuation techniques based on observable market input HUF million	2018 Total fair value HUF million	2017 Level 1 Unadjusted quoted prices in active markets HUF million	2017 Level 2 Valuation techniques based on observable market input HUF million	2017 Total fair value HUF million
Financial assets						
Debt securities	-	14,091	14,091	22,867	7,000	29,867
Commodity derivatives	-	11,791	11,791	-	3,096	3,096
Foreign exchange derivatives	-	6	6	-	274	274
Other derivatives	-	2,876	2,876	-	-	-
Total financial assets recognised at fair value	-	28,764	28,764	22,867	10,370	33,237
Financial liabilities						
Commodity derivatives	-	6,074	6,074	-	9,670	9,670
Foreign exchange derivatives	-	-	-	-	16	16
Other derivatives	-	7,980	7,980	-	6,384	6,384
Total financial liabilities recognised at fair value	-	14,054	14,054	-	16,070	16,070

Neither in 2018 nor in 2017 MOL Plc. has any instruments with fair value categorised as Level 3 (valuation techniques based on significant unobservable market input).

19. Trade and other receivables

Accounting policies

Trade and other receivables are amounts due from customers for goods sold and services performed in the normal course of business, as well as other receivables such as margining receivables. Trade and other receivables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost less any provision for doubtful debts. A provision for impairment is made for expected credit losses and when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the MOL Plc. will not be able to collect all of the amounts due under the original terms of the invoice. Impaired receivables are derecognised 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. In other cases, they are presented as non-current assets.

	2018 HUF million	2017 HUF million
Trade receivables	206,922	148,692
Other receivables	22,778	22,895
Total	229,700	171,587

	2018 HUF million	2017 HUF million
Trade receivables	207,742	149,243
Allowance for doubtful receivables	(820)	(551)
Total	206,922	148,692

Movements in the allowance for doubtful trade receivables	2018 HUF million	2017 HUF million
At 1 January	**551**	**585**
Effect of the IFRS 9 standard	173	-
Modified opening balance	**724**	**585**
Additions	303	295
Reversal	(21)	(179)
Amounts written off	(190)	(150)
Foreign exchange differences	4	-
At 31 December	**820**	**551**

	2018		2017	
Ageing analysis of trade receivables	Gross book value HUF million	Net book value HUF million	Gross book value HUF million	Net book value HUF million
Not past due	**193,754**	**193,565**	**143,780**	**143,769**
Past due	**13,988**	**13,357**	**5,463**	**4,923**
Within 180 days	11,379	11,332	3,559	3,532
Over 180 days	2,609	2,025	1,904	1,391
Total	**207,742**	**206,922**	**149,243**	**148,692**

20. Cash and cash equivalents

Accounting policies

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. MOL Plc. considers the term "insignificant risk of change in value" not being limited to three-month period.

	2018 HUF million	2017 HUF million
Short-term bank deposits	204,435	78,926
Demand deposit	75,868	26,706
Cash on hand	3,244	2,559
Total	**283,547**	**108,191**

OTHER FINANCIAL INFORMATION

This section includes additional financial information that are either required by the relevant accounting standards or management considers these to be material information for shareholders.

21. Commitments and contingent liabilities

Accounting policies

Contingent liabilities are not recognised in the financial statements. They are disclosed in the Notes unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

a) Guarantees

The total value of guarantees undertaken to related parties is HUF 435,412 million in 2018 and HUF 413,432 million in 2017. The value of third party guarantees is HUF 8,066 million in 2018 and HUF 6,576 million in 2017.

b) Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2018 is HUF 24,585 million (HUF 26,229 million in 2017). The most significant amounts relate to a reconstruction work of water network at Danube Refinery in Hungary (HUF 2,158 million) and installing a new LPG Amin adsorbed in the Danube Refinery area (HUF 2,014 million).

c) Operating leases

Operating lease liabilities	2018 HUF million	2017 HUF million
Due within one year	14,320	13,976
Due later than one year but not later than five years	13,267	8,035
Due later than five years	612	582
Total	28,199	22,593

The main part of the outstanding operating lease liabilities due to the railway wagon lease agreement is HUF 18,356 million as of 31 December 2018 (HUF 12,325 million in 2017).

d) Authority procedures, litigation

General

None of the litigations described below have any impact on the accompanying separate financial statements except as explicitly noted. MOL Plc. is party to a number of civil actions arising in the ordinary course of business. Currently, no further litigation exists that could have a material adverse effect on the financial condition, assets, results or business of MOL Plc.

The value of litigation where MOL Plc. act as defendant is HUF 13,463 million for which HUF 13,033 million provision has been made.

CREDITOR procedures (MOL Plc.)

CREDITOR GAMA s.r.o. has submitted a compensation claim against MOL Plc. in connection with the acquisition of Slovnaft a.s. shares by MOL Plc. in the amount of cca. SKK 380 million (EUR 12.6 million) plus delay interest 14.75% p.a from 28 November 2007. The claim was dismissed by the court on first instance. The claimant has filed an appeal, which has been rejected by the court of appeal. The court of appeal upheld the judgement of the court of first instance. Creditor GAMA filed an extraordinary appeal on the last day of the deadline. The justification they use is similar to their arguments which was used in the appeal procedure.

CREDITOR BETA s.r.o. alleges that the buying offer of MOL Plc. in connection with the acquisition of Slovnaft a.s. shares was not approved by the Slovak financial authority (Úrad pre financny trh) and therefore it was not able to receive consideration for its shares for 213 days. It claims for compensation for damages suffered in connection with this delay (cca. EUR 3 million plus delay interest 10.48% p.a from 28 June 2007). The procedure continues with the question of amount, while MOL Plc. has filed an appeal against the interim decision on the legal basis with the appellate court. This appeal was dismissed by the court. MOL Plc. has filed an extraordinary appeal against the dismissal of its appeal.

ICSID arbitration (MOL Plc. vs. Croatia)

The MOL Plc.'s request for arbitration was filed with the International Centre for Settlement of Investment Disputes („ICSID") on 26 November 2013 against the Government of the Republic of Croatia (the "GoC") under the Energy Charter Treaty mainly due to the huge losses INA-INDUSTRIJA NAFTE, d.d. ("INA") has suffered in the gas business as a consequence of the breach of the agreements of 2009 by the GoC. This arbitration is about more than just seeking a remedy for the breach of the contracts in general; it is also about the abuse of regulatory power at the expense of a single actor, INA, and indirectly, MOL Plc.

Dana Gas and Crescent Petroleum (Pearl shareholders) vs MOL Plc.

Pearl Petroleum Company Limited's ("Pearl") shareholders include, among others, Dana Gas PJSC ("Dana Gas") and Crescent Petroleum Company International Limited ("Crescent") and MOL Plc.

Dana Gas and Crescent, along with Pearl, entered into an agreement (the "Settlement Agreement") to settle Pearl's long-standing dispute with the Kurdistan Regional Government of Iraq ("KRG") without proper prior consultation with MOL Plc. or obtaining requisite approval, in breach of MOL Plc.'s contractual right as set in the Joint Venture Agreement (JVA).
MOL Plc. accordingly filed a default notice for breach of contract on Dana Gas and Crescent on 11 September 2017 in accordance with the mechanism ensured by the JVA to the shareholders of Pearl. The default notice for breach of contract has severe legal consequences for the defaulting shareholders, their shareholdings in Pearl and their related entitlements.
Dana Gas and Crescent initiated arbitration procedure against MOL Plc. before the London Court of International Arbitration, disputing the validity of MOL's default notice for breach of contract. MOL Plc. took all appropriate steps to enforce and protect its rights deriving from the JVA.

In addition to the above, the Dana Gas and Crescent also seek a declaration that MOL Plc. is in breach of the JVA; and damages in an amount to be quantified in due course. At current stage it is hard to assess the financial implications. The trial of the Court of Arbitration was held on the 29^{th} of January 2018. MOL Plc. filed its Statement of Defense and Counterclaim in due time.

The document production deadline for MOL Plc. to file additional documents ordered by the Tribunal was 12^{th} of July. 2018. MOL Plc. submitted the documents concerned 2018.
Dana Gas and Crescent were to file their Statement of Reply and Defense on 27^{th} of July 2018. The court hearing was scheduled to be commenced on 26 November 2018. The arbitration court hearing was scheduled until 14 December 2018. The hearing had been adjourned.

e) Environmental liabilities

MOL Plc.'s operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL Plc. is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL Plc. has established a provision of HUF 9,712 million for the estimated cost as at 31 December 2018 for probable and quantifiable costs of rectifying past environmental damage (see Note 13). 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.

In addition, some of MOL Plc.'s premises may be affected by contamination where the cost of rectification is currently not quantifiable or legal requirement to do so is not evident. The main case where such contingent liabilities may exist is the Tiszaújváros site, Tisza refinery, where MOL Plc. has identified significant underground water and surface soil contamination. In accordance with the resolutions of the regional environmental authorities, MOL Plc. is completed a detailed investigation and submit the results and technical specifications to the authorities in July 2017. Based on these documents the authorities bought a resolution on 15^{th} of September requiring MOL Plc. to perform this plan in order to manage the soil and underground water contamination. The total amount of liabilities originating from this plan can be estimated properly and MOL Plc. set the required amount of environmental provision.

In addition, contingent liabilities exist for uncertain remediation tasks; their magnitude cannot be estimated currently, but it is not expected to exceed HUF 4 billion.

Furthermore, the technology applied in oil and gas exploration and development activities by MOL Plc.'s Hungarian predecessor before 1976 (being the year when the act on environmental protection and hazardous waste has become effective) may give rise to future remediation of drilling mud produced in cases where the wells are deeper than 1,800 m. This waste material has been treated and disposed of in line with environmental regulations ruling at that time, however, subsequent changes in legal definitions may result in further re-location and remediation requirements. The existence of such obligation, and consequently the potential expenditure associated with it is dependent on the extent, volume and composition of drilling mud left behind at the numerous production sites, which cannot be estimated currently, but is not expected to exceed HUF 4-6 billion.

22. Notes to the statements of cash flows

Accounting policies

Bank overdrafts repayable on demand are included as component of cash and cash equivalent in case where the use of short-term overdrafts forms an integral part of the entity's cash management practices.

Analysis of other items	2018 HUF million	2017 HUF million
Realised net foreign exchange (gain) / loss of fair valuation	9,835	7,174
Write-off of inventories, net	5,594	1,333
Write-off of receivables, net	541	471
Share-based payments	(3,016)	(1,579)
Other non-highlighted items	(161)	3,744
Total	12,793	11,143

	2017 balance	Cash flows used in financing activities	Non-cash changes: Realised and non-realised FX	FV change on derivatives	Accrued Interest	New lease liabilities	Non-financing CF related movements	2018 balance
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Long-term debt	423,996	(139,303)	33,602	-	(16,436)	1,845	-	303,704
Short-term debt	29,969	109,868	27,171	-	(5,223)	-	8,425	170,210
Other current financial liabilities	217,896	989	(9,488)	10,395	-	-	3,507	223,299
Total Cash flows used in financing activities from financial liabilities		(28,446)						
Other items impacting Cash flows used in financing activities [1]		(86,234)						
Total Cash flows used in financing activities		(114,680)						

[1] The HUF 86,234 million Other items impacting Cash flows used in financing activities is Dividends paid to owners

23. Related party transactions

a) Transactions with subsidiaries in the normal course of business

	2018 HUF million	2017 HUF million
Loans given	211,944	179,174
Loans received	160,942	148,247

	2018 HUF million	2017 HUF million
Trade receivables	90,174	61,345
Trade payables	50,735	49,798

	2018 HUF million	2017 HUF million
Other receivables, other financial assets and other current assets	37,731	23,463
Other payables, other financial assets and other current liabilities	26,422	16,082

	2018 HUF million	2017 HUF million
Net sales	873,119	596,700
Other operating income	17,036	4,221
Finance income	293,900	201,063
from which		
dividend	180,328	111,932
interests	2,474	3,800
Finance expense	121,852	113,464
from which		
impairment of investments, loss of capital decrease and loss of loan receivables	109,093	104,573
interests	9,006	8,841

b) Transactions with associated companies in the normal course of business

	2018 HUF million	2017 HUF million
Trade and other receivables	97	2,068
Trade and other payables	1,986	1,313
Net sales	7,879	11,953

MOL Plc. purchased and sold goods and services with related parties during the ordinary course of business in 2018 and 2017. Each such transaction was conducted under market prices and conditions.

c) Guarantees

See note 21. Commitments and contingent liabilities a) Financial contingent liabilities.

d) Remuneration of the members of the Board of Directors

Directors' total remuneration approximated HUF 125 million in 2018 (2017: HUF 130 million). In addition, the directors participate in a long-term incentive scheme details of which are given below.

Directors are remunerated with the following net amounts in addition to the incentive scheme:

- Executive and non-executive directors 25,000 EUR/year
- Committee chairmen 31,250 EUR /year

In case the position of the Chairman is not occupied by a non-executive director, it is the non-executive vice Chairman who is entitled to this payment. Directors who are not Hungarian citizens and do not have permanent address in Hungary are provided with EUR 1,500 on each Board meeting (maximum 15 times a year) when travelling to Hungary.

e) Number of shares held by the members of the Board of Directors and Executive Board and the Management

	2018 Number of shares	2017 Number of shares
Board of Directors	2,380,272	2,231,472
Executive Board (except Board of Directors members)	378,824	924,064
Senior Management (except Board of Directors and Executive Board members)	86,744	86,744
Total	2,845,840	3,242,280

f) Transactions with Management, officers and other related parties

In 2018 entities controlled by the members of key management personnel purchased fuel and other retail services from MOL Plc. in the total value of HUF 2,959 million. MOL Plc. provided subsidies through sponsorship for sport organisations controlled by key management personnel in the total value of HUF 507 million. MOL Plc. purchased other services (including education, PR, media, business operations related services) from companies controlled by key management personnel in the total value of HUF 195 million.

MOL Plc. entered into a long-term (15 years) lease contract for marketing and advertisement surfaces with an entity controlled by key management personnel with a yearly lease fee of HUF 256 million.

Entities controlled by key management personnel hold 2,100,000 shares.

g) Key management compensation

The amounts disclosed contains the compensation of managers who qualify as a key management member of MOL Plc.

	2018 HUF million	2017 HUF million
Salaries and wages	959	979
Other short-term benefits	851	987
Share-based payments	2,892	1,522
Total	4,702	3,488

h) Loans to the members of the Board of Directors and Supervisory Board

No loans have been granted to key management personnel.

24. Events after the reporting period

No significant post - balance sheet event occurred which would have impact on 2018 figures.

25. Appendices

Appendix I.: Issued but not yet effective International Financial Reporting Standards and Amendments

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective.

- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
- Amendment to IFRS 9 Financial Instruments on prepayment features with negative compensation and modification of financial liabilities (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)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2022, not yet endorsed by EU)
- Amendment to IAS 28 Investments in Associates and Joint Ventures on long-term interest in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019, not yet endorsed by EU)
- Amendment to IAS 19 Employee Benefits on plan amendments, curtailments or settlements (effective for annual periods beginning on or after 1 January 2019, not yet endorsed by EU)
- Amendment to IFRS 3 Business Combination (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by EU)
- Amendments to IAS 1 – Presentation of Financial Statement and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by EU)
- Annual improvements 2015-2017 (IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing Costs – effective for annual periods beginning on or after 1 January 2019, not yet endorsed by the EU)

The above-mentioned standards and amendments are not expected to significantly impact the Company's results, financial position or disclosures, except for the following standards:

IFRS 16 Leases

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 classification as either finance or operative leases for lessee. Lessors continue to classify leases as operating or finance similarly to IAS 17 Leases. IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Estimated impact of IFRS 16 transition in MOL Plc. is HUF 14,251 million increase of lease liabilities and lease assets and HUF 4,217 million EBITDA improvement in 2019. The estimate was based on a review of valid lease contracts of MOL Plc. in the last quarter of 2018. MOL Plc. elected to apply the recognition exemptions proposed by the standard (i.e.: short-term and law-value asset exemptions). The actual effect from the application of IFRS 16 may significantly differ from this assessment.

Appendix II.: Investments in subsidiaries, associated companies and joint ventures

Company name	Registered address	Range of activity	Carrying value 2018	Carrying value 2017	Direct ownership 2018	Direct ownership 2017
			HUF million	HUF million	%	%
INA d.d.	Zagreb, Avenija Veceslava Holjevca 10 Croatia	Integrated oil and gas company	423,096	423,096	49%	49%
Slovnaft a.s.	Bratislava, Vlcie hrdlo 1., 82107 Slovakia	Refinery and marketing of oil and petrochemical products	224,666	224,666	98%	98%
MOL Group Finance SA	Luxembourg, rue des Maraichers 102, Grand-Duchy of Luxembourg	Financial services	157,455	157,455	100%	100%
MOL Petrolkémia Zrt.	Tiszaújváros, TVK Ipartelep, hrsz: 2119/3 Hungary	Petrochemical production and trading	130,066	130,042	100%	100%
FGSZ Földgázszállító Zrt.	Siófok, Tanácsház u. 5. Hungary	Natural gas transmission	83,589	83,589	100%	100%
Pearl Petroleum Company Ltd.	Wickhams Cay, Road Town, Tortola British Virgin Islands	Oil and gas exploration, production and transportation	74,837	74,837	10%	10%
MOL Retail Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Real estate management	56,151	56,151	100%	100%
MOL Romania PP Srl.	Cluj-Napoca, Dorobantilor st. 14-16. Romania	Retail and wholesale trade of fuels and lubricants	39,239	39,239	100%	100%
MOL Vagyonkezelő Kft.	Budapest, Krisztina krt. 99. Hungary	Investment management	32,814	31,411	100%	100%
TIFON d.o.o.	Zagreb, Savska cesta 41. Croatia	Retail trade of fuels and lubricants	31,384	31,384	100%	100%
MNS Oil&Gas B.V.	Amsterdam, 1097 JB, Prins Bernhardplein 200 Netherlands	Exploration financing	26,841	0	100%	100%
MOL Serbia d.o.o.	Novi Beograd, Djordja Stanojevica 14 Serbia	Retail trade of fuels and lubricants	22,003	22,003	100%	100%
MOL Slovenia DS Investment B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Investment management	21,737	21,737	100%	100%
MH Oil and Gas B.V.	Amsterdam, Prins Bernhardplein 200, Netherlands	Investment management	20,798	31,149	100%	100%
MOL Investment Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	20,118	35,082	100%	100%
MOL (FED) Kazakhstan BV	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	17,206	17,206	100%	100%
Zväz pre skladovanie zásob, a.s.	Slovakia, Bratislava, Vlčie hrdlo 1, 824 12 Slovakia	Wholesale and retail trade, warehousing	16,668	-	90%	-
Italiana Energia e Servizi S.p.A.	Mantova, Strada Cipata 79 Italy	Refinery and marketing of oil products	19,593	33,125	100%	100%
Leodium Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	13,682	13,682	100%	100%
MOL Ingatlan Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	13,593	3,414	100%	100%
MOL CVC Investment Kft. (formerly Ticinum Kft.)	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	11,723	11,723	100%	100%
MOL Reinsurance Co.	Dublin2, Adelaide Road 25-28, 4th Floor Ireland	Captive insurance	11,284	11,284	100%	100%
MOL CEE Investments B.V.	Muiderstraat 1 1011PZ Amsterdam Netherlands	Investment management	11,052	11,052	100%	100%
MOL Nordsjön BV	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration financing	8,265	10,825	100%	100%
MOL CZ Downstream Investment B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Investment management	6,971	6,971	15%	15%
MOL Austria GmbH.	Wien, Walcherstrasse 11a Austria	Wholesale trade of lubricants and oil products	5,365	5,365	100%	100%
Roth Heizöle GmbH.	Graz-Seiersberg, Haushamer Straße 2 / 1.OG / Top 6, Austria	Trading of oil products	3,668	3,668	50%	50%
EMSZ Első Magyar Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	2,679	2,176	100%	100%
MOL Fleet Holding Kft	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	2,649	2,649	100%	100%
Tápió Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	2,640	2,640	100%	100%
MOL LUB Kft.	Almásfüzitő, Fő út 21. Hungary	Production and trade of lubricants	2,603	2,603	100%	100%
MOL Solar Investment Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	2,572	872	100%	100%
Ménrót Kft.	Szolnok, Ady Endre út 26. Hungary	Exploration investment management	2,346	2,346	100%	100%
Neptunus Investment Kft	Budapest, Október huszonharmadika u. 18 Hungary	Investment management	1,403	-	100%	-
Dunai Vízmű Zrt.	Százhalombatta, Erőmű utca 2. Hungary	Water production, -treatment, -supply	1,400	1,400	33%	33%
MOLTRADE-Mineralimpex Zrt.	Budapest, Október huszonharmadika u. 18 Hungary	Importing and exporting of energetical products	1,340	1,340	100%	100%
MOL Aréna Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Investment management	1,198	1,198	100%	100%
Geoinform Kft.	Szolnok, Kőrösi út 43. Hungary	Hydrocarbon exploration	1,125	1,125	100%	100%

Company name	Registered address	Range of activity	Carrying value 2018 HUF million	Carrying value 2017 HUF million	Direct ownership 2018 %	Direct ownership 2017 %
KMSZ Kelet-Magyarországi Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	975	6,381	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Százhalombatta, Olajmunkás u. 2. Hungary	Fire service, ambulance service	970	1,203	100%	100%
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Budapest, Október huszonharmadika u. 18 Hungary	Geothermal energy production	760	3,836	100%	100%
Kalegran B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	708	0	100%	100%
MOL Pakistan Ltd.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration financing	671	671	100%	100%
MOLTRANS Kft.	Budapest, Petróleumkikötő u.5-7. Hungary	Transportation services	619	619	100%	100%
MOL Bucsa Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79 Hungary	Exploration and production activity	618	1,291	100%	100%
MOL Germany GmbH	München, Otto Strasse 5 Germany	Trading of oil products	556	556	100%	100%
MOL Mezőtúr Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	534	534	100%	100%
MOL Bázakerettye Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	523	462	100%	100%
MOL Limitless Mobility Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	505	5	100%	100%
MOL Somogyvámos Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	467	-	100%	-
MOL Somogybükkösd Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	459	-	100%	-
Budapesti Értéktőzsde Zrt.	Budapest, Andrássy út 93. Hungary	Stock exchange	431	431	2%	2%
MOL Zala-Nyugat Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	431	492	100%	100%
MOL Jászárokszállás Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	376	496	100%	100%
MOL Őrség Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	356	-	100%	-
Rossi Biofuel Zrt.	Komárom, Kőolaj u. 2. Hungary	Biofuel production	350	350	25%	25%
MOL Okány-Nyugat Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	334	434	100%	100%
Platounko Investments Ltd.	Nicosia, Acropolis Avenue 59-61 Cyprus	Exploration financing	329	329	100%	100%
Csanád Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	313	389	100%	100%
MOL Kunststoff Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	191	3	100%	100%
MOL Group International Services B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Financial and accounting services	164	164	100%	100%
Petrolszolg Kft.	Százhalombatta, Olajmunkás út 2. Hungary	Repairs and maintenance services	154	169	100%	100%
MOL-Russ Ooo	Moscow, Kosmodamianskaya nab. 52 str.3 Russia	Management services	87	87	100%	100%
MULTIPONT Program Zrt.	Budapest, Budafoki út 79. Hungary	Marketing agent activity	80	80	100%	100%
Panfora Oil&Gas S.r.l.	Cluj-Napoca, Calea Dorobantilor 14-16 Romania	Exploration and production activity	73	35	50%	50%
MOL Commodity Trading Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	60	60	100%	100%
HEXÁN Kft.	Százhalombatta, Ipartelep Hrsz: 2704/1 Hungary	Chemical material refining, filling, retail and wholesale trade	50	50	100%	100%
OT Industries Zrt.	Budapest, Galvani utca 44. Hungary	Investment management	45	45	51%	51%
MOL Ukraine Ltd.	Kijev, Moskovskyi Ave. 23, 7th floor, 04655 Ukraine	Wholesale and retail trade	41	41	100%	100%
MOL Trading&Shipping SA	24 route des Acacias, 1227 Les Acacias-Geneve Switzerland	Trading, shipping	28	28	100%	100%
Terméktároló Zrt.	Százhalombatta, Olajmunkás u. 2. Hungary	Oil product storage	24	24	74%	74%
Alfagas Kft.	Záhony, Ady E út 17 I/1. Hungary	LPG gas transloading, chemical analysis of incoming gases, issuance of certifications	23	23	60%	60%
MOL E-mobilitás Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Electrical traffic solutions	15	8	100%	100%
MOL Central Asia B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration and production activity	12	0	100%	100%
IN-ER Erőmű Kft.	Nagykanizsa, Kölcsey F. u. 13/a Hungary	Project management	6	6	30%	30%
MOL Magyarország Szolgáltató Központ Kft.	Budapest, Szent István u. 14 Hungary	Business services	4	4	100%	100%
OIL Insurance Limited	Hamilton HM08, 3 Bermudiana Road Bermuda	Financial services	3	3	1%	1%
Geofizikai Szolgáltató Kft. "va"	Budapest, Szántóföld u. 7-9. Hungary	Engineering activity, engineering consultancy	0	0	100%	100%

Company name	Registered address	Range of activity	Carrying value 2018	Carrying value 2017	Direct ownership 2018	Direct ownership 2017
			HUF million	HUF million	%	%
MOL Cameroon BV	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	0	0	100%	100%
MOL Cyprus Company Ltd.	Nicosia, Arch. Makariou III. Evagorou Avenue Cyprus	Captive insurance	0	0	100%	100%
MOL West Oman BV	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	0	0	100%	100%
OVERDOSE Vagyonkezelő Kft. "va"	Budapest, Acélcső u. 2-22. Hungary	Asset management	0	0	10%	10%
MCT Slovakia s.r.o.	Pozsony, Vlcie hrdlo 1, 84212 Slovakia	Financial services	0	0	30%	30%
OTP Bank Nyrt.	Budapest, Nádor u. 16. Hungary	Banking services	0	0	9%	9%
School for Executive Education and Development Nonprofit Zrt.	Budapest, Andrássy út 20. Hungary	Education	-	64	-	100%
Theatola Ltd. [1]	Nicosia, Spyrou Kyprianou 20, Chapo Central Cyprus	Investment management	-	59,970	-	100%
MOL Agram d.o.o.	Zagreb, Fallerovo šetalište 22 Croatia	Fuel retail	-	0	-	100%
MOL South-East Europe Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	-	0	-	100%
CM European Power International B.V.	Rotterdam, Weena 340, 3012NJ Netherlands	Incorporate, participate in and finance companies and businesses	-	0	-	50%
Total			1,538,164	1,587,848		

[1] Merged into Kalegran B.V. in 2018

Appendix III.: Clean CCS profit / (loss) from operation (Clean CCS EBIT)

Clean CCS-based profit / (loss) from operation and its calculation methodology is not regulated by IFRS. CCS stands for Current cost of supply. Clean CCS EBIT is the most closely watched earnings measure in the oil and gas industry as it best captures the underlying performance of a refining operation as it removes non-recurring special items, inventory holding gains and losses, impairment on raw materials and own-produced inventory and derivative transactions.

Inventory holding gain/loss

EBIT after excluding the inventory holding gain/loss reflects the actual cost of supplies of the analysed period therefore it provides better portray on the underlying production and sales results and makes the results comparable to other companies in the industry.

Impairment on raw materials and own-produced inventory and goods

Inventories must be measured at the lower of cost or net realisable value.

The cost of inventories must be reduced - i.e. impairment must be recognised on closing inventory of the period- if the cost is significantly higher than the expected sales price minus cost to sell.

In case of finished products and goods impairment should be recognised if the closing value of them at the end of period is above the future sales price of the product minus cost to sell. In case of raw materials and semi-finished products that will be used further in production, it has to be examined whether, following their use in production; their value can be recovered in the selling price of the produced finished products. If their value is not fully recoverable impairment must be recognised to the recoverable level.

Derivative transactions

CCS methodology is based on switching to period average crude oil prices, but the CCS effect together with the effect of commodity derivative transactions would lead to unnecessary duplication, the P&L effect of all commodity derivatives are eliminated.

Non- recurring special items

One-off items are single, significant (more than EUR 10 million P&L effect), non-recurring economic events which are not considered as part of the core operation of the segment therefore they do not reflect the actual performance of the given period.

	2018	2017
Clean CCS EBIT Reconciliation	HUF million	HUF million
Reported EBIT total	**115,681**	**100,207**
inventory holding gain/loss	(8,589)	(1,107)
impairment on raw materials and own-produced inventory and goods	2,909	-
- thereof affects goods	*2,909*	-
CCS EBIT	**110,001**	**99,100**
Impact of derivative transactions	(2,438)	8,475
special items	24,218	25,818
Clean CCS EBIT	**131,781**	**133,393**

	2018	2017
Special items	HUF million	HUF million
Operating profit excluding special items	**139,899**	**126,025**
Upstream		
MOL US impairments	-	(18,944)
CEOC arbitration	-	(6,874)
Total special items in Upstream	**-**	**(25,818)**
Downstream		
HCK (Hydrocracker) impairment	(24,218)	-
Total special items in Downstream	**(24,218)**	**-**
Total impact of special items on operating profit	**(24,218)**	**(25,818)**
Operating profit	**115,681**	**100,207**

Appendix IV.: Additional presentations according to the Hungarian Accounting Law

a) Person responsible for supervising transactional accounting and preparation of IFRS financial statements

Name: Ervin Berki
Registration number: 195106 (IFRS specialisation)

b) Person required to sign financial statements

Name: József Simola
Address: HU – 1112 Budapest, Ördögorom út 3/C A. ép. 1.

Name: József Molnár
Address: HU – 1117 Budapest, Október huszonharmadika utca 18.

c) Contacts

Company name: MOL Nyrt.
Registered address: HU – 1117 Budapest, Október huszonharmadika utca 18.
Official website: www.mol.hu

d) Presentation of company controls

In accordance with paragraph 89 of the Hungarian Accounting Law the financial statements include the itemised list of the name, registered address, the amount of subscribed capital and voting percentage of all business associations in which the company has majority control or qualified majority control, according to the provisions of the Civil Code governing business associations. See Appendix II.

There is not such company which holds majority control or qualified majority control on MOL Plc.

e) Audit fees

In accordance with paragraph 88 of the Hungarian Accounting Law the financial statements include the total fees for the financial year charged by the statutory auditor or audit firm for the statutory audit of annual accounts. In the year of 2018 fee of audit was HUF 151 million.

f) Reconciliation of equity

Basis of preparation of equity reconciliation

In accordance with paragraph 114/B of the Hungarian Accounting Law the financial statements include a reconciliation of the equity per financial statement prepared in accordance with the basis of preparation note and the equity per Hungarian Accounting Law.

The reconciliation of the equity per financial statement prepared in accordance with the basis of preparation and the equity per Hungarian Accounting Law contains the balances as of 31 December 2017 and 31 December 2018 for the following equity elements:

Equity

- Issued (share) capital
- Capital reserve
- Retained earnings
- Revaluation reserve
- Net profit or loss
- Tied-up reserves

The equity reconciliation schedule also discloses:

- the reconciliation of the amount of capital registered by the registry court and the share capital per the financial statement prepared in accordance with the basis of preparation note above;
- retained earnings available for distribution which is the amount of retained earnings which also include the net profit for last financial year closed with annual financial statements.

	2018 HUF million	2017 HUF million
Section 114 B (4) Equity under IFRS		
Share capital	80,828	80,809
Reserves	1,445,583	1,343,250
Profit/(loss) for the year	301,417	185,867
Total equity	**1,827,828**	**1,609,926**
Section 114 B (4) a) Equity		
Equity under IRFS	1,827,853	1,609,951
Supplementary payments as liabilities under IFRS (+)	-	-
Supplementary payments as assets under IFRS (-)	(25)	(25)
Sum of the deferred income from cash, assets that received and transferred to the capital reserve under legislation (+)	-	-
Sum of receivables from owners classified as equity instrument under capital contribution (-)	-	-
Total equity	**1,827,828**	**1,609,926**
Section 114 B (4) b) Share capital under IFRS		
Share capital according to the effective articles of association if classified as an equity instrument	102,429	102,429
Treasury shares at nominal value (-)	(21,601)	(21,620)
Total share capital	**80,828**	**80,809**
Section 114 B (4) c) Registered but unpaid capital		
Unpaid capital under IFRS	-	-
Total registered but unpaid capital		
Section 114 B (4) d) Capital reserve		
Sum of all equity components that are not considered as share capital, registered but unpaid capital, retained earnings, revaluation reserve, profit/(loss)for the period or tied-up reserve	223,866	223,866
Total capital reserve	**223,866**	**223,866**

	2018 HUF million	2017 HUF million
Section 114 B (4) e) Retained earnings		
Accumulated profit after taxation of previous' years under IFRS that is not yet distributed among owners and not include other comprehensive income (±)	1,221,757	1,119,322
Supplementary payments as assets under IFRS (-)	(25)	(25)
Unused reserve for development purposes (-)	-	-
Unused reserve for development purposes net of deferred tax liabilities under IAS 12 (+)	-	-
Total retained earnings	**1,221,732**	**1,119,297**
Section 114 B (4) f) Revaluation reserve		
Accumulated other comprehensive income from statement of other comprehensive income (±)	(15)	87
Accumulated and current year other comprehensive income from statement of other comprehensive income (±)	-	-
Total revaluation reserve	**(15)**	**87**
Section 114 B (4) g) Profit after taxation		
Net profit or loss after tax from ongoing activities in the comprehensive income statement or in the statement of profit or loss (±)	301,417	185,867
Net profit or loss after tax from discontinued activities in the comprehensive income statement or in the statement of profit or loss (±)	-	-
Total profit after taxation	**301,417**	**185,867**
Section 114 B (4) h) Tied-up reserve		
Supplementary payments as liabilities under IFRS (+)	-	-
Unused reserve for development purposes (+)	-	-
Unused reserve for development purposes net of deferred tax liabilities under IAS 12 (-)	-	-
Total tied-up reserve	**-**	**-**
Section 114 B (5) a) Reconciliation of registered capital with the share capital under IFRS		
Registered share capital	102,429	102,429
Share capital under IFRS	80,828	80,809
Difference (treasury shares at nominal value)	**21,601**	**21,620**
Section 114 B (5) b) Retained earnings available for distribution		
Retained earnings (include the net profit after tax for last financial year closed with annual financial statements)	1,523,149	1,305,164
Accumulated, unrealised profit from the increase of fair value of investment properties under IAS 40	-	-
Retained earnings available for distribution	**1,523,149**	**1,305,164**

g) Licensed electricity statements

Accounting policies

In order to achieve the Company's aims, MOL Plc. has started electricity trading activity and connected services on 1 March 2011. The Company mainly concentrates on fulfilling the electrical energy requirements of MOL Plc. utilizing the synergies of purchases and other electricity trading activities.

The electricity trading activity of MOL Plc. is in effect under Act LXXXVI of 2007 on Electricity (hereafter "Vet."). On the basis of Vet., the Company is classified as horizontally integrated electricity enterprise, therefore is obliged to present the licensed activity in the Notes as an independent activity.

The presentation of the equity and financial position of the licensed electricity trading activity based on the Company's internal methodology prepared as "Methodology on Accounting Separation of Electricity Trading Activity". The separation methodology of MOL Plc.'s licensed activity conforms to law and legal rules, as well as the accounting rules and controlling principles of the Company.

The year-ended Financial Statements is prepared on the basis of actual data (actual naturals, actual comparison basis).

Principles of activity separation based on law:

- principle of completeness
- principle of transparency and simplicity principle
- principle of going constancy
- principle of continuity
- principle of consistency
- principle of matching
- principle of cost-benefit

The activity separation based on artificial separation method does not provide a totally balanced Statement of financial position. That is the reason why the required balance between assets and liabilities prescribed by accounting law provided by a technical balancing line on the liability side of Statement of financial position.

Principles of activity separation on the basis of business rationality

- The purchased and consumed electrical energy are presented in the Statement of profit or loss account among incomes and expenditures as purchased for trading, or rather sold to third parties by the Company.
- The services used at MOL Plc. are presented as services provided by third parties and these internal transfer accounts are recorded in the appropriate statements of profit or loss lines. The amounts recorded in the proper Statement of profit or loss account equals the value of recorded internal performance accounted in the internal accounting system of MOL Plc.

The Company prepares the activity separation annually for the whole reporting period. The itemised revision and the separation of expenditures and assets are not prepared on monthly basis.

Method of separation:
The regulation of separation and the method are established by principles mentioned below. During the elaboration of detailed separation rules, the possibilities of the applied accounting system (SAP) in MOL Plc. and the principle of cost-benefit were taken into account.

- Directly related Cost centres/Profit centres of the licensed electricity trading activity
  Cost centres/Profit centres related directly to the licensed activity shall be recorded directly. In the course of separation the main goal is to account the significant part of assets, liabilities, incomes and costs/expenditures reported directly as licensed activity. The direct items shall be maximised with proper assignment of costs object and the indirect ones shall be minimised.

- Indirectly related Cost centres/Profit centres of the licensed electricity trading activity
  Separation of indirect items is prepared by appropriate determined comparison method. Assets, liabilities, incomes and costs, expenditures not related directly to the licensed activity shall be separated on the basis of appropriate determined comparison method or itemised examination. If the internal service item is appropriate to licensed activity in connection of items separable, the procedure of that shall be applied.

- Non-related Cost centres/Profit centres of the licensed electricity trading activity
  Based on the activity and organisation structure of the Company, there are some assets, liabilities, incomes and costs, expenditures not related to the licensed activity at all. These shall be left out of consideration during the separation process.

LICENSED ELECTRICITY STATEMENT OF PROFIT OR LOSS

	2018 HUF million	2017 HUF million
Net sales	40,609	31,552
Other operating income	-	-
Total operating income	**40,609**	**31,552**
Raw materials and consumables used	38,953	31,834
Employee benefits expense	53	67
Depreciation, depletion, amortisation and impairment	-	-
Other operating expenses	24	40
Change in inventory of finished goods & work in progress	-	-
Work performed by the enterprise and capitalised	-	-
Total operating expenses	**39,030**	**31,941**
Profit / (loss) from operation	1,579	(389)
Finance income	137	78
Finance expense	-	14
Total finance income, net	**137**	**64**
Profit / (loss) before tax	**1,716**	**(325)**
Income tax expense (benefit)	-	-
PROFIT / (LOSS) FOR THE YEAR	**1,716**	**(325)**

LICENSED ELECTRICITY STATEMENT OF FINANCIAL POSITION

	2018 HUF million	2017 HUF million
NON-CURRENT ASSETS		
Property, plant and equipment	-	-
Intangible assets	-	-
Investments	-	-
Other non-current financial assets	-	-
Deferred tax asset	-	-
Other non-current assets	-	-
Total non-current assets	**-**	**-**
CURRENT ASSETS		
Inventories	269	210
Trade and other receivables	5,394	2,892
Securities	-	-
Other current financial assets	-	-
Income tax receivable	-	-
Cash and cash equivalents	-	-
Other current assets	1	3
Total current assets	**5,664**	**3,105**
Total assets	**5,664**	**3,105**
EQUITY		
Share capital	195	111
Retained earnings and other reserves	1,021	2,487
Profit / (loss) for the year	1,716	(325)
Technical net income for the period	(4,022)	(4,254)
Total equity	**(1,090)**	**(1,981)**
NON-CURRENT LIABILITIES		
Long-term debt	-	-
Other non-current financial liabilities	-	-
Non-current provisions	-	-
Other non-current liabilities	-	-
Total non-current liabilities	**-**	**-**
CURRENT LIABILITIES		
Short-term debt	-	-
Trade and other payables	4,369	3,138
Other current financial liabilities	-	-
Current provisions	-	-
Other current liabilities	2,385	1,948
Total current liabilities	**6,754**	**5,086**
Total liabilities	**6,754**	**5,086**
Total equity and liabilities	**5,664**	**3,105**