# MOL Hungarian Oil and Gas Public Limited Company

Consolidated Annual Report

31 December 2020

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# MOL HUNGARIAN OIL AND GAS PLC.

## CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

31 December 2020

Budapest, 11 March 2021

| | |
|---|---|
| Zsolt HERNÁDI | József SIMOLA |
| Chairman of the Board of Directors | Group Chief Financial Officer |
| Chief Executive Officer | |

# CONSOLIDATED FINANCIAL STATEMENTS

Introduction

## General information

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991. MOL Plc. and its subsidiaries (hereinafter referred to as the Group or MOL Group) is an integrated, international oil and gas company, active in over 30 countries with a dynamic international workforce of 25,000 people and a track record of more than 100 years in the industry with its legal predecessor. MOL Group has over 80 years of experience in exploration and production and its diverse portfolio includes oil and gas presence in 14 countries, with production activity in 9 countries. MOL Group's Downstream division operates three refineries and two petrochemicals plants in Hungary, Slovakia and Croatia, and is made up of different business activities that are part of an integrated value chain and MOL Group's retail network is composed of more than 1,900 service stations in 10 countries.

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. There is no single ultimate controlling party of MOL Group.

## Authorisation and Statement of Compliance

These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 11 March 2021.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and all applicable IFRSs 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.

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Ernst & Young Kft.
Ernst & Young Ltd.
H-1132 Budapest Váci út 20.
1399 Budapest 62. Pf.632, Hungary

Tel: +36 1 451 8100
Fax: +36 1 451 8199
www.ey.com/hu
Cg. 01-09-267553

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 consolidated financial statements

### Opinion

We have audited the accompanying 2020 consolidated financial statements of MOL Hungarian Oil and Gas Plc. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020 - showing an assets total of HUF 5,507,312 million and a loss for the year of HUF 51,713 million -, the related consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated 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 consolidated 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 consolidated financial statements" section of our report.

We are independent of the Group 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

### Oil and natural gas reserve estimation process

The estimation of crude 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 Group's share of reportable volumes. We considered the crude oil and natural gas reserves estimation process to be a key audit matter as crude oil and natural gas reserves are also a fundamental indicator of the future potential of the Group's performance and these estimates affect significant balances as reported in the consolidated statement of financial position and consolidated statement of profit or loss through the determination of depletion and impairment of oil and gas production assets and the timing of field abandonment liability.

Audit procedures included understanding of the process for determination of the crude 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 Group to evaluate whether they are qualified to carry out the crude oil and natural gas reserve volumes estimation.

We assessed the assumptions used by the technical experts and compared the assumptions to the macroeconomic indicators, hydrocarbon production, operating costs, capital expenditures forecasts and other performance indicators, approved by the Group's Reserve and Resources Committee.

We performed an inquiry of the management of the Group and our procedures were planned and executed to assess that the applied methodology for oil and natural gas reserves estimate is consistent with the previous year.

We selected the items with significant changes compared to the prior year and tested if these were made in the appropriate period and in compliance with the Group's internal policies. We validated these volumes against the underlying information, such as technical evaluations and Reserve and Resources Committee decisions. We also performed analytical procedures on movements in the crude oil and natural gas reserves during the year and analyzed whether all significant changes were approved by the Reserves and Resources Committee.

We assessed the adequacy of the Group's disclosures in respect of crude oil and natural gas reserves.

The Group's disclosures about crude oil and natural gas reserves estimation policies are included in Note 9c, Depreciation, depletion and amortisation, to the consolidated financial statements.

Wholesale revenue recognition

The Group net revenue derives from various activities. We identified wholesale revenue as a significant revenue stream. Revenue is recognized when all the five 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 Group's sales. Due to the multitude and variety of contractual terms across the Group's markets, typically related to the wholesale activity, we consider the estimation of discounts, incentives and rebates recognized based on sales

Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies including those relating to discounts, incentives and rebates in accordance and compliance with IFRS 15. We tested the design and operational effectiveness of the Group's controls over calculation of discounts, incentives and rebates and correct timing 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 made during the year to be a complex area and therefore we consider revenue recognition related to wholesale activity as a key audit matter.

analytical reviews over revenue accounts, including the analysis of the relationship between revenue, receivables and cash with the use of data analytics tool and we assessed the adequacy of the Group's disclosures in respect of revenue.

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

Assets impairment

Changes in the forecasted crude oil and natural gas prices can have a significant effect on the carrying value of the Group'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 commodity prices or deterioration of refining margins directly affects the Group's operating cash flows. Inherent risk of forming a view on future commodity prices has been further elevated by the COVID-19 pandemic, which had a significant impact on the commodity markets, and the increased focus on energy transition to lower-carbon economy. We assessed the principal risk arising in relation to the consolidated financial statements to be associated with the carrying value of the above listed assets, many of which are supported by an assessment of future cash flows.

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

We examined the methodology used by the Group to assess the carrying value of respective assets, to determine its compliance with EU IFRSs and consistency of application. We gained understanding of the process and tested the design of the internal controls over the Group's assessment of the carrying value of respective assets. For the assets where impairment indicators were not identified by the Group, we assessed the assumptions used by the Group in determination of whether impairment indicators exist. The assessment took into consideration current industry and the Group 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 crude oil and natural gas prices, refinery and petrochemical margins, reserves and resources volumes and discount rates. We compared future commodity prices to analysts' forecast and those adopted by the industry. We involved experts in the evaluation of discount rates. We tested the arithmetical integrity of the impairment

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models and sensitivity analysis and assessed the completeness of the impairment charges.

We assessed the adequacy of the Group's disclosures in respect of valuation of intangible assets and tangible fixed assets.

The disclosures about intangible assets and tangible fixed assets are included in Note 9.d, Impairment of assets, to the consolidated financial statements.

Trading operations

| | |
|---|---|
| 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 Group'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 Group 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 Group to prevent unauthorized trading activity. We selected a sample of third parties to whom we sent letters to confirm the year-end balances of open transactions.<br><br>We tested fair value of derivatives using contract and external market prices. We performed test of the completeness of the trading transactions and amounts recorded in the consolidated 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.<br><br>We assessed the appropriateness of disclosures made in relation of the result and details of trading transactions as detailed in Note 20, Financial risk and capital management, and Note 21, Financial instruments, to the consolidated financial statements. |

| Acquisition of non-operated interest in Azeri-Chirag-Gunashli (ACG) oil field | |
|---|---|
| In 2020, the Group closed the acquisition of 9.57% non-operated interest in ACG oil field in Azerbaijan for USD 1.5 billion. The recognition of the acquisition under EU IFRSs required significant judgement in applying assumptions for the identification and fair valuation of assets acquired and liabilities assumed.<br><br>We identified the principal risk in the purchase price allocation arising in relation to the fair values of the identifiable assets and decommissioning provision assumed together with deferred tax.<br><br>The Group engaged a third party expert to provide valuation support in the preparation of the purchase price allocation.<br><br>Due to the size of the acquisition, complex accounting and the extent of judgement involved we identified this acquisition as a key matter for the audit. | We obtained and analyzed the relevant sale and purchase agreement and the Group's accounting analysis to corroborate that the accounting method applied was consistent with the underlying commercial terms. We involved subject matter expert to carry out the accounting assessment.<br><br>We assessed the competence, objectivity and independence of management's expert, to evaluate whether they are qualified to carry out the valuation.<br><br>We engaged our valuation specialist to assist us in the audit of the provisional purchase price allocation.<br>We assessed the key assumptions used in the fair valuation, the most significant being forecasted oil prices, forecasted production costs and capital expenditure, reserves and resources volumes, forecasted decommissioning costs and discount rates using external data.<br><br>We assessed the appropriateness of disclosures made in relation of the acquisition as detailed in Note 10. a) Acquisition of MOL Azerbaijan (formerly: Chevron Khazar, Ltd.) and ownership in BTC Pipeline to the consolidated financial statements. |

### Other information

Other information consists of the 2020 consolidated business report of the Group and Introduction Chapter, the Management & Discussion & Analysis Chapter, the Corporate Governance Chapter, the Sustainability Information Chapter of the Annual Report and the Report on Payments to Governments of MOL Hungarian Oil and Gas Plc. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

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

Our opinion on the consolidated 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 consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2020 is consistent, in all material respects, with the 2020 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

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

We also confirm that the Group 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 consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, 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 consolidated financial statements**

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

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

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

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

## 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 MOL Hungarian Oil and Gas Plc. by the Board of Directors on behalf of the General Assembly of Shareholders of the Company on 30 April 2020. 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 19 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 11 March 2021.

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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 Group in conducting the audit.

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

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

Budapest, 11 March 2021

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

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Notes | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|---|
| Net sales | | 4,011,022 | 5,266,735 |
| Other operating income | | 55,687 | 30,471 |
| **Total operating income** | 3 | **4,066,709** | **5,297,206** |
| Raw materials and consumables used | | 2,954,666 | 4,111,960 |
| Employee benefits expense | | 275,522 | 285,153 |
| Depreciation, depletion, amortisation and impairment | | 512,023 | 391,010 |
| Other operating expenses | | 248,250 | 299,574 |
| Change in inventory of finished goods and work in progress | | 80,800 | 1,378 |
| Work performed by the enterprise and capitalised | | (71,918) | (85,928) |
| **Total operating expenses** | 4 | **3,999,343** | **5,003,147** |
| **Profit from operation** | | **67,366** | **294,059** |
| Finance income | | 168,825 | 103,790 |
| Finance expense | | 279,353 | 121,188 |
| **Total finance expense, net** | 5 | **(110,528)** | **(17,398)** |
| Share of after-tax results of associates and joint ventures | 6 | 2,505 | (962) |
| **(Loss)/Profit before tax** | | **(40,657)** | **275,699** |
| Income tax expense | 7 | 11,056 | 47,318 |
| **(Loss)/Profit for the year** | | **(51,713)** | **228,381** |
| **Attributable to:** | | | |
| Owners of parent | | **(15,939)** | 223,214 |
| Non-controlling interest | | **(35,774)** | 5,167 |
| Basic earnings per share | 27 | (22) | 317 |
| Diluted earnings per share | 27 | (22) | 314 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|---|
| **(Loss)/Profit for the year** | | **(51,713)** | **228,381** |
| Other comprehensive income | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translating foreign operations, net of tax | 8 | 142,070 | 35,340 |
| Net investment hedge, net of tax | 8 | (23,484) | (13,119) |
| Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax | 8 | (483) | 717 |
| Changes in fair value of cash flow hedges, net of tax | 8 | (407) | 1,482 |
| Share of other comprehensive income of associates and joint ventures | 8 | (321) | 7,650 |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | | **117,375** | **32,070** |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* | | | |
| Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax | 8 | 2,310 | 4,836 |
| Remeasurement of post-employment benefit obligations | 8 | (1,381) | 1,882 |
| **Net other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | **929** | **6,718** |
| **Other comprehensive income for the year, net of tax** | | **118,304** | **38,788** |
| **Total comprehensive income for the year** | | **66,591** | **267,169** |
| **Attributable to:** | | | |
| Owners of parent | | 80,530 | 257,728 |
| Non-controlling interest | | (13,939) | 9,441 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | 3,217,991 | 2,685,969 |
| Intangible assets | 9 | 389,768 | 207,964 |
| Investments in associates and joint ventures | 6 | 214,836 | 206,077 |
| Other non-current financial assets | 21 | 152,416 | 137,691 |
| Deferred tax asset | 7 | 149,052 | 123,805 |
| Other non-current assets | 13 | 86,649 | 90,372 |
| **Total non-current assets** | | **4,210,712** | **3,451,878** |
| **CURRENT ASSETS** | | | |
| Inventories | 14 | 461,391 | 517,060 |
| Trade and other receivables | 23 | 523,278 | 610,335 |
| Securities | 21 | 14,511 | 24,275 |
| Other current financial assets | 21 | 24,136 | 104,145 |
| Income tax receivable | | 13,244 | 30,724 |
| Cash and cash equivalents | 24 | 193,877 | 326,108 |
| Other current assets | 15 | 64,700 | 67,477 |
| Assets classified as held for sale | 19 | 1,463 | 285 |
| **Total current assets** | | **1,296,600** | **1,680,409** |
| **Total assets** | | **5,507,312** | **5,132,287** |
| | | | |
| **EQUITY** | 20 | | |
| Share capital | | 78,249 | 79,408 |
| Retained earnings and other reserves | | 2,153,275 | 1,848,763 |
| (Loss) / Profit for the year attr. to owners of parent | | (15,939) | 223,214 |
| **Equity attributable to owners of parent** | | **2,215,585** | **2,151,385** |
| **Non-controlling interest** | | **271,015** | **299,984** |
| **Total equity** | | **2,486,600** | **2,451,369** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term debt | 21 | 820,998 | 582,417 |
| Other non-current financial liabilities | 21 | 49,367 | 3,138 |
| Non-current provisions | 16 | 608,668 | 545,276 |
| Deferred tax liabilities | 7 | 134,106 | 59,952 |
| Other non-current liabilities | 17 | 31,935 | 26,624 |
| **Total non-current liabilities** | | **1,645,074** | **1,217,407** |
| **CURRENT LIABILITIES** | | | |
| Short-term debt | 21 | 321,790 | 326,622 |
| Trade and other payables | 21 | 549,642 | 624,164 |
| Other current financial liabilities | 21 | 229,378 | 252,606 |
| Current provisions | 16 | 49,690 | 36,052 |
| Income tax payable | | 10,330 | 6,929 |
| Other current liabilities | 18 | 214,808 | 217,138 |
| **Total current liabilities** | | **1,375,638** | **1,463,511** |
| **Total liabilities** | | **3,020,712** | **2,680,918** |
| **Total equity and liabilities** | | **5,507,312** | **5,132,287** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Fair valuation reserve | Reserve of exchange differences on translation | Retained earnings with profit for the year attr. to owners of parent | Total reserves | Equity attr. to owners of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | HUF million | HUF million | HUF million | HUF million | HUF million | HUF million | HUF million | HUF million | HUF million |
| **Opening balance 1 Jan 2019** | **79,298** | **219,389** | **1,792** | **263,604** | **1,430,372** | **1,915,157** | **1,994,455** | **315,491** | **2,309,946** |
| Profit/(loss) for the year | - | - | - | - | 223,214 | **223,214** | **223,214** | 5,167 | **228,381** |
| Other comprehensive income/(loss) for the year | - | - | 4,562 | 26,119 | 3,833 | **34,514** | **34,514** | 4,274 | **38,788** |
| Total comprehensive income/(loss) for the year | - | - | 4,562 | 26,119 | 227,047 | **257,728** | **257,728** | 9,441 | **267,169** |
| Dividends | - | - | | - | (97,366) | **(97,366)** | **(97,366)** | - | **(97,366)** |
| Dividends to non-controlling interests | - | - | - | - | - | **-** | **-** | (28,053) | **(28,053)** |
| Equity recorded for share-based payments | 110 | - | - | - | 1,534 | **1,534** | **1,644** | - | **1,644** |
| Treasury share transactions | - | - | - | - | - | **-** | **-** | - | **-** |
| Acquisition/divestment of subsidiaries | - | - | - | - | - | **-** | **-** | - | **-** |
| Acquisition of non-controlling interests | - | - | - | - | (5,076) | **(5,076)** | **(5,076)** | 3,105 | **(1,971)** |
| **Closing balance 31 Dec 2019** | **79,408** | **219,389** | **6,354** | **289,723** | **1,556,511** | **2,071,977** | **2,151,385** | **299,984** | **2,451,369** |
| **Opening balance 1 January, 2020** | **79,408** | **219,389** | **6,354** | **289,723** | **1,556,511** | **2,071,977** | **2,151,385** | **299,984** | **2,451,369** |
| Profit/(loss) for the year | | | | | (15,939) | **(15,939)** | **(15,939)** | (35,774) | **(51,713)** |
| Other comprehensive income/(loss) for the year | | | 1,851 | 87,078 | 7,540 | **96,469** | **96,469** | 21,835 | **118,304** |
| Total comprehensive income/(loss) for the year | - | - | 1,851 | 87,078 | (8,399) | **80,530** | **80,530** | (13,939) | **66,591** |
| Dividends | - | - | - | - | - | **-** | **-** | - | **-** |
| Dividends to non-controlling interests | - | - | - | - | - | **-** | **-** | (15,003) | **(15,003)** |
| Equity recorded for share-based payments | 33 | - | - | - | 1,553 | **1,553** | **1,586** | - | **1,586** |
| Treasury share transactions | (1,192) | - | - | - | (18,115) | **(18,115)** | **(19,307)** | - | **(19,307)** |
| Acquisition/divestment of subsidiaries | - | - | - | - | - | **-** | **-** | - | **-** |
| Acquisition of non-controlling interests | - | - | - | - | (37) | **(37)** | **(37)** | (27) | **(64)** |
| Other | - | - | - | - | 1,428 | **1,428** | **1,428** | - | **1,428** |
| **Closing balance 31 Dec 2020** | **78,249** | **219,389** | **8,205** | **376,801** | **1,532,941** | **2,137,336** | **2,215,585** | **271,015** | **2,486,600** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | 2020<br>HUF million | 2019 Restated<br>HUF million |
|---|---|---|---|
| **(Loss)/Profit before tax** | | **(40,657)** | **275,699** |
| *Adjustments to reconcile profit before tax to net cash provided by operating activities* | | | |
| Depreciation, depletion, amortisation and impairment | 4 | 512,023 | 391,015 |
| Increase/(decrease) in provisions | 16 | (2,371) | 5,409 |
| Net (gain)/loss on asset disposal and divestments | | (2,828) | (2,450) |
| Net interest expense/(income) | 5 | 21,752 | 23,782 |
| Other finance expense/(income) | 5 | 87,749 | (6,297) |
| Share of after-tax results of associates and joint ventures | 6 | (2,505) | 962 |
| Other items | 26 | (13,225) | 43,311 |
| Income taxes paid (restated*) | 7 | (17,150) | (32,753) |
| **Cash flows from operations before changes in working capital (restated*)** | | **542,788** | **698,678** |
| *Change in working capital (restated*)* | | *29,481* | *5,563* |
| (Increase)/decrease in inventories | 14 | 83,273 | (17,891) |
| (Increase)/decrease in trade and other receivables | 23 | 4,291 | (188,556) |
| Increase/(decrease) in trade and other payables | 22 | (107,145) | 137,353 |
| (Increase)/decrease in other assets and liabilities (restated*) | 15, 18 | 49,062 | 74,657 |
| **Cash flows from operations** | | **572,269** | **704,241** |
| Capital expenditures | 2 | (442,145) | (596,380) |
| Proceeds from disposal of fixed assets | | 4,948 | 2,608 |
| Acquisition of businesses (net of cash) | 10 | (473,591) | (47,684) |
| Proceeds from disposal of businesses (net of cash) | 11 | 172 | 33 |
| (Increase)/Decrease in other financial assets | | 97,271 | (107,637) |
| Interest received and other finance income | 5 | 9,191 | 9,075 |
| Dividends received | 5 | 12,515 | 18,159 |
| **Cash flows used in investing activities** | | **(791,639)** | **(721,826)** |
| Proceeds from issue of bonds, notes and debentures | | 269,105 | 28,400 |
| Repayments of bonds, notes and debentures | | 0 | (150,607) |
| Proceeds from borrowings | | 1,431,850 | 1,234,405 |
| Repayments of borrowings | | (1,640,915) | (1,009,499) |
| Interest paid and other finance expense | 5 | (18,419) | (22,978) |
| Dividends paid to owners of parent | 20 | (1) | (97,553) |
| Dividends paid to non-controlling interest | | (2,079) | (28,372) |
| Transactions with non-controlling interest | | (125) | (8,310) |
| Net issue / repurchase of treasury shares | | (18,406) | - |
| Other changes in equity | | 1,427 | - |
| **Cash flows used in financing activities** | | **22,437** | **(54,514)** |
| Currency translation differences relating to cash and cash equivalents | | 68,983 | 12,013 |
| **Increase/(decrease) in cash and cash equivalents** | | **(127,950)** | **(60,086)** |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 326,108 | 383,511 |
| Cash and cash equivalents at the end of the year | | 193,877 | 326,108 |
| **Change in Cash and cash equivalents** | | **(132,231)** | **(57,403)** |
| Change in Overdraft | | 4,281 | (2,683) |
| **Increase/(decrease) in cash and cash equivalents** | | **(127,950)** | **(60,086)** |

* Please refer to note 1

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

This section describes the basis of preparation of the consolidated financial statements and the Group'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 consolidated 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 2020.

The consolidated financial statements are prepared on a going concern basis. For the purposes of the application of the historical cost convention, the consolidated 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.

### Principles of consolidation

The consolidated financial statements as of and for the twelve-month period ended 31 December 2020 comprise the accounts of the MOL Plc. and the subsidiaries that it controls together with the Group's attributable share of the results of associates and joint ventures. MOL Plc. and its subsidiaries are collectively referred to as the 'Group'.

Control is evidenced when the Group is exposed, or has rights, to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affects its returns.

Where the Group has a long-term equity interest in an undertaking and over which it has the power to exercise significant influence, the Group applies the equity method for consolidation.

An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements.

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

If the Company has rights to the net assets of the arrangement, then the arrangement is qualified as a joint venture. The Group's investments in joint ventures are accounted for using the equity method of accounting.

In case of participation interest in joint operating agreements which do not establish joint control, the Group analyses the parties' rights to the assets and obligations for the liabilities relating to the arrangement and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. Given that the joint arrangement is not structured through a separate vehicle, the Group therefore recognises the operations proportionately, based on its share in revenue, costs, assets, and liabilities relating to the joint operation.

### New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2020:

- Amendment to IFRS 3 Business Combination
- Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
- Amendment to IAS 1 and IAS 8: Definition of Material
- Amendment to References to the Conceptual Framework in IFRS Standards

The above-mentioned amendments do not impact significantly the Group's consolidated results, financial position or disclosures.

The Group has applied the following amendment for the first time for the annual reporting period commencing 1 June 2020:

- Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions

The above-mentioned amendment does not impact the Group's consolidated results, financial position or disclosures.

## Issued but not yet effective International Financial Reporting Standards

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

## Summary of significant accounting policies

### Functional and presentation currency

Based on the economic substance of the underlying events and circumstances the functional currency of the parent company and the presentation currency of the Group have been determined to be the 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, goodwill and fair value adjustments arising on the acquisition of a foreign operation denominated in foreign currencies are retranslated at exchange rate ruling at the balance sheet date.

Foreign exchange differences on monetary items with a foreign operation are recognised in other comprehensive income if settlement of these items is neither planned nor likely to occur in the foreseeable future.

Financial statements of foreign entities are translated at year-end exchange rates with respect to the statement of financial position and at the weighted average exchange rates for the year with respect to the statement of profit or loss. All resulting translation differences are included in the translation reserve in other comprehensive income.

Currency translation differences are recycled to profit or loss when disposal or partial disposal of the given foreign operation occurs.

## 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 consolidated 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.

## Significant impact on operation

The COVID-19 pandemic and the economic crisis that came as a result created unprecedented challenges and reset priorities for everyone, including MOL. The virus exposed MOL, its employees, customers and partners to significant health and safety risks, it created unseen operational challenges during the lockdown and tested MOL's financial flexibility and strength. The oil and gas industry were particularly hit hard as a combination of demand and supply-side shocks occurring at the same time.

Upstream segment was hit by significantly lower oil and gas prices in 2020 compared to 2019, EBITDA declined materially, 35% lower, than a year ago, as sharply lower oil and gas prices were only partly offset by the contribution of Azeri-Chirag-Gunashli oil filed ("ACG"). The Downstream segment Clean CCS EBITDA was 34% weaker than in 2019 due to depressed refinery margins, steady petchem margins and lower volumes. Consumer Services generated an all-time high EBITDA in 2020, despite all the headwind.

COVID-19 pandemic affected significant judgements and estimation uncertainties during the period and these uncertainties have been taken into account in certain areas, for instance impairment testing, credit risk and deferred tax recoverability.

## Restatement

In the consolidated statement of cash flow the comparative period has been restated due to reclassification of income taxes paid with HUF (13,000) million and change in other current assets and liabilities with HUF 13,000 million as a result of transfer between type of taxes was presented as cash inflow in income taxes paid instead of change in other current assets and liabilities.

The tangible and intangible movement tables were restated, please refer to note 9.

The sensitivity table was restated, please refer to note 20 b).

# RESULTS FOR THE YEAR

This section explains the results and performance of the Group for the financial years ended 31 December 2020 and 31 December 2019. 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, share of after-tax results of associates and joint ventures. For taxation, share-based payments, joint ventures and associates, statement of financial position disclosures are also provided in this section.

## 2. Segmental information

### Accounting policies

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

| 2020 | Upstream<br>HUF million | Downstream<br>HUF million | Consumer Services<br>HUF million | Gas Midstream<br>HUF million | Corporate and other<br>HUF million | Inter-segment transfers<br>HUF million | Total<br>HUF million |
|---|---|---|---|---|---|---|---|
| **Net Revenue** | | | | | | | |
| External sales | 175,367 | 2,267,669 | 1,446,870 | 89,241 | 31,875 | - | **4,011,022** |
| Inter-segment transfers | 222,769 | 1,112,108 | 6,056 | 4,766 | 213,517 | (1,559,216) | - |
| **Total revenue** | **398,136** | **3,379,777** | **1,452,926** | **94,007** | **245,392** | **(1,559,216)** | **4,011,022** |
| | | | | | | | |
| Profit/(loss) from operation | (48,474) | 7,682 | 114,437 | 45,474 | (63,324) | 11,571 | **67,366** |

| 2019 | Upstream<br>HUF million | Downstream<br>HUF million | Consumer Services<br>HUF million | Gas Midstream<br>HUF million | Corporate and other<br>HUF million | Inter-segment transfers<br>HUF million | Total<br>HUF million |
|---|---|---|---|---|---|---|---|
| **Net Revenue** | | | | | | | |
| External sales | 194,110 | 3,233,679 | 1,701,801 | 91,335 | 45,810 | - | **5,266,735** |
| Inter-segment transfers | 296,713 | 1,418,248 | 6,749 | 3,754 | 265,883 | (1,991,347) | - |
| **Total revenue** | **490,823** | **4,651,927** | **1,708,550** | **95,089** | **311,693** | **(1,991,347)** | **5,266,735** |
| | | | | | | | |
| Profit/(loss) from operation | 136,947 | 80,812 | 102,465 | 40,252 | (64,287) | (2,130) | **294,059** |

| 2020 | Upstream<br>HUF million | Downstream<br>HUF million | Consumer Services<br>HUF million | Gas Midstream<br>HUF million | Corporate and other<br>HUF million | Inter-segment transfers<br>HUF million | Total<br>HUF million |
|---|---|---|---|---|---|---|---|
| **Other segment information** | | | | | | | |
| Capital expenditure: | 92,096 | 275,920 | 39,014 | 11,065 | 66,147 | - | **484,242** |
| Property, plant and equipment | 75,459 | 222,386 | 35,101 | 10,515 | 53,345 | - | **396,806** |
| Intangible assets | 16,637 | 53,534 | 3,913 | 550 | 12,802 | - | **87,436** |
| Depreciation, depletion, amortisation and impairment | 258,719 | 159,475 | 41,783 | 16,493 | 35,245 | 308 | **512,023** |
| From this: impairment losses recognised in statement of profit or loss (incl. dry-holes) | 42,325 | 15,780 | 703 | 541 | 7,391 | 2,019 | **68,759** |
| From this: reversal of impairment recognised in statement of profit or loss | 6,979 | 124 | 75 | - | 2 | - | **7,180** |
| Provisions made and used during the year and revision of previous estimates | 6,064 | 9,951 | 328 | (254) | (12,330) | - | **3,759** |

| 2019 | Upstream HUF million | Downstream HUF million | Consumer Services HUF million | Gas Midstream HUF million | Corporate and other HUF million | Inter-segment transfers HUF million | Total HUF million |
|---|---|---|---|---|---|---|---|
| **Other segment information** | | | | | | | |
| Capital expenditure: | 89,634 | 452,951 | 62,889 | 13,784 | 35,735 | - | **654,993** |
| Property, plant and equipment | 61,805 | 405,627 | 61,010 | 13,137 | 24,852 | - | **566,431** |
| Intangible assets | 27,829 | 47,324 | 1,879 | 647 | 10,883 | - | **88,562** |
| Depreciation, depletion, amortisation and impairment | 172,200 | 143,820 | 34,848 | 13,989 | 27,131 | (978) | **391,010** |
| From this: impairment losses recognised in statement of profit or loss (incl. dry-holes) | 32,196 | 16,526 | 1,054 | 275 | 2,085 | 49 | **52,185** |
| From this: reversal of impairment recognised in statement of profit or loss | 8,699 | 277 | 1,190 | - | 45 | - | **10,211** |
| Provisions made and used during the year and revision of previous estimates | 36,443 | 3,938 | 257 | (1,073) | 1,182 | - | **40,747** |

The operating profit of the segments includes the profit arising both from external sales and transfers to other business segments. Corporate and other segment provides maintenance, financing and other services to the business segments. The internal transfer prices applied are based on prevailing market prices. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

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.

## a) Assets by geographical areas

| 2020 | Intangible assets (Note 9) HUF million | Property, plant and equipment (Note 9) HUF million | Investments in associates and joint ventures (Note 6) HUF million |
|---|---|---|---|
| Hungary | 91,722 | 1,287,922 | 19,776 |
| Croatia | 66,784 | 626,728 | 12,303 |
| Slovakia | 7,655 | 563,511 | 4,402 |
| Rest of European Union | 30,578 | 215,268 | 12,544 |
| Azerbaijan | 158,852 | 411,610 | 16,662 |
| Rest of Europe | 26,162 | 63,406 | - |
| Rest of the World | 8,015 | 49,546 | 149,149 |
| **Total** | **389,768** | **3,217,991** | **214,836** |

| 2019 | Intangible assets (Note 9) HUF million | Property, plant and equipment (Note 9) HUF million | Investments in associates and joint ventures (Note 6) HUF million |
|---|---|---|---|
| Hungary | 87,860 | 1,162,064 | 20,624 |
| Croatia | 56,912 | 623,809 | 7,109 |
| Slovakia | 7,084 | 531,554 | 3,378 |
| Rest of European Union | 22,746 | 250,803 | 14,389 |
| Azerbaijan | - | - | - |
| Rest of Europe | 18,939 | 62,681 | - |
| Rest of the World | 14,423 | 55,058 | 160,577 |
| **Total** | **207,964** | **2,685,969** | **206,077** |

## 3. Total operating income

### Accounting policies

**Net sales**

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer, and when it is probable that the economic benefits associated with a transaction will flow to the Group 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 consolidated 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

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Sales of crude oil and oil products | 2,700,886 | 3,865,045 |
| Sales of petrochemical products | 641,133 | 684,243 |
| Sales of natural gas and gas products | 205,905 | 266,494 |
| Sales of services | 180,818 | 190,411 |
| Sales of retail shop products | 150,929 | 138,121 |
| Sales of other products | 131,351 | 122,421 |
| **Total** | **4,011,022** | **5,266,735** |

### b) Sales by geographical area

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Hungary | 1,015,997 | 1,354,752 |
| Croatia | 441,688 | 607,084 |
| Slovakia | 411,336 | 539,296 |
| Czech Republic | 335,929 | 401,800 |
| Romania | 276,921 | 332,022 |
| Italy | 273,692 | 425,741 |
| Serbia | 215,014 | 221,861 |
| Austria | 213,173 | 286,263 |
| Poland | 142,748 | 163,537 |
| United Kingdom | 119,789 | 195,133 |
| Germany | 95,260 | 114,491 |
| Bosnia-Herzegovina | 90,932 | 147,120 |
| Switzerland | 84,123 | 68,819 |
| Slovenia | 67,640 | 83,663 |
| Azerbaijan | 54,235 | 12 |
| Rest of Central-Eastern Europe | 32,142 | 49,322 |
| Rest of Europe | 77,365 | 107,935 |
| Iraq | 16,545 | 109,811 |
| Rest of the World | 46,493 | 58,073 |
| **Total** | **4,011,022** | **5,266,735** |

The Group has no single major customer the revenue from which would exceed 10% of the total net sales revenues in 2020 (neither in 2019).

### c) Other operating income

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Net gain of non-hedge commodity price transactions | 28,796 | - |
| Allowances and subsidies received | 7,475 | 5,702 |
| Gain on sales of intangibles, property, plant and equipment | 4,975 | 2,828 |
| Penalties, late payment interest, compensation received | 3,836 | 7,942 |
| Other | 10,605 | 13,999 |
| **Total** | **55,687** | **30,471** |

## 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 specific IFRS transaction it is accounted for in line with those regulations.

The Group has classified payments for leases of low value assets, short-term lease payments and variable lease payments not included in the measurement of lease liability within operating activities.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| **Raw materials and consumables used** | **2,954,666** | **4,111,960** |
| Crude oil purchased | 1,221,421 | 1,796,663 |
| Cost of goods purchased for resale | 758,298 | 1,215,916 |
| Non-hydrocarbon-based material | 274,178 | 397,817 |
| Value of material-type services used | 254,410 | 259,127 |
| Other raw materials | 188,742 | 229,806 |
| Purchased bio diesel component | 111,542 | 92,769 |
| Utility expenses | 79,791 | 77,710 |
| Value of inter-mediated services | 66,284 | 42,152 |
| **Employee benefits expense** | **275,522** | **285,153** |
| Wages and salaries | 196,886 | 203,499 |
| Social security | 43,950 | 46,775 |
| Other employee benefits expense | 34,686 | 34,879 |
| **Depreciation, depletion, amortisation and impairment** | **512,023** | **391,010** |
| **Other operating expenses** | **248,250** | **299,574** |
| Other | 142,097 | 142,748 |
| Contribution in strategic inventory storage | 38,419 | 35,561 |
| Mining royalties | 30,119 | 47,632 |
| Taxes and contributions | 20,134 | 22,678 |
| Rental cost | 17,031 | 13,621 |
| Loss from valuation of emission quotas | 450 | 2,828 |
| Net loss of non-hedge commodity price transactions | - | 34,506 |
| **Change in inventory of finished goods and work in progress** | **80,800** | **1,378** |
| **Work performed by the enterprise and capitalised** | **(71,918)** | **(85,928)** |
| **Total operating expenses** | **3,999,343** | **5,003,147** |

Rental costs within other operating expenses relate to short-term leases, leases of low-value assets and variable lease payments.

The Other operating expenses includes release of provision for a successfully closed legal case related to Creditor GAMA, s.r.o. company (2020: HUF 11,606 million).

#### 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 the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

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 (which linked to the share price of the parent company).

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 Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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 re-measured 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.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Cash-settled share-based payment expense | 173 | (74) |
| Equity-settled share-based payment expense | 1,015 | 1,764 |
| **Total expense of share-based payment transactions** | **1,188** | **1,690** |

The share-based payments serve as 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 Group 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. For incentive plans starting on 1 January 2017 and later it covers a four-year period starting annually, where periods are split into a two-year vesting period 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 allocation 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 spot 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.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of shares in conversion option units<br>number of shares | Weighted average exercise price<br>HUF/share | Number of shares in conversion option units<br>number of shares | Weighted average exercise price<br>HUF/share |
| **Outstanding at the beginning of the year** | **654,183** | **2,203** | **1,268,448** | **1,782** |
| Granted during the year | 119,253 | 2,924 | 159,087 | 3,059 |
| Forfeited during the year | (7,189) | 3,052 | (11,200) | 2,352 |
| Exercised during the year | (399,232) | 1,669 | (762,152) | 1,679 |
| Expired during the year | (6,664) | 1,669 | - | - |
| **Outstanding at the end of the year** | **360,351** | **3,026** | **654,183** | **2,203** |
| Exercisable at the end of the year | 110,786 | 3,107 | 405,896 | 1,669 |

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. Expenses arising from the Share Option Plan programme amount to HUF 168 million in 2020 (2019: revenue of HUF 267 million). Liabilities in respect of share-based payment plans amount to HUF 74 million as at 31 December 2020 (31 December 2019: HUF 668 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.

| | 2020 | 2019 |
|---|---|---|
| Weighted average exercise price (HUF/share) | 3,026 | 2,203 |
| Share price as of 31 December (HUF/share) | 2,190 | 2,940 |
| Expected volatility based on historical data | 31.05% | 18.87% |
| Expected dividend yield | 3.66% | 4.37% |
| Estimated maturity (years) | 2.01 | 1.59 |
| Risk free interest rate | 0.84% | 0.29% |

**Performance Share Plan for management**

The Performance Share 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 MSCI Emerging Markets Energy 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 for 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.

Expenses arising from the Performance Share Plan programme amount to HUF 6 million in 2020 (2019: HUF 194 million). Liabilities in respect of the Performance Share Plan programme amount to HUF 33 million as at 31 December 2020 (31 December 2019: HUF 48 million) recorded in Other non-current liabilities and Other current liabilities.

**Equity-settled share-based payments**

From 1 January 2017, the MOL Group 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, the MOL Group established new equity-settled share-based payment remuneration plan: Short-term Share Ownership Incentive, as an alternative to current managerial short-term incentive plan in Hungary.

**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 a two-year vesting period (it is not possible to exercise Share Options) 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 allocation is linked to individual performance.
- Payout is either in form of providing of MOL shares or in cash payment based on MOL Group 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 the 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.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of shares in conversion option units | Weighted average exercise price | Number of shares in conversion option units | Weighted average exercise price |
| | number of shares | HUF/share | number of shares | HUF/share |
| **Outstanding at the beginning of the year** | **5,970,656** | **2,960** | **4,686,391** | **2,741** |
| Granted during the year | 2,802,431 | 2,922 | 2,824,011 | 3,056 |
| Forfeited during the year | (317,232) | 2,974 | (309,914) | 2,948 |
| Exercised during the year | - | - | (1,229,832) | 2,352 |
| Expired during the year | (961,332) | 2,352 | - | - |
| **Outstanding at the end of the year** | **7,494,523** | **3,023** | **5,970,656** | **2,960** |
| Exercisable at the end of the year | 2,416,317 | 3,107 | 979,332 | 2,352 |

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.

**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 MSCI Emerging Markets Energy 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 for 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 Group decision. For plans starting 1 January 2018 and later, payout is solely in form of shares.

Gains arising from the Relative Market Index Based Remuneration Plan amount to HUF 80 million in 2020 (2019: expense HUF 140 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 1,233 million in 2020 (2019: HUF 1,271 million).

**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 number of 400 shares per month. If not a non-executive director is in charge as the Chairman of the Board, then this additional number of shares should be granted to the non-executive Deputy Chairman. The new 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 – Share-based payment, the incentive qualifies as an equity-settled share-based scheme; therefore, the fair value of the benefit should be expensed during the one-year investing 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 2020 with respect of the share scheme programme, HUF 507 million (2019: HUF 555 million) is recorded as an expense, parallel with the corresponding increase in the equity.

| | 2020 | 2019 |
|---|---|---|
| Number of shares vested | 148,800 | 148,800 |
| Share price at the date of grant (HUF/share) | 2,950 | 3,079 |

## 5. Finance result

### Accounting policies

Foreign exchange gains and losses are aggregated separately on a 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 | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Interest income | 7,438 | 8,381 |
| Dividend income | 1,176 | 6,620 |
| Foreign exchange gains | 154,578 | 84,914 |
| Other finance income | 5,633 | 3,875 |
| **Total finance income** | **168,825** | **103,790** |
| Interest expense | 14,343 | 19,946 |
| Unwinding of discount on provisions | 14,847 | 12,217 |
| Foreign exchange losses | 241,154 | 82,759 |
| Other finance expense | 9,009 | 6,266 |
| **Total finance expense** | **279,353** | **121,188** |
| **Net finance expense** | **110,528** | **17,398** |

Interest expense on lease liabilities accounted for in the period is HUF 3,830 million (2019: HUF 3,580 million). Finance income on the net investment in the lease accounted for in the period is HUF 456 million (2019: HUF 490 million).

## 6. Investments in associates and joint ventures

### Accounting policies

#### Statement of financial position

An associate is an entity over which the Group has significant influence, and which is neither a subsidiary nor a joint venture. An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements. Joint arrangements can be joint operation and joint venture. The type of the arrangement should be determined by considering the rights and obligations of the parties arising from the arrangement in the normal course of business. Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement.

The Group’s investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is carried at cost plus post acquisition changes in the Group’s share of net assets. Goodwill relating to an undertaking is included in the carrying amount of the investment and is not amortised.

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

#### Statement of profit or loss

The statement of profit or loss reflects the share of the results of operations of the associate and joint ventures. Profits and losses resulting from transactions between the Group and the equity accounted undertakings are eliminated to the extent of the interest in the undertaking. Impairment losses on associates and joint ventures for the period is recognised as a reduction on Share of after-tax results of associates and joint ventures line in the Statement of profit or loss.

| Company name | Country | Range of activity | Ownership 2020 % | Contribution to net income 2020 HUF million | Contribution to net income 2019 HUF million | Net book value of investments 2020 HUF million | Net book value of investments 2019 HUF million |
|---|---|---|---|---|---|---|---|
| **Investment in joint ventures** | | | | | | | |
| BaiTex Llc/ MK Oil and Gas B.V. | Russia/Netherlands | Exploration and production activity/Exploration investment management | 51% | 126 | (8,181) | 12,544 | 14,388 |
| Terra Mineralna Gnojiva d.o.o. / Petrokemija d.d | Croatia | Investment management | 27% | 4,417 | 479 | 12,303 | 7,109 |
| JSR MOL Synthetic Rubber Zrt. | Hungary | Production of synthetic rubber | 49% | (2,806) | (880) | 11,747 | 13,274 |
| Rossi Biofuel Zrt. | Hungary | Biofuel component production | 25% | 609 | 1,179 | 5,759 | 4,630 |
| Dunai Vízmű Zrt. | Hungary | Water production, supply | 33% | (1) | 3 | 1,402 | 1,403 |
| ITK Holding Zrt. | Hungary | Mobility and public transport service | 74% | (421) | (324) | 860 | 1,281 |
| Datapac Group | Slovakia | IT services | 25% | 19 | - | 582 | - |
| Other | Hungary | | | - | (4) | 9 | 36 |
| **Investment in associated companies** | | | | | | | |
| Pearl Petroleum Ltd. | Kurdistan region/Iraq | Exploration of gas | 10% | 5,293 | 8,675 | 141,586 | 143,864 |
| BTC | Cayman Islands | Oil transportation | 9% | 4,663 | - | 16,662 | - |
| Ural Group Limited | Kazakhstan | Exploration and production activity | 28% | (9,715) | (2,151) | 7,563 | 16,713 |
| Meroco a.s. | Slovakia | Production of bio-diesel component (FAME) | 25% | 227 | 153 | 1,743 | 1,376 |
| DAC ARENA a.s. | Slovakia | Facility management | 28% | 19 | (2) | 1,384 | 1,202 |
| Messer Slovnaft s.r.o | Slovakia | Production of technical gases | 49% | 75 | 97 | 692 | 801 |
| IN-ER Erőmű Kft. | Hungary | Power plant management | 30% | - | (6) | - | - |
| **Total** | | | | **2,505** | **(962)** | **214,836** | **206,077** |

**Joint ventures**

**MK Oil and Gas B.V.**

MOL Group has 51% ownership in MK Oil and Gas B.V. being the sole owner of Baitex Llc., where the activities are carried out through a concession agreement on Baitugan and Yerilkinksy blocks. Joint control exists over MK Oil and Gas B.V. as the relevant activities of the company require unanimous consent of the parties sharing the control of the operation giving the parties right to the net assets of the arrangement. The MK Oil and Gas B.V. is primarily involved in the exploration and production of oil and gas through its subsidiary at the Baitugan field.

**JSR MOL Synthetic Rubber Zrt.**

The company is governed and treated jointly with 51% of total shares held by JSR Corporation and 49% of total shares held by MOL. The Company manufactures synthetic rubber (SSBR) in Tiszaújváros.

**Terra mineralna gnojiva d.o.o.**

INA d.d. has 50% ownership in the joint venture company, Terra mineralna gnojiva d.o.o., which owns 54% shareholder interests of and respective management rights over Petrokemija d.d., a mineral fertilizer producing company in Croatia. Joint control exists over the company as the decisions made by the shareholders' meetings of the company require unanimous vote of the parties. Terra mineralna gnojiva d.o.o. was registered for the performance of sale and purchase of goods.

**ITK Holding Zrt.**

MOL Group has majority ownership in ITK Holding Zrt. and it has joint control over the Holding because it has 50% voting rights in the Board. The company offers comprehensive services to support public transport in several cities. Its primary activity is to operate and maintain buses used by public transport providers. Furthermore, the company develops and provides passenger information and traffic management systems.

| | BaiTex Llc./ MK Oil and Gas B.V. | | JSR MOL Synthetic Rubber Zrt. | | Terra Mineralna Gnojiva d.o.o. / Petrokemija d.d* | |
|---|---|---|---|---|---|---|
| | 2020 HUF million | 2019 HUF million | 2020 HUF million | 2019 HUF million | 2020 HUF million | 2019 HUF million |
| **The joint venture's statement of financial position:** | | | | | | |
| Non-current assets | 45,528 | 53,926 | 119,286 | 105,308 | 28,484 | 28,654 |
| Current assets | 2,745 | 1,594 | 3,286 | 4,033 | 43,211 | 33,644 |
| Non-current liabilities | 22,842 | 26,277 | 76,984 | 78,127 | 9,945 | 26,018 |
| Current liabilities | 5,192 | 6,819 | 21,614 | 4,125 | 28,550 | 21,166 |
| **Net assets** | **20,239** | **22,424** | **23,974** | **27,089** | **33,200** | **15,114** |
| Proportion of the Group's ownership at year end | 51% | 51% | 49% | 49% | 27.26% | 27.26% |
| **Group's share of assets** | **10,322** | **11,436** | **11,747** | **13,274** | **9,050** | **4,120** |
| Fair value adjustment | 2,222 | 2,952 | - | - | 3,253 | 2,989 |
| Borrowing cost capitalisation | - | - | - | - | - | - |
| **Carrying amount of the investment** | **12,544** | **14,388** | **11,747** | **13,274** | **12,303** | **7,109** |
| **The joint venture's statement of profit or loss:** | | | | | | |
| Net revenue | 31,882 | 52,643 | 516 | 2 | 66,290 | 72,303 |
| Profit/(loss) from operations | 4,958 | (7,698) | (6,163) | (1,765) | 15,349 | 6,039 |
| Net income attributable to equity holders | 519 | (9,615) | (5,727) | (1,797) | 16,203 | 1,756 |
| **Group's share of reported profit/(loss) for the year** | **265** | **(4,903)** | **(2,806)** | **(880)** | **4,417** | **479** |
| Fair value adjustment P&L impact | (325) | (3,019) | - | - | - | - |
| Borrowing cost capitalisation P&L impact | - | - | - | - | - | - |
| Inventory consolidation P&L impact | 186 | (259) | - | - | - | - |
| Interest difference | - | - | - | - | - | - |
| **Group's share of profit/(loss) for the year after consolidation** | **126** | **(8,181)** | **(2,806)** | **(880)** | **4,417** | **479** |

* includes 1-9 month data

**Associates**

**Pearl Petroleum Company Limited**

MOL Group owns 10% stake in Pearl Petroleum Company Limited (Pearl) which holds all of the companies' legal rights in Khor Mor and Chemchemal gas-condensate fields in the Kurdistan Region of Iraq. Since the agreement between the shareholders grants MOL Group a significant influence on Pearl's operations, the company is treated as an associated company and is consolidated using the equity method accordingly.

**Ural Group Limited**

MOL Group has 27.5% of shareholding interest in Ural Group Limited through MOL (FED) Kazakhstan B.V., a holding company. Ural Group Limited is 100% owner of Ural Oil and Gas LLP having license of exploring Fedorovsky block in Kazakhstan. MOL Group has significant influence over the relevant activities of Ural Group Limited therefore the investment is classified as an associate.

**BTC**

Please refer to Note 10.

| | Pearl Petroleum Ltd. | | Ural Group Limited | | BTC |
|---|---|---|---|---|---|
| | 2020 HUF million | 2019 HUF million | 2020 HUF million | 2019 HUF million | 2020 HUF million |
| **The associate's statement of financial position:** | | | | | |
| Non-current assets | 609,606 | 609,539 | 47,400 | 76,181 | 1,165,468 |
| Current assets | 78,183 | 92,616 | 1,044 | 668 | 30,449 |
| Non-current liabilities | 58,371 | 49,942 | 12,620 | 10,388 | 68,134 |
| Current liabilities | 26,454 | 20,056 | 6,820 | 5,688 | 40,456 |
| **Net assets** | **602,965** | **632,157** | **29,004** | **60,773** | **1,087,327** |
| Proportion of the Group's ownership at year end | 10% | 10% | 27.5% | 27.5% | 8.9% |
| **Group's share of assets** | **60,296** | **63,216** | **7,976** | **16,713** | **96,772** |
| Fair value adjustment | 83,909 | 83,169 | - | - | (80,110) |
| Accumulated impairment | - | - | (413) | - | - |
| Dividend received over impairment | (2,619) | (2,521) | - | - | - |
| **Carrying amount of the investment** | **141,586** | **143,864** | **7,563** | **16,713** | **16,662** |
| **The associate's statement of profit or loss:** | | | | | |
| Net revenue | 103,444 | 126,800 | - | - | 141,753 |
| Profit/(loss) from operations | 54,121 | 85,372 | (39,314) | (6,691) | 56,944 |
| Net income attributable to equity holders | 52,934 | 86,747 | (33,770) | (7,823) | 52,390 |
| **Group's share of reported profit/(loss) for the year** | **5,293** | **8,675** | **(9,287)** | **(2,151)** | **4,663** |
| Accumulated impairment | - | - | (428) | - | - |
| **Group's share of consolidated profit/(loss) for the year** | **5,293** | **8,675** | **(9,715)** | **(2,151)** | **4,663** |

## 7. 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. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance.

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

### Significant accounting estimates and judgements

Corporate tax is required to be estimated in each tax jurisdiction in which MOL Group 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 the Group'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 consolidated financial statements for the years ended 31 December 2020 and 31 December 2019 include the following components:

| | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Current corporate income tax and industry taxes | 16,408 | 7,555 |
| Local trade tax and innovation fee | 14,786 | 15,586 |
| Deferred taxes | (20,138) | 24,177 |
| **Total income tax expense** | **11,056** | **47,318** |

### b) Current income taxes

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group. Group taxation is applied in jurisdictions where local legislation includes such provisions.

Industry taxes include tax on energy supply activities in Hungary with an effective tax rate of 19% (2019: 18%) on taxable statutory profit of MOL Plc. and oil and gas companies in Norway where tax rates consist of corporate income tax of 22% (2019: 22%) and special petroleum tax of 56% (2019: 56%) both payable on net operating profits derived from extractive activities. Upstream companies in Norway are refunded for the tax loss of exploration activities incurred for the year.

Local trade tax represents an income-based tax for Hungarian entities, payable to local municipalities. Tax base is calculated by deducting material costs, cost of goods sold and remediated services from sales revenue. Tax rates vary between 0-2% dependent on the regulation of local municipalities where the entities carry on business activities.

### Change in tax rates

The below listed changes were applicable from 2020:

- change in Pakistan to 29% (2019: 30%)

### c) Deferred tax assets and liabilities

The deferred tax balances as of 31 December 2020 and 31 December 2019 in the consolidated statement of financial position consist of the following items by categories:

| | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Property, plant and equipment and intangible assets | (175,833) | (101,853) |
| Statutory tax losses carried forward | 65,114 | 84,733 |
| Provisions | 71,545 | 39,548 |
| Elimination of intragroup transactions | 15,598 | 7,985 |
| Other temporary differences (1) | 38,522 | 27,088 |
| Deferred tax impact on IFRS transition | - | 6,352 |
| **Net deferred tax asset** | **14,946** | **63,853** |
| *of which:* | | |
| Total deferred tax assets | 149,052 | 123,805 |
| Total deferred tax liabilities | (134,106) | (59,952) |

(1) Deferred tax on other temporary differences includes items such as receivables write-off, inventory valuation differences, valuation of financial instruments and foreign exchange differences.

As of 31 December 2020, deferred tax assets of HUF 149,052 million consist of deferred tax on tax losses carried forward of HUF 22,794 million at MOLGROWEST (I) Ltd., HUF 18,666 million at MOL Plc. and HUF 13,836 million at INA Group. Besides, amount of HUF 43,651 million at MOL Plc. relates to timing differences of provisions. Additionally, amount of HUF 30,845 million at INA Group relates to temporary differences on intangible and tangible assets.

As of 31 December 2020, deferred tax liabilities of HUF 134,106 million include temporary differences on intangible and tangible assets at MOL Azerbaijan (HUF 55,970 million), Slovnaft a.s. (HUF 38,180 million) and FGSZ Zrt. (HUF 17,351 million). In case of Slovnaft a.s. deferred tax assets and liabilities are offset, decreasing the deferred tax liability by HUF 15,222 million arising mainly from differences in provisions and tax losses carried forward. Deferred tax liability also increased due to MOL Norge (HUF 11,013 million) as a result of decreased tax refund.

**Analysis of movements during the year in the net deferred tax asset:**

| | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Net deferred tax asset as at 1 January | 63,853 | 84,909 |
| Acquisition of business | (84,831) | - |
| Recognised in statement of profit or loss | 20,138 | (24,177) |
| Recognised directly in equity (as other comprehensive income) | 9,129 | 997 |
| Exchange difference | 6,657 | 2,124 |
| **Net deferred tax asset as at 31 December** | **14,946** | **63,853** |

The amount recognised in statement of profit or loss as an income is mainly driven by changes related to INA (HUF 12,776 million income) and Slovnaft a.s. (HUF 7,322 million income).

There are no changes in corporate income tax rates effective from 1 January 2021 taken into account in deferred tax calculation.

Enacted and substantively enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

### 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:

| | 2020 HUF million | 2019 HUF million |
|---|---|---|
| **(Loss)/Profit before tax per consolidated statement of profit or loss** | **(40,657)** | **275,699** |
| Less: share of (loss)/profit of joint ventures and associates | (2,505) | 962 |
| **(Loss)/Income before taxation and share of (loss)/profit of joint ventures and associates** | **(43,162)** | **276,661** |
| Tax expense at the applicable tax rate (9%) | (3,885) | 24,899 |
| Differences in tax rates at subsidiaries | (23,015) | 25,118 |
| Change in recognition of prior year tax losses carried forward | 18,542 | (11,691) |
| Other tax expenses (local trade tax, industry tax) | 11,106 | 6,529 |
| Current year losses not recognised as deferred tax asset | 9,281 | 4,760 |
| Tax allowance available | (1,450) | (482) |
| Permanent differences (tax value - IFRS value) | 1,315 | 4,793 |
| Non-taxable income | (1,176) | (6,620) |
| Effect of tax audits | 338 | 268 |
| Effect of change in tax rates on deferred taxes | - | (256) |
| **Total income tax expense for the year** | **11,056** | **47,318** |
| **Effective tax rate** | **-27%** | **17%** |

The table above provides a reconciliation of the Hungarian corporate tax charge to the actual consolidated tax charge. As the Group operating in multiple countries, the actual tax rates applicable to profits in those countries are different from the Hungarian tax rate. The impact is shown in the table above as differences in tax rates.

### e) Income tax recognised in other comprehensive income

The amount of income tax relating to each component of other comprehensive income:

| | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Net gain/(loss) on hedge of a net investment | 8,970 | 2,335 |
| Revaluations of debt instruments at fair value through other comprehensive income | (72) | - |
| Revaluations of equity instruments at fair value through other comprehensive income | 184 | (1,066) |
| Revaluations of financial instruments treated as cash flow hedges | 35 | (146) |
| Equity recorded for actuarial gain/(loss) on provision for retirement benefit obligation | 12 | (126) |
| **Total income tax recognised in other comprehensive income** | **9,129** | **997** |

### f) Unrecognised deferred tax assets

The following deferred tax assets have not been recognised in respect of tax losses and other temporary differences in the Group due to uncertainty of realisation:

| | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Tax losses - indefinite expiry | 105,208 | 88,409 |
| Tax losses - expiry within 5 years | 43,654 | 14,582 |
| Tax losses - expiry after 5 years | 492 | 7,096 |
| Other temporary differences | 60,287 | 49,552 |
| **Total unrecognised deferred tax asset** | **209,641** | **159,639** |

## 8. Components of other comprehensive income

**Exchange differences on translating foreign operations**

### Accounting policies

The difference on translating consolidated foreign operations which functional currency is different from the presentation currency of the Group are recognised in other comprehensive income and cumulated in a separate component of equity until disposal or liquidation of the foreign operation when they become part of the gain or loss on disposal. These exchange differences are not recognised in profit or loss because the changes in exchange rates have little or no direct effect on the present and future cash flows from operations.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Gains/(losses) arising during the year | 145,012 | 35,340 |
| Recycling reserves from OCI to profit or loss due to disposal | (2,942) | - |
| Income tax effect | - | - |
| **Exchange differences on translating foreign operations, net of tax** | **142,070** | **35,340** |

### Net investment hedge

### Accounting policies

Exchange differences on translating foreign operations are recognised in other comprehensive income and may designated as hedged items in net investment hedge. The foreign exchange gains or losses on the debts designated as hedging instruments are transferred from finance result to other comprehensive income, until the foreign operation is disposed of or liquidated, when such gains or losses become part of the gain or loss on disposal.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Gains/(losses) arising during the year | (32,454) | (15,454) |
| Recycling reserves from OCI to profit or loss due to disposal | - | - |
| Income tax effect | 8,970 | 2,335 |
| **Net investment hedge, net of tax** | **(23,484)** | **(13,119)** |

### Changes in fair value of debt instruments at fair value through other comprehensive income

### Accounting policies

Debt instruments which are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets are measured at fair value through 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.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Gains/(losses) arising during the year | (411) | 717 |
| Recycling reserves from OCI to profit or loss due to disposal | - | - |
| Income tax effect | (72) | - |
| **Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax** | **(483)** | **717** |

### Changes in fair value of equity instruments at fair value through other comprehensive income

### Accounting policies

If an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure it at fair value through other comprehensive income. When the asset is derecognised changes in fair value previously recognised in other comprehensive income and accumulated in equity remain in other comprehensive income.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Gains/(losses) arising during the year | 2,126 | 5,902 |
| Recycling reserves from OCI to profit or loss due to disposal | - | - |
| Income tax effect | 184 | (1,066) |
| **Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax** | **2,310** | **4,836** |

### Changes in fair value of cash flow hedges

### Accounting policies

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.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Gains/(losses) arising during the year | (442) | 1,628 |
| Recycling reserves from OCI to profit or loss due to disposal | - | - |
| Reclassification adjustments to initial cost of hedged inventories | - | - |
| Income tax effect | 35 | (146) |
| **Changes in fair value of cash flow hedges, net of tax** | **(407)** | **1,482** |

**Remeasurement of post-employment benefit obligations**

## Accounting policies

The effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions in the model used for determining provision for post-employment benefit obligations, called as actuarial gains and losses, are recognised in the other comprehensive income immediately. The recognised amount is not reclassified to profit or loss in subsequent periods.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Gains/(losses) arising during the year | (1,393) | 2,008 |
| Recycling reserves from OCI to profit or loss due to disposal | - | - |
| Income tax effect | 12 | (126) |
| **Remeasurement of post-employment benefit obligations** | **(1,381)** | **1,882** |

**Share of other comprehensive income of associates and joint ventures**

## Accounting policies

The other comprehensive income includes the Group's share of the associates and joint ventures' other comprehensive income. When the associate or joint ventures disposed or their consolidation with equity method is discontinued all amounts in other comprehensive income in relation to that investment is derecognised.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Gains/(losses) arising during the year | (321) | 7,650 |
| Recycling reserves from OCI to profit or loss due to disposal | - | - |
| Income tax effect | - | - |
| **Share of other comprehensive income of associates and joint ventures** | **(321)** | **7,650** |

# NON-FINANCIAL ASSETS AND LIABILITIES

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

## 9. Property, plant and equipment and intangible assets

### a) Property, plant 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. For investment properties, the cost model is applied by MOL Group.

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* HUF million | Machinery and equipment HUF million | Other machinery and equipment HUF million | Construction in progress HUF million | **Total HUF million** |
|---|---|---|---|---|---|
| **At 1 Jan 2019** | | | | | |
| Gross book value | 3,797,493 | 2,740,754 | 232,810 | 319,117 | **7,090,174** |
| Accumulated depreciation and impairment | (2,577,398) | (2,016,548) | (168,083) | (53,874) | **(4,815,903)** |
| **Net book value** | **1,220,095** | **724,206** | **64,727** | **265,243** | **2,274,271** |
| **Year ended 31 Dec 2019** | | | | | |
| Additions and capitalisations RESTATED | 184,247 | 187,352 | 60,286 | 214,863 | **646,748** |
| Acquisition of subsidiaries | 35,298 | 5,083 | 2,499 | - | **42,880** |
| Depreciation for the year | (138,693) | (174,288) | (25,528) | - | **(338,509)** |
| Impairment | (20,099) | (10,003) | (455) | (5,242) | **(35,799)** |
| Reversal of impairment | 1,189 | 627 | 226 | 8,129 | **10,171** |
| Disposals RESTATED | (314) | (120) | (3,330) | 443 | **(3,321)** |
| Disposal of subsidiaries | 253 | 1,253 | 67 | - | **1,573** |
| Exchange adjustment | 26,149 | 21,810 | 407 | 2,000 | **50,366** |
| Transfers and other movements RESTATED | 19,606 | 20,029 | 1,536 | (3,582) | **37,589** |
| **Closing net book value RESTATED** | **1,327,731** | **775,949** | **100,435** | **481,854** | **2,685,969** |
| **At 31 Dec 2019** | | | | | |
| Gross book value RESTATED | 4,140,100 | 3,009,326 | 289,394 | 529,001 | **7,967,821** |
| Accumulated depreciation and impairment RESTATED | (2,812,369) | (2,233,377) | (188,959) | (47,147) | **(5,281,852)** |
| **Net book value RESTATED** | **1,327,731** | **775,949** | **100,435** | **481,854** | **2,685,969** |
| **Year ended 31 Dec 2020** | | | | | |
| Additions and capitalisations | 154,555 | 130,156 | 31,456 | 118,461 | **434,628** |
| Acquisition of subsidiaries (please refer to note 10) | 463,898 | - | 318 | 31,618 | **495,834** |
| Depreciation for the year | (229,593) | (173,182) | (26,048) | - | **(428,823)** |
| Impairment | (25,191) | (30,964) | (414) | (6,000) | **(62,569)** |
| Reversal of impairment | 5,640 | 1,266 | 37 | 52 | **6,995** |
| Disposals | (761) | (176) | (2,739) | (273) | **(3,949)** |
| Disposal of subsidiaries | - | - | - | - | **-** |
| Exchange adjustment | 29,693 | 38,459 | 4,477 | 8,838 | **81,467** |
| Transfers and other movements | 12,085 | (1,081) | 207 | (2,772) | **8,439** |
| **Closing net book value** | **1,738,057** | **740,427** | **107,729** | **631,778** | **3,217,991** |
| **At 31 Dec 2020** | | | | | |
| Gross book value | 5,904,683 | 3,317,218 | 332,811 | 668,974 | **10,223,686** |
| Accumulated depreciation and impairment | (4,166,626) | (2,576,791) | (225,082) | (37,196) | **(7,005,695)** |
| **Net book value** | **1,738,057** | **740,427** | **107,729** | **631,778** | **3,217,991** |

* During the current financial year, the Group finalised the construction of real estates which are held as investment property and are leased on a long-term basis. Net book value as at 31 December 2020 is HUF 1,963 million which equals to the fair value of these assets. Rental incomes and operating expenses arising from investment property were not significant.

The tangible movement table was restated due to corrections in the closing Gross book value and Accumulated depreciation and minor corrections in the movements and net book values of Land & Building, Other machinery and equipment and Construction in progress asset classes. The total net book value of Tangible assets remained unchanged. Total gross book value of tangible assets decreased by HUF 118,294 million, total accumulated depreciation of tangible assets decreased by HUF 118,294 million. Due to correction in the movements, net book value of Land & Building decreased by HUF 1,298 million, net book value of Other machinery and equipment increased by HUF 62 million and net book value of Construction in progress increased by HUF 1,236 million.

### Leased assets

## Accounting policies

The Group recognises the right-of-use assets and lease liabilities for most leases.

The Group measures the right-of-use asset at cost, less accumulated depreciation and any accumulated impairment losses. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined, otherwise the Group as lessee applies incremental borrowing rate. The lease liability is measured subsequently using the effective interest rate method.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases. Low-value assets mainly comprise those assets which value, when new, do not exceed USD 5,000. Short-term leases are leases with a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group presents right-of-use assets from leases in ‘Property, plant and equipment’, the same line item as it presents underlying assets of the same nature that it owns.

## Significant accounting estimates and judgements

The Group has applied judgement to determine the lease term for some lease contracts that include renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and leased assets recognised.

| | Rights<br>HUF million | Land and building and related rights<br>HUF million | Machinery and equipment<br>HUF million | Other machinery and equipment<br>HUF million | **Total**<br>**HUF million** |
|---|---|---|---|---|---|
| **At 31 Dec 2019** | | | | | |
| **Net book value of finance leases** | **12** | **45,580** | **20,595** | **42,541** | **108,728** |
| **Period ended 31 Dec 2020** | | | | | |
| Additions and capitalisations | 6 | 16,380 | 5,996 | 14,927 | 37,309 |
| Depreciation for the period | 10 | (7,924) | (7,510) | (22,284) | (37,708) |
| Impairment, termination | - | (518) | (515) | (338) | (1,371) |
| **Closing net book value** | **28** | **53,518** | **18,566** | **34,846** | **106,958** |

MOL Group has presented lease liabilities within loans and borrowings, please refer to Note 21.

### 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 8,625 million in 2020 (2019: HUF 3,474 million). In 2020 the applicable capitalisation rate (including the impact of foreign exchange differences) has been 2.75% (2019: 1.3%).

### Government grants

## Accounting policies

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset. Grant relates to interest expense deducted in reporting the related expense and the borrowings also netted with the deferred income.

In 2020 property, plant and equipment includes assets with a value of HUF 19,637 million (2019: HUF 13,171 million) financed from government grants. The total amount reflects mainly the assets of FGSZ Zrt. partly financed via a European Union grant for the construction of the Hungarian-Romanian and the Hungarian-Croatian natural gas interconnector and transformation of nodes, and the assets of Slovnaft a.s. financed by the grant received from Slovakian government in order to serve State Authorities in case of state emergencies, and another significant amount of HUF 9,509 million (2019: HUF 3,917 million) relates to a government grant received for the construction of the new polyol plant in MOL Petrochemicals.

| | 2020 HUF million | 2019 HUF million |
|---|---|---|
| **At 1 January** | **13,171** | **9,392** |
| Asset related government grants received | 7,558 | 4,890 |
| Release of deferred grants | (1,467) | (1,205) |
| Foreign exchange differences | 375 | 94 |
| **At 31 December (see Note 17 and 18)** | **19,637** | **13,171** |

**Non-current assets pledged as security**

The carrying amount of non-currents assets pledged as security for liabilities is HUF 7,096 million as of 31 December 2020.

## b) Intangible assets

### Accounting policies

An intangible asset is recognised initially at cost. For intangible assets acquired in a business combination, the cost is the fair value at the acquisition date.

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 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 | Software and other intellectual property | Exploration and evaluation assets | Goodwill | **Total** |
|---|---|---|---|---|---|
| | HUF million | HUF million | HUF million | HUF million | **HUF million** |
| **At 1 Jan 2019** | | | | | |
| Gross book value | 182,648 | 62,555 | 161,850 | 98,865 | **505,918** |
| Accumulated amortisation and impairment | (115,433) | (42,607) | (98,795) | (53,637) | **(310,472)** |
| **Net book value** | **67,215** | **19,948** | **63,055** | **45,228** | **195,446** |
| **Year ended 31 Dec 2019** | | | | | |
| Additions | 47,960 | 10,920 | 29,630 | - | **88,510** |
| Acquisition of subsidiary | 120 | 2 | - | 1,133 | **1,255** |
| Amortisation for the year | (7,427) | (3,846) | (234) | - | **(11,507)** |
| Write-offs | (27) | (150) | (16,211) | 978 | **(15,410)** |
| Reversal of impairment | 6 | - | 38 | - | **44** |
| Disposals | (50,790) | (31) | (481) | - | **(51,302)** |
| Revaluation of emission quotas | (3,109) | - | - | - | **(3,109)** |
| Disposal of subsidiaries | - | - | - | - | **-** |
| Exchange adjustment | 1,837 | 129 | 2,087 | 987 | **5,040** |
| Transfers and other movements | 5,894 | (3,125) | (2,795) | (977) | **(1,003)** |
| **Closing net book value** | **61,679** | **23,847** | **75,089** | **47,349** | **207,964** |
| **At 31 Dec 2019** | | | | | |
| Gross book value RESTATED | 185,369 | 71,021 | 189,330 | 102,471 | **548,191** |
| Accumulated amortisation and impairment RESTATED | (123,690) | (47,174) | (114,241) | (55,122) | **(340,227)** |
| **Net book value** | **61,679** | **23,847** | **75,089** | **47,349** | **207,964** |
| **Year ended 31 Dec 2020** | | | | | |
| Additions | 54,698 | 14,175 | 18,576 | - | **87,449** |
| Acquisition of subsidiary (please refer to note 10) | - | 5,053 | 69,879 | 105,654 | **180,586** |
| Amortisation for the year | (9,296) | (4,615) | (7,710) | - | **(21,621)** |
| Write-offs | (178) | (90) | (5,922) | - | **(6,190)** |
| Reversal of impairment | - | - | 185 | - | **185** |
| Disposals | (45,039) | - | - | - | **(45,039)** |
| Revaluation of emission quotas | (450) | - | - | - | **(450)** |
| Disposal of subsidiaries | - | - | - | - | **-** |
| Exchange adjustment | 1,440 | 852 | (2,554) | (6,301) | **(6,563)** |
| Transfers and other movements | 5,623 | (2,841) | (9,348) | 13 | **(6,553)** |
| **Closing net book value** | **68,477** | **36,381** | **138,195** | **146,715** | **389,768** |
| **At 31 Dec 2020** | | | | | |
| Gross book value | 205,417 | 91,495 | 264,812 | 209,940 | **771,664** |
| Accumulated amortisation and impairment | (136,940) | (55,114) | (126,617) | (63,225) | **(381,896)** |
| **Net book value** | **68,477** | **36,381** | **138,195** | **146,715** | **389,768** |

The Intangible movement table was restated due to corrections in the closing Gross book value and Accumulated depreciation with unchanged Net book value. Total gross book value of intangible assets decreased by HUF 1,452 million, total accumulated depreciation of intangible assets decreased by HUF 1,452 million.

## Goodwill

### Accounting policies

Goodwill acquired in a business combination is initially measured at difference between the consideration transferred and the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

| Goodwill (net book value) | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| **Upstream** | **95,514** | **-** |
| ACG field (please refer to note 10) | 95,514 | - |
| **Consumer services** | **37,500** | **35,142** |
| Croatian retail network | 17,989 | 16,526 |
| Hungarian retail network | 6,406 | 6,406 |
| Czech retail network | 8,181 | 7,674 |
| Romanian retail network | 4,924 | 4,536 |
| **Downstream** | **11,319** | **10,017** |
| Austrian wholesale and logistic | 9,292 | 8,411 |
| German plastic compounder | 1,550 | 1,129 |
| MOL Petrochemicals | 477 | 477 |
| **Corporate** | **2,382** | **2,189** |
| Croatian oil field services | 2,382 | 2,189 |
| **Total goodwill** | **146,715** | **47,348** |

### 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

Costs 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 licence 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.

#### Exploration and evaluation assets

Transfers from exploration and evaluation assets represent expenditures which, upon determination of proved reserves of oil and natural gas are reclassified to property, plant and equipment.

Within exploration and evaluation assets, exploration expenses incurred in 2020 is HUF 4,748 million (2019: HUF 7,468 million), which were not eligible for capitalisation. Consistent with the Successful Efforts method of accounting they were charged to various operating cost captions of the consolidated statement of profit or loss as incurred.

Other research and development costs are less significant compared to exploration expenses. These research and development costs are HUF 398 million in 2020 (2019: HUF 640 million).

**Write-offs of dry-holes**

| Dry-holes | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Norway | - | 12,891 |
| Hungary | 3,971 | 1,116 |
| Pakistan | 721 | 1,563 |
| Romania | 159 | - |
| **Total** | **4,851** | **15,570** |

## 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, property, plant and equipment and investment property, 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 the Group’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 the Group’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, and commodity prices). MOL Group 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 the Group’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.

The Group 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. As approved by the year-end RRC, MOL Group has upgraded its reserve estimates of matured oil and gas fields in CEE. By this all reserves are determined at 2P basis consistently with industry best practice.

**Impairments**

In 2020, the following significant impairment losses and impairment reversals were recognised:

| **Impairments and write-offs (without dry-holes) - 2020*** | **Upstream** HUF million | **Downstream** HUF million | **Consumer services** HUF million | **Corporate and other** HUF million | **Midstream** HUF million | **Total** HUF million |
|---|---|---|---|---|---|---|
| Hungary | 511 | 976 | 332 | 438 | 541 | 2,798 |
| Croatia | 13,753 | 14,140 | 195 | 6,880 | - | 34,968 |
| United Kingdom | 14,910 | - | - | - | - | 14,910 |
| Slovakia | - | (57) | 38 | 2,090 | - | 2,071 |
| Other | 1,320 | 597 | 63 | - | - | 1,980 |
| **Total** | **30,494** | **15,656** | **628** | **9,408** | **541** | **56,727** |

*Including the intersegment impact

| **Impairments and write-offs (without dry-holes) - 2019*** | **Upstream** HUF million | **Downstream** HUF million | **Consumer services** HUF million | **Corporate and other** HUF million | **Midstream** HUF million | **Total** HUF million |
|---|---|---|---|---|---|---|
| Hungary | 5,297 | 1,883 | 465 | 1,947 | 275 | 9,867 |
| Croatia | 5,009 | 1,658 | 249 | 25 | - | 6,941 |
| United Kingdom | (2,391) | - | - | - | - | (2,391) |
| Slovakia | - | 97 | 130 | 117 | - | 344 |
| Other | 12 | 12,610 | (980) | 1 | - | 11,643 |
| **Total** | **7,927** | **16,248** | **(136)** | **2,090** | **275** | **26,404** |

*Including the intersegment impact

In 2020 and 2019 impairment was accounted in:

- Upstream segment for production fields and for assets under construction.
  - In the United Kingdom 2020 impairment was recorded due to the revision of decommissioning estimates.
  - In Croatia impairment was recognised due to the sink of Ivana-D platform.
- Downstream segment mainly for unutilised refinery assets.
  - Impairment was calculated on an asset by asset basis and was accounted for the termination of the crude oil processing operations in Sisak, Croatia. The Sisak site will be converted into an industrial site with various new viable alternative industrial activities.
- Consumer services mainly for machineries and equipment in filling stations.
- Corporate and other segment for innovative businesses and IT equipment, in Croatia related to drilling rigs located in Albania and Egypt reclassified to assets held for sale.

Impairment test of Upstream assets

The impairment tests performed by MOL Group were performed using the following assumptions:

- Recoverable amount is calculated with the assumption of using the assets in long-term in the future.
- The recoverable amount of the asset (cash-generating unit) is the value in use.
- Discount rates: the value in use calculations take into account the time value of money, the risks specific to the asset and the rate of return that would be expected by market for an investment with similar risk, cash flow and timing profile. It is estimated from current market transactions for similar assets or from the 'weighted average cost of capital' (WACC) of a listed entity that has a single asset or portfolio of assets that are similar in terms of service potential and risks to the asset under review.
- Exploration and Production segment pre-tax WACC premise were applied plus country risk premium of the related country. Based on the above, the WACC rates used for the impairment tests in 2020 were in the range from 6.6% to 18.6%.
- Brent oil and NCG gas price assumptions applied in the value in use models: real flat 50 USD/barrel and EUR 15 MWh from 2021.

### e) Impairment of goodwill

**Accounting policies**

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

The Group determines the necessity of impairment of goodwill based on the recoverable amount of cash-generating units (CGUs) to which the goodwill is allocated.

The recoverable amounts of the CGUs are determined by net present value calculations of estimated future cash flows of the cash-generating units. The key assumptions for the calculation of net present values are the nominal cash flows, the growth rates during the period and the discount rates. Management considers that such pre-tax rates shall be used for discounting purposes which reflect the most to the current market circumstances, the time value of money and the risks specific to the CGUs.

**Upstream**

Pre-tax weighted average cost of capital (WACC) rates applied to discount the forecast cash flows reflecting risks specific to the segment for goodwill impairment calculation is 6.6%.

The value in use calculations take into account the time value of money, the risks specific to the asset and the rate of return that would be expected by market for an investment with similar risk, cash flow and timing profile.

Brent oil price assumptions applied in the value in use models: real flat 50 USD/barrel from 2021.

Impairment assessment of the assets of ACG:

- The recoverable amount of the asset (cash-generating unit) is the value in use.
- The value in use of the Azerbaijan assets is HUF 550,919 million.
- The book value of assets including goodwill is HUF 526,632 million.
- Sensitivity analysis of the key assumptions used in impairment test shows the following effects:
  - 1% increase in the discount factor indicates HUF 40,572 million decrease, 1% decrease results in HUF 46,333 million increase in the NPV.
  - 5 USD growth in oil price indicates HUF 76,092 million increase, 5 USD drop in oil price indicates HUF 76,032 million decrease in NPV.
  - +/- 1% alteration in production indicates HUF 7,575 million difference in NPV.

**Consumer Services and Downstream**

Pre-tax weighted average cost of capital (WACC) rates applied to discount the forecast cash flows reflecting risks specific to the segment and specific to the certain countries vary between 6.0% and 9.0% in Consumer services while 6.2% and 7.7% in Downstream in current year.

The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets of Consumer services segment approved by management for financial years 2021-2023 and extrapolates cash flows for the following years based on an estimated growth rates varying between 3% and 5%.

**Corporate and other**

In case of Croatian oil field services related goodwill impairment test, the Upstream segment assumptions were applied.

As a result of impairment tests performed at the end of 2020 no impairment is recognised on goodwill.

## 10. Business combinations, transactions with non-controlling interests

**Accounting policies**

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the settlement date. For each business combination the Group decides whether non-controlling interest is stated either at fair value or at the non-controlling interests' proportionate share of the acquiree's fair values of net assets. The income and expenses of companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses – unless the losses indicate impairment of the related assets – are eliminated. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsequently the carrying amount of non-controlling interests is the initially recognised amount of those interests adjusted with the non-controlling interests' share of changes in equity after the acquisition.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions and recorded directly in retained earnings.

## Acquisitions

### a) Acquisition of MOL Azerbaijan (formerly: Chevron Khazar, Ltd.) and ownership in BTC Pipeline

On 16 April 2020, MOL Group has successfully closed the previously announced deal with Chevron Global Ventures, Ltd and Chevron BTC Pipeline, Ltd regarding the acquisition of their non-operated E&P interests in Azerbaijan, including a 9.57% stake in the Azeri-Chirag-Gunashli ("ACG") oil field, and an effective 8.9% stake in the Baku-Tbilisi-Ceyhan ("BTC") pipeline that transports the crude to the Mediterranean port of Ceyhan for a total consideration of USD 1.5bn (after closing adjustments) with an effective date of 1 January 2019. Ownership in BTC will cease in 2026. Transaction related costs of the acquisition were immaterial for the Group and they were recognised in profit and loss. With this transaction MOL Group becomes the third largest field partner in ACG, a supergiant oil field, located in the Caspian Sea, which is operated by BP and started production in 1997. This transaction is a major milestone in building MOL Group's international E&P portfolio and a significant step to deliver on the inorganic reserve replacement targets.

MOL Group applies proportional consolidated method in terms of representing MOL Azerbaijan ("ACG") in the consolidated financial statements and applies the equity method to present significant influence in BTC Pipeline Company according to IFRS 11 Joint Arrangements and IAS 28 Investment in associates and joint ventures, respectively.

The measurement period is not closed yet for ACG purchase price allocation as the management is still seeking for more information on facts and circumstances related to certain judgemental areas, which could affect liabilities, the fair value of oil and gas assets, the deferred tax and the goodwill via a retrospective adjustment once measurement period is closed.

Goodwill represents the value of potential future prospects, the separately unidentifiable portion of licensed upside potentials and the strengthening impact of ACG field to the resilient and integrated business model of MOL Group. The technical goodwill represents the amount arising from the deferred tax liability on the fair value adjustments.

| | **MOL Azerbaijan**<br>HUF million |
|---|---|
| **Non-current assets** | **562,446** |
| Intangible assets | 69,879 |
| Property, plant and equipment | 492,567 |
| **Current assets** | **36,604** |
| Inventories | 9,128 |
| Trade and other receivables | 8,784 |
| Cash and cash equivalents | 18,686 |
| Other current assets | 6 |
| **Non-current liabilities** | **(183,549)** |
| Non-current provisions | (33,804) |
| Other non-current financial liabilities | (64,914) |
| Deferred tax liability | (84,831) |
| **Current liabilities** | **(45,859)** |
| Trade and other payables | (37,699) |
| Income tax payable | (8,160) |
| **MOL Group's share of net assets** | **369,642** |
| **Goodwill on acquisition** | |
| Fair value of consideration transferred | 475,021 |
| Less: fair value of identifiable net assets acquired | (369,642) |
| **Goodwill on acquisition** | **105,379** |
| From this technical goodwill | 53,825 |
| **Net cash outflow on acquisition of subsidiaries** | |
| Consideration paid in cash | 475,021 |
| Less: cash and cash equivalent balances acquired | (18,686) |
| **Net cash outflow** | **456,335** |

The net revenue and the profit for the period of the acquired entities since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are the following:

| **Acquired Joint Operation 16 April 2020 - 31 Dec 2020** | **Net revenue**<br>HUF million | **Profit/(loss) for the period**<br>HUF million |
|---|---|---|
| MOL Azerbaijan | 54,201 | (8,366) |

If the business combination had taken place on 1 January 2020, it is estimated that the acquired activities would have generated net revenue of HUF 87,095 million and profit/(loss) for the period of HUF (8,608) million.

### b) Other acquisitions

Other acquisitions during the reporting period were immaterial for the Group.

### c) Update on acquisition of Aurora Kunststoffe GmbH and its subsidiaries

On 31 October 2019, MOL Group has acquired 100% shareholding of Aurora Kunststoffe GmbH. The accounting of business combination was completed in 2020 and has no material impact on provisional accounting of the business combination as at 31 December 2019.

## 11. Disposals

In 2020, Panta Distribuzione S.r.l. has sold its LPG business unit with insignificant net book value. The result of the transaction was also insignificant.

## 12. Material non-controlling interest

**Accounting policies**

According to IFRS 12 Disclosure of Interest in Other Entities, MOL Group discloses information about non-controlling interests' share of the profit or loss, cash flow and net asset of the subsidiaries that have non-controlling interests that are material to the reporting entity. Materiality is assessed by the Group on the basis of the consolidated financial statements. The disclosed information is based on balances before intercompany eliminations.

**INA-Industrija nafte d.d.**

MOL Group has 49% shareholding interest in INA-Industrija nafte d.d. (hereinafter INA d.d.), however based on the conditions of the shareholders' agreement MOL Group has been provided control over INA d.d. resulting in full consolidation method with 51% non-controlling interest.

Proportion of equity interest held by non-controlling interests of INA Group:

| | Proportion of non-controlling interest | |
|---|---|---|
| **Name** | **31 Dec 2020** | **31 Dec 2019** |
| INA-Industrija nafte d.d. | 51% | 51% |

| | 31 Dec 2020<br>HUF million | 31 Dec 2019<br>HUF million |
|---|---|---|
| Accumulated balances of material non-controlling interest | 269,427 | 298,416 |
| Profit/(Loss) allocated to material non-controlling interest | (14,164) | 16,087 |

The summarised financial information of INA Group is provided below. This information is based on amounts before intercompany eliminations.

| **Summarised statement of profit or loss** | **31 Dec 2020**<br>HUF million | **31 Dec 2019**<br>HUF million |
|---|---|---|
| Total operating income | 696,828 | 1,002,198 |
| Total operating expenses | (774,781) | (982,672) |
| Finance income/(expense), net | (4,212) | (4,244) |
| **Profit/(loss) before income tax** | **(82,165)** | **15,282** |
| Income tax (expense)/income | 11,330 | (3,875) |
| **Profit/(loss) for the year** | **(70,835)** | **11,407** |
| **Total comprehensive income** | **(27,818)** | **31,593** |
| Attributable to non-controlling interests | (14,164) | 16,087 |
| Dividends paid to non-controlling interests | (14,824) | (27,684) |

| Summarised statement of financial position | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Current assets | 174,939 | 232,147 |
| Non-current assets | 863,729 | 855,621 |
| **Total assets** | **1,038,668** | **1,087,768** |
| Current liabilities | (270,141) | (274,857) |
| Non-current liabilities | (239,388) | (226,840) |
| **Total liabilities** | **(509,529)** | **(501,697)** |
| **Total equity** | **529,139** | **586,071** |
| Attributable to owners of parent | 259,712 | 287,655 |
| Attributable to non-controlling interest | 269,427 | 298,416 |

| Summarised cash flow information | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Cash flows from operations | 104,861 | 120,165 |
| Cash flows used in investing activities | (57,762) | (98,104) |
| Cash flows used in financing activities | (55,367) | (16,160) |
| **Increase/(decrease) in cash and cash equivalents** | **(8,268)** | **5,901** |

## 13. Other non-current assets

| | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Obligatory level of inventory required by state legislations | 44,432 | 45,167 |
| Advance payments for assets under construction | 40,376 | 43,652 |
| Advance payments for intangible assets | 860 | 582 |
| Prepaid fees of long-term rental fees | 427 | 420 |
| Prepaid mining royalty | - | 215 |
| Other | 554 | 336 |
| **Total** | **86,649** | **90,372** |

## 14. 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.

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|---|---|---|---|
| | At cost HUF million | Lower of cost or net realisable value HUF million | At cost HUF million | Lower of cost or net realisable value HUF million |
| Work in progress and finished goods | 243,229 | 231,847 | 312,935 | 302,705 |
| Purchased crude oil | 110,495 | 97,580 | 116,754 | 105,882 |
| Other raw materials | 103,333 | 74,430 | 79,762 | 54,918 |
| Other goods for resale | 58,911 | 56,457 | 52,804 | 51,060 |
| Purchased natural gas | 1,077 | 1,077 | 2,495 | 2,495 |
| **Total** | **517,045** | **461,391** | **564,750** | **517,060** |

Impairment of HUF 4,296 million has been recorded in 2020 (2019: HUF 6,775 million), mainly on raw materials. In 2020 HUF 434 million impairment was accounted for Downstream operation.

## 15. Other current assets

| | 31 Dec 2020<br>HUF million | 31 Dec 2019<br>HUF million |
|---|---|---|
| Prepaid and recoverable taxes and duties (excluding income taxes) | 43,399 | 42,688 |
| Prepaid expenses | 13,201 | 12,559 |
| Advance payments | 7,346 | 10,462 |
| Other | 754 | 1,768 |
| **Total** | **64,700** | **67,477** |

Other item contains mainly revenue accruals and receivables regarding employees.

## 16. 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

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

### Provision for Long-term employee benefits

The cost of providing benefits under the Group's defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses of retirement benefits 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.

### Provision 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 Emission quotas

The Group recognises provision for the estimated $CO_2$ emissions costs when actual emission exceeds the emission rights granted and still held. When actual emission exceeds the amount of emission rights granted, provision is recognised for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date. In addition, the Group recognises provision for estimated costs of Upstream emission reduction quotas (UER) intended to be used to fulfil obligations stipulated by EU Fuel Quality Directive.

### 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

The Group 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 Group entities are parties 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 HUF million | Field abandon-ment HUF million | Redun-dancy HUF million | Long-term employee benefits HUF million | Legal claims HUF million | Emission quotas and other HUF million | **Total HUF million** |
|---|---|---|---|---|---|---|---|
| **Balance as of 1 Jan 2019** | **85,592** | **332,299** | **2,054** | **23,365** | **24,780** | **43,159** | **511,249** |
| Acquisition/(sale) of subsidiaries | - | - | - | - | - | 3,198 | **3,198** |
| Additions and revision of previous estimates | 12,249 | 39,412 | 3,273 | 280 | 154 | 13,367 | **68,735** |
| Unwinding of the discount | 2,117 | 9,183 | - | 668 | - | 249 | **12,217** |
| Currency differences | 1,816 | 10,551 | 136 | 324 | 630 | 460 | **13,917** |
| Provision used during the year | (4,004) | (47) | (2,898) | (2,400) | (986) | (17,653) | **(27,988)** |
| **Balance as of 31 Dec 2019** | **97,770** | **391,398** | **2,565** | **22,237** | **24,578** | **42,780** | **581,328** |
| Acquisition/(sale) of subsidiaries | - | 33,804 | - | - | - | - | **33,804** |
| Additions and revision of previous estimates | 986 | 5,287 | 6,996 | 3,442 | (11,576) | 30,050 | **35,185** |
| Unwinding of the discount | 2,256 | 11,747 | - | 203 | - | 641 | **14,847** |
| Currency differences | 7,385 | 13,577 | 301 | 1,098 | 1,165 | 1,094 | **24,620** |
| Provision used during the year | (3,253) | (30) | (6,068) | (2,340) | (1,732) | (18,003) | **(31,426)** |
| **Balance as of 31 Dec 2020** | **105,144** | **455,783** | **3,794** | **24,640** | **12,435** | **56,562** | **658,358** |
| Current portion 31 Dec 2019 | 5,995 | 239 | 1,146 | 3,193 | 2,841 | 22,638 | **36,052** |
| Non-current portion 31 Dec 2019 | 91,775 | 391,159 | 1,419 | 19,044 | 21,737 | 20,142 | **545,276** |
| Current portion 31 Dec 2020 | 3,772 | 2,786 | 2,409 | 2,271 | 2,810 | 35,642 | **49,690** |
| Non-current portion 31 Dec 2020 | 101,372 | 452,997 | 1,385 | 22,369 | 9,625 | 20,920 | **608,668** |

### Provision for Environmental expenditures

As of 31 December 2020, provision of HUF 105,144 million has been made for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar, in Hungary, Croatia, Slovakia and Italy. The provision is made on the basis of assessments prepared by MOL Group'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. The amount reported as at 31 December 2020 also includes a contingent liability of HUF 32,387 million recognised upon acquiring INA Group, representing its present environmental obligations and a further HUF 18,445 million environmental contingent liability regarding the acquisition of IES S.p.A. (see Note 25).

### Provision for Field abandonment

As of 31 December 2020, provision of HUF 455,783 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 11% of these costs are expected to be incurred between 2021 and 2025 and the remaining 89% between 2026 and 2072. 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., INA d.d., IES S.p.A. and other Group members decided to further optimise workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, the Group recognised a provision for the net present value of future redundancy payments and related tax and contribution. Relating to the restructuring of activities in Mantova, a provision for redundancy of HUF 9,145 million was recognised at IES S.p.A. in 2013 out of which HUF 572 million remained as of 31 December 2020. In 2015, a provision of HUF 9,804 million, and in 2020, of HUF 6,269 million was made for redundancy programme at INA d.d. out of which HUF 2,175 million still remained as of 31 December 2020. The closing balance of provision for redundancy is HUF 3,794 million as of 31 December 2020 (31 December 2019: HUF 2,565 million).

**Provision for Long-term employee benefits**

As of 31 December 2020, the Group has recognised a provision of HUF 24,640 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from Group entities. These entities operate 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, while MOL Petrochemicals and Slovnaft, a.s. provide a maximum of 2 and 7 months of final salary respectively, depending on the length of service period. 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 the Group.

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| **Present value of total long-term employee benefit obligation at the beginning of the year** | **22,237** | **23,365** |
| Past service cost | 5 | 153 |
| Current service cost | 1,450 | 2,332 |
| Interest costs | 203 | 668 |
| Provision used during the year | (2,340) | (2,400) |
| Net actuarial (gain)/loss | 1,987 | (2,205) |
| *from which:* | | |
| Retirement benefit (See Note 8) | 1,281 | (2,008) |
| Jubilee benefit | 706 | (197) |
| Exchange adjustment | 1,098 | 324 |
| **Present value of total long-term employee benefit obligation at year end** | **24,640** | **22,237** |

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

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Current service cost | 1,450 | 2,332 |
| Net actuarial (gain)/loss | 706 | (197) |
| Past service cost | 5 | 153 |
| **Balance as at year end** | **2,161** | **2,288** |

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

| | 2020 | 2019 |
|---|---|---|
| Discount rate in % | 0.0 - 3.1 | -0.5 - 3.6 |
| Average wage increase in % | 0.6 - 3.0 | 0.3 - 5.0 |
| Mortality index (male) | 0.03 - 7.16 | 0.03 - 7.16 |
| Mortality index (female) | 0.01 - 7.16 | 0.01 - 7.16 |

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

| | Retirement benefits | | Jubilee benefits | |
|---|---|---|---|---|
| | 2020<br>HUF million | 2019<br>HUF million | 2020<br>HUF million | 2019<br>HUF million |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 1,726 | (2,476) | 267 | (304) |
| Actuarial (gains)/losses arising from changes in financial assumptions | (1,264) | 1,434 | 0 | 402 |
| Actuarial (gains)/losses arising from experience adjustments | 819 | (966) | 439 | (295) |
| **Total actuarial (gains)/losses** | **1,281** | **(2,008)** | **706** | **(197)** |

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

| | Retirement benefits | | Jubilee benefits | |
|---|---|---|---|---|
| | 2020 HUF million | 2019 HUF million | 2020 HUF million | 2019 HUF million |
| **Discount rate:** | | | | |
| 0.5% decrease | 937 | 857 | 203 | 186 |
| 0.5% increase | (866) | (792) | (191) | (175) |
| **Inflation rate:** | | | | |
| 0.5% decrease | (688) | (715) | (10) | (11) |
| 0.5% increase | 858 | 754 | 183 | 159 |
| **Termination rate:** | | | | |
| 50% decrease | 5,770 | 7,015 | 1,536 | 1,583 |
| 50% increase | (3,743) | (4,109) | (1,077) | (1,090) |

**Provision for legal claims**

As of 31 December 2020, provision of HUF 12,435 million (31 December 2019: HUF 24,578 million) has been made for estimated total future losses from litigations.

In 2020, provision of HUF 11,606 million for legal case related to Creditor GAMA, s.r.o. company was released (see Note 4).

**Provision for emission quotas**

As of 31 December 2020, the Group has recognised a provision of HUF 27,098 million for the shortage of emission quotas (31 December 2019: 15,644 million). The amount reported as at 31 December 2020 also includes provision for estimated costs of UER quotas in amount of HUF 4,844 million (31 December 2019: nil).

In 2020, MOL Group has been granted 4,110,080 (2019: 4,133,751) emission quotas by the Hungarian, Croatian and Slovakian authorities. The total emissions during 2020 amounted to equivalent of 6,187,417 tons of emission quotas (2019: 6,267,976 tons).

## 17. Other non-current liabilities

| | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Government grants received (see Note 9) | 17,641 | 12,208 |
| Received and deferred other subsidies | 7,047 | 6,813 |
| Deferred compensation for property, plant and equipment | 3,837 | 4,157 |
| Deferred income for apartments sold | 1,362 | 1,287 |
| Liabilities to government for sold apartments | 726 | 912 |
| Other | 1,322 | 1,247 |
| **Total** | **31,935** | **26,624** |

Other item contains mainly the liability of customer loyalty points and advances received from customers.

## 18. Other current liabilities

| | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Taxes, contributions payable (excluding corporate tax) | 129,818 | 138,893 |
| Amounts due to employees | 35,748 | 39,055 |
| Advances from customers | 10,928 | 12,934 |
| Custom fees payable | 9,814 | 11,539 |
| Fee payable for strategic inventory storage | 6,089 | 4,667 |
| Other accrued incomes | 3,997 | 5,648 |
| Government subsidies received and accrued (see Note 9) | 1,996 | 963 |
| Other | 16,418 | 3,439 |
| **Total** | **214,808** | **217,138** |

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

## 19. Asset held for sale

### Accounting policies

Non-current assets and disposal groups are classified as held for sale if their carrying amounts are to be realised by sale rather than through continued use. This is the case when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan of sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Immediately before the initial classification of the asset as held for sale, impairment test shall be carried out. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are no longer depreciated or amortised once classified as held for sale.

As of 31 December 2020, assets held for sale contains mainly drilling rigs located in Albania and Egypt at fair value less cost to sell at HUF 824 million. These assets classified as held for sale are reported in Corporate and other segment.

| **Assets and liabilities held for sale** | **31 Dec 2020** HUF million | **31 Dec 2019** HUF million |
|---|---|---|
| Assets | | |
| Property, plant and equipment | 1,463 | 285 |
| **Assets classified as held for sale** | **1,463** | **285** |
| Liabilities | | |
| **Liabilities related to assets classified as held for sale** | - | - |

# FINANCIAL INSTRUMENTS, CAPITAL AND FINANCIAL RISK MANAGEMENT

This section explains policies and procedures applied to manage the Group's capital structure and the financial risks the Group 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 Group'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 at initial recognition. 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
- a group of financial liabilities or financial assets and financial liabilities 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 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.

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

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.

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

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 Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. When the Group neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it 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

For the purpose of hedge accounting, hedges are classified as either:

- cash flow hedges or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised as other comprehensive income is transferred to the statement of profit or loss.

### Impairment of Financial Assets

The Group 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. The Group determines significant increase in credit risk in case of debt securities based on credit rating agency ratings. As there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due assessment is required on a case-by-case basis whether the credit risk significantly increased in that financial asset when such an event occurs.

Additionally, the Group applies the simplified approach to 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.

The Group calculates the expected credit loss on trade receivables as the average of yearly historical loss rates of last three years multiplied by the forward-looking element. The forward-looking element is based on robust negative correlation between banking sector credit losses and two years' lags of real GDP growth. In case of other financial assets the expected credit loss of the instrument will be determined by multiplying the probability of default rate of the instrument with the loss given default of the instrument.

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 Group 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.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

## 20. Financial risk and capital management

**Financial risk management**

As financial risk management is a centralised function in MOL Group, 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 Group actively manages its commodity exposures for the following purposes only:

- Group Level Objectives – protection of financial ratios and targeted financial results, and managing commodity price exposures at physical transactions etc.,
- Business Unit Objectives – to reduce the exposure of a business unit's cash flow to market price fluctuations (e.g.: planned refinery shutdowns).

**Management of Covenants**

The Group monitors capital structure using net gearing ratio, which is net debt divided by total capital plus net debt.

The Group is currently in low net gearing status, the credit metrics increased in 2020. As of 31 December 2020, the net debt/EBITDA is at 1.6 level (2019: 0.8) while the net gearing is 27% (2019: 19%).

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Treasury share transactions are also used for such purposes.

### a) Key exposures

Risk Management identifies and measures the key risk drivers and quantifies their impact on the MOL Group's operating results. MOL Group 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 Group 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 more crude oil than our own crude oil production. In Upstream MOL Group is long in crude oil and in Downstream MOL Group 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 2020 MOL Group 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 favourable forward curve structure.

Strategic hedges were also concluded to lock in favourable Diesel-crack pricing.

**Foreign currency risk**

MOL Group 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 favourable or challenging. MOL Group also uses foreign exchange derivatives to hedge the foreign exchange exposures if it is necessary.

**Interest rate risk**

As an energy company, MOL Group 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 Group, 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 Group 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 Group'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 Group'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 Group 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 the Group.

| The amount of undrawn major committed credit facilities | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Long-term loan facilities available | 975,549 | 771,217 |
| Short-term facilities available | 87,770 | 72,961 |
| **Total loan facilities available** | **1,063,319** | **844,178** |

Total amount of the EUR 570 million (HUF 208,124 million) revolving credit facility agreement signed on 26 September 2019 by MOL Group Finance S.A. Bertrange, Zürich Branch as borrower and MOL Plc. as guarantor for 5 years with 1+1-year extension option, has been increased by EUR 210 million (HUF 76,677 million). As a result of the increase total facility amount changed to EUR 780 million (HUF 284,801 million).

| Maturity profile of financial liabilities based on contractual undiscounted payments 2020 | Due within 1 month<br>HUF million | Due between 1 and 12 months<br>HUF million | Due between 1 and 5 years<br>HUF million | Due after 5 years<br>HUF million | Total<br>HUF million |
|---|---|---|---|---|---|
| Borrowings | 162,988 | 165,388 | 527,010 | 350,356 | **1,205,742** |
| Transferred "A" shares with put&call options | - | 191,848 | - | - | **191,848** |
| Trade and other payables | 305,713 | 245,005 | - | - | **550,718** |
| Other financial liabilities | 1,098 | 6,447 | 48,412 | 678 | **56,635** |
| **Non-derivative financial instruments** | **469,799** | **608,688** | **575,422** | **351,034** | **2,004,943** |
| Derivatives | 23,721 | 7,008 | 4,174 | - | **34,903** |

| Maturity profile of financial liabilities based on contractual undiscounted payments 2019 | Due within 1 month<br>HUF million | Due between 1 and 12 months<br>HUF million | Due between 1 and 5 years<br>HUF million | Due after 5 years<br>HUF million | Total<br>HUF million |
|---|---|---|---|---|---|
| Borrowings | 172,882 | 199,870 | 507,081 | 61,447 | **941,280** |
| Transferred "A" shares with put&call options | - | 232,009 | - | - | **232,009** |
| Trade and other payables | 390,026 | 246,058 | - | - | **636,084** |
| Other financial liabilities | 1,410 | 5,863 | 888 | 650 | **8,811** |
| **Non-derivative financial instruments** | **564,318** | **683,800** | **507,969** | **62,097** | **1,818,184** |
| Derivatives | 11,303 | 682 | 4,227 | - | **16,212** |

## b) Sensitivity analysis

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

| Effect on Clean CCS-based* (Current Cost of Supply) profit/(loss) from operation | 2020 HUF billion | 2019 HUF billion |
|---|---|---|
| **Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads and petrochemical margin)** | | |
| Upstream | +59.1/-59.1 | +52.1/-52.1 |
| Downstream | -4.7/+4.7 | -6.3/+6.3 |
| **Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)** | | |
| Upstream | +13.9/-13.9 | +16.8/-16.8 |
| Downstream** | +4.4/-4.4 | +11.9/-11.9 |
| Gas Midstream | +0.4/-0.4 | +0.8/-0.8 |
| **Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads/petrochemical margin)** | | |
| Upstream | +2.3/-2.3 | +3.8/-3.8 |
| Downstream | +19.3/-19.3 | +18.1/-18.1 |
| **Refinery margin (change by +/- 1 USD/bbl)** | | |
| Downstream | +35.6/-35.6 | +29/-29.4 |
| **Integrated petrochemical margin (change by +/- 100 EUR/t)** | | |
| Downstream | +48.3/-48.3 | +43.4/-43.4 |

*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.
** Restated from +22.6/-22.6 to +11.9/-11.9 due to mathematical error.

## c) 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.

| | 2020 HUF million | 2019 HUF million |
|---|---|---|
| **Long-term debt** | | |
| Eurobond €750 million due 2023 | 272,287 | 245,786 |
| Eurobond €650 million due 2027 | 234,179 | - |
| HUF bond HUF 28,400 million due 2029 | 28,622 | 28,789 |
| HUF bond HUF 36,600 million due 2030 | 34,579 | - |
| Schuldschein €130 million due between 2020-2027 | 39,162 | 39,120 |
| Bank loans | 110,240 | 159,481 |
| Finance lease liabilities | 101,297 | 108,795 |
| Other | 632 | 446 |
| **Total long-term debt** | **820,998** | **582,417** |
| **Short-term debt** | | |
| Eurobond €750 million due 2023 | 5,200 | 4,938 |
| Eurobond €650 million due 2027 | 925 | - |
| HUF bond HUF 28,400 million due 2029 | 146 | - |
| HUF bond HUF 36,600 million due 2030 | 162 | - |
| Schuldschein €130 million due between 2020-2027 | 4,071 | 3,966 |
| Bank loans | 278,479 | 287,693 |
| Finance lease liabilities | 32,160 | 26,341 |
| Other | 647 | 3,684 |
| **Total short-term debt** | **321,790** | **326,622** |
| **Gross debt (long-term and short-term)** | **1,142,788** | **909,039** |
| Cash and cash equivalents | 193,877 | 326,108 |
| Current debt securities | 14,511 | 24,275 |
| **Net Debt*** | **934,400** | **558,656** |
| Total equity | **2,486,600** | **2,451,369** |
| **Capital and net debt** | **3,421,000** | **3,010,025** |
| **Gearing ratio (%)**** | **27%** | **19%** |
| Profit from operation | 67,366 | 294,059 |
| Depreciation, depletion, amortisation and impairment | 512,023 | 391,010 |
| Reported EBITDA | 579,389 | 685,069 |
| **Net Debt/Reported EBITDA** | **1.61** | **0.82** |

*Long-term debt plus Short-term debt less Cash and cash equivalents less Current debt securities.
**Net Debt divided by Net Debt plus Total equity.

On 18 September 2020 the Group successfully completed a bond auction for qualified investors in line with the Bond Funding for Growth Scheme announced by the National Bank of Hungary with an aim to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market. The bonds are issued with below terms:

- total face value: HUF 36,600 million
- maturity: 10 years
- Yield: 1.697% (coupon: 1.1%)

In October 2020 the Group issued EUR 650 million fixed rate Eurobond notes. The notes are due in October 2027 and pay an annual coupon of 1.5%.

The analysis of the gross debt of the Group by currencies is the following:

| **Gross debt by currency** | 2020 HUF million | 2019 HUF million |
|---|---|---|
| EUR | 832,052 | 713,701 |
| USD | 182,130 | 100,924 |
| HUF | 92,408 | 59,752 |
| HRK | 26,265 | 24,429 |
| CZK | 9,650 | 9,726 |
| Other | 283 | 507 |
| **Gross debt** | **1,142,788** | **909,039** |

The following issued bonds were outstanding as of 31 December 2020:

| | Ccy | Amount Issued (orig ccy, million) | Coupon | Type | Cpn Freq | Issue date | Maturity | Issuer |
|---|---|---|---|---|---|---|---|---|
| Eurobond | EUR | 750 | 2.6% | Fixed | Annual | 28.04.2016 | 28.04.2023 | MOL Plc. |
| Eurobond | EUR | 650 | 1.5% | Fixed | Annual | 08.10.2020 | 08.10.2027 | MOL Plc. |
| HUF bond | HUF | 28,400 | 2.0% | Fixed | Annual | 24.09.2019 | 24.09.2029 | MOL Plc. |
| HUF bond | HUF | 36,600 | 1.1% | Fixed | Annual | 22.09.2020 | 22.09.2030 | MOL Plc. |

The reconciliation between the Group's total of future minimum finance lease payments as a lessee and their present value is the following:

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|---|---|---|---|
| **Finance leases as a lessee** | Minimum lease payments HUF million | Lease liability HUF million | Minimum lease payments HUF million | Lease liability HUF million |
| Due within one year | 33,335 | 32,155 | 29,045 | 26,341 |
| Due later than one year but not later than five years | 74,139 | 67,919 | 79,936 | 78,862 |
| Due later than five years | 42,667 | 33,383 | 35,095 | 29,933 |
| **Total** | **150,141** | **133,457** | **144,076** | **135,136** |
| Future finance charges | 16,684 | n/a | 8,940 | n/a |
| **Lease liability** | **133,457** | **133,457** | **135,136** | **135,136** |

The reconciliation between the Group's total of future minimum finance lease payments as a lessor and their present value is the following:

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|---|---|---|---|
| **Finance leases as a lessor** | Minimum lease payments receivable HUF million | Lease receivable HUF million | Minimum lease payments receivable HUF million | Lease receivable HUF million |
| Due within one year | 894 | 581 | 894 | 556 |
| Due later than one year but not later than five years | 3,716 | 2,736 | 3,786 | 2,661 |
| Due later than five years | 4,555 | 3,526 | 5,448 | 4,267 |
| Residual value | n/a | 1,889 | n/a | 1,766 |
| **Total** | **9,165** | **8,732** | **10,128** | **9,250** |
| Future finance income | 433 | n/a | 878 | n/a |
| **Lease receivable** | **8,732** | **8,732** | **9,250** | **9,250** |

## d) Equity

**Accounting policies**

Retained earnings and other reserves shown in the consolidated financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the reconciliation of MOL Plc.'s equity prepared in accordance with the Hungarian Accounting Law.

**Reserves of exchange differences on translation**

The reserves of exchange differences on translation represents translation differences arising on consolidation of financial statements of foreign entities. Exchange differences arising on such monetary items that, in substance, forms part of the company's net investment in a foreign entity are classified as other comprehensive income in the consolidated financial statements until the disposal of the net investment. Upon disposal of the corresponding assets, the cumulative revaluation or reserves of exchange differences on translation are recognised as income or expenses in the same period in which the gain or loss on disposal is recognised.

**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 Group 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 no change in the number of issued shares in 2020. As of 31 December 2020, 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 2020 and 31 December 2019 is HUF 78,249 million and HUF 79,408 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 10 April 2024 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 |
|---|---|---|---|---|---|
| **1 Jan 2019** | **819,424,825** | **(76,733,102)** | **(108,315,354)** | **634,376,369** | **1,059,424,825** |
| Share distribution for the members of the Board of Directors and participants of MRP | - | 886,670 | - | 886,670 | - |
| Settlement of share option agreement with MUFG Securities EMEA Plc. | - | 5,648,407 | (5,648,407) | - | - |
| Settlement of share option agreement with Unicredit Bank A.G. | - | 484,582 | (484,582) | - | - |
| Settlement of share option agreement with ING Bank N.V. | - | 3,341,680 | (3,341,680) | - | - |
| **31 Dec 2019** | **819,424,825** | **(66,371,763)** | **(117,790,023)** | **635,263,039** | **1,059,424,825** |
| Share distribution for the members of the Board of Directors and participants of MRP | - | 264,444 | - | 264,444 | - |
| Settlement of share option agreement with MUFG Securities EMEA Plc. | - | (10,951,702) | 10,951,702 | - | - |
| Settlement of share option agreement with Commerzbank A.G. | - | 10,732,876 | (10,732,876) | - | - |
| Treasury share purchase by MOL Vagyonkezelő Kft. | - | (9,537,994) | - | (9,537,994) | - |
| **31 Dec 2020** | **819,424,825** | **(75,864,139)** | **(117,571,197)** | **625,989,489** | **1,059,424,825** |

| Series "C" shares | | | | | |
|---|---|---|---|---|---|
| **31 Dec 2019** | **578** | **(578)** | **-** | **-** | **578** |
| **31 Dec 2020** | **578** | **(578)** | **-** | **-** | **578** |

MOL's Board of Directors decided that a maximum of 40,971,270 pieces (5%) of "A" series ordinary MOL shares may be purchased during a one-year period within the framework of and in line with the conditions set out in AGM resolution No. 7/2020. (04.30). The Board of

Directors appointed MOL Vagyonkezelő Kft. to execute the treasury share purchases. MOL Vagyonkezelő Kft. purchased 9,537,994 shares until 31 December 2020.

**Dividend**

Given that the short-term efforts focus on cash preservation and on retaining maximum flexibility and despite the original intention to continue the previous trend of increasing base dividends, the Board proposed to fully allocate the after-tax profit of 2019 to retained earnings. The total amount of reserves legally available for distribution based on MOL Plc.'s reconciliation of equity is HUF 1,512,360 million as of 31 December 2020 (31 December 2019: HUF 1,579,432 million).

**Treasury share put and call option transactions**

MOL Plc. has three option agreements concluded with financial institutions in respect of 77,487,189 pieces of series "A" shares ("Shares") as of 31 December 2020. 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.

| Counterparty | Underlying pieces of MOL ordinary shares | Strike price per share | Expiry |
|---|---|---|---|
| ING Bank N.V. | 39,179,973 | EUR 5.4801 | 23 Jun 2021 |
| Commerzbank AG | 10,732,876 | EUR 5.6568 | 16 Jun 2021 |
| UniCredit Bank AG | 27,574,340 | EUR 9.0664 | 14 Jun 2021 |

MOL agreed with ING Bank N.V. ("ING") on 17 June 2020, that the option rights in relation to 39,179,973 Shares under the share option agreement executed between ING and MOL on 26 November 2019 are cash settled on 25 June 2020. Simultaneously, MOL and ING entered into a new share purchase agreement and share option agreement, according to which MOL received American call options and ING received European put options in relation to 39,179,973 Shares, with the effective date of 25 June 2020. The maturity date of both the call and put options is 23 June 2021, and the strike price of both options is EUR 5.4801 per Share.

MOL agreed with MUFG Securities EMEA Plc. ("MUFG") that the option rights in relation to 10,951,702 Shares under the share option agreement executed between MUFG and MOL on 11 November 2019 are physically settled on 18 June 2020. MOL, MUFG and Commerzbank AG ("Commerzbank") have agreed on 16 June 2020 that MOL designates Commerzbank to take over 10,732,876 pieces of Shares from MUFG and MOL acquires 218,826 pieces of Shares from MUFG. Simultaneously, MOL and Commerzbank have entered into a share option agreement where MOL receives American call options and Commerzbank receives European put options in relation to 10,732,876 Shares with the effective date of 18 June 2020. The maturity date of both the call and put options is 16 June 2021, and the strike price of both options is EUR 5.6568 per Share.

MOL agreed with UniCredit Bank AG ("UniCredit") on 11 November 2019 that the option rights in relation to 27,089,758 Shares under the share option agreement executed between UniCredit and MOL on 14 November 2018 are cash settled on 18 November 2019. Simultaneously, MOL and UniCredit concluded a share purchase agreement and new share option agreement, according to which MOL received American call options and UniCredit received European put options in relation to 27,574,340 Shares, with the effective date of 18 November 2019. As a result of these transactions, UniCredit received 484,582 Shares. The maturity date of both the call and put options is 14 June 2021, and the strike price of both options is EUR 9.0664 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 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.

## 21. Financial instruments

| 2020<br>Carrying amount of financial instruments | | Fair value through profit or loss<br>HUF million | Derivatives used for hedging hedge acc.*<br>HUF million | Amortised cost<br>HUF million | Fair value through other comprehensive income<br>HUF million | Total carrying amount<br>HUF million |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Other non-current financial assets | Equity instruments | 6,664 | - | - | 67,565 | **74,229** |
| | Loans given | - | - | 41,869 | - | **41,869** |
| | Deposit | - | - | 356 | - | **356** |
| | Finance lease receivables | - | - | 8,151 | - | **8,151** |
| | Debt securities | - | - | - | - | **-** |
| | Commodity derivatives | 1,819 | - | - | - | **1,819** |
| | Other | - | - | 25,992 | - | **25,992** |
| **Total non-current financial assets** | | **8,483** | **-** | **76,368** | **67,565** | **152,416** |
| Trade and other receivables | | - | - | 523,021 | - | **523,021** |
| Finance lease receivables | | - | - | 257 | - | **257** |
| Cash and cash equivalents | | - | - | 193,877 | - | **193,877** |
| Debt securities | | - | - | - | 14,511 | **14,511** |
| Other current financial assets | Commodity derivatives | 16,667 | - | - | - | **16,667** |
| | Loans given | - | - | 4,556 | - | **4,556** |
| | Deposit | - | - | 62 | - | **62** |
| | Finance lease receivables | - | - | 581 | - | **581** |
| | Foreign exchange derivatives | - | - | - | - | **-** |
| | Other derivatives | - | - | - | - | **-** |
| | Other | - | - | 2,270 | - | **2,270** |
| **Total current financial assets** | | **16,667** | **-** | **724,624** | **14,511** | **755,802** |
| **Total financial assets** | | **25,150** | **-** | **800,992** | **82,076** | **908,218** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Borrowings (long-term debt) | | - | - | 719,701 | - | **719,701** |
| Finance lease liabilities | | - | - | 101,297 | - | **101,297** |
| Other non-current financial liabilities | Foreign exchange derivatives | - | 1,121 | - | - | **1,121** |
| | Other derivatives | 3,053 | - | - | - | **3,053** |
| | Other | **-** | **-** | **45,193** | **-** | **45,193** |
| **Total non-current financial liabilities** | | 3,053 | 1,121 | 866,191 | n/a. | **870,365** |
| Trade and other payables | | - | - | 549,642 | - | **549,642** |
| Borrowings (short-term debt) | | - | - | 289,630 | - | **289,630** |
| Finance lease liabilities | | - | - | 32,160 | - | **32,160** |
| Other current financial liabilities | Transferred "A" shares with put&call options | - | - | 191,105 | - | **191,105** |
| | Commodity derivatives | 23,936 | - | - | - | **23,936** |
| | Foreign exchange derivatives | 202 | - | - | - | **202** |
| | Other derivatives | 6,591 | - | - | - | **6,591** |
| | Other | **-** | **-** | **7,544** | **-** | **7,544** |
| **Total current financial liabilities** | | **30,729** | **-** | **1,070,081** | **n/a.** | **1,100,810** |
| **Total financial liabilities** | | **33,782** | **1,121** | **1,936,272** | **n/a.** | **1,971,175** |

*hedge acc: under hedge accounting

| 2019<br>Carrying amount of financial instruments | | Fair value through profit or loss<br>HUF million | Derivatives used for hedging hedge acc.*<br>HUF million | Amortised cost<br>HUF million | Fair value through other comprehensive income<br>HUF million | Total carrying amount<br>HUF million |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Other non-current financial assets | Equity instruments | 1,649 | - | - | 63,545 | **65,194** |
| | Loans given | - | - | 27,941 | - | **27,941** |
| | Deposit | - | - | 323 | - | **323** |
| | Finance lease receivables | - | - | 8,694 | - | **8,694** |
| | Debt securities | - | - | - | 12,680 | **12,680** |
| | Commodity derivatives | 133 | - | - | - | **133** |
| | Other | - | - | 22,726 | - | **22,726** |
| **Total non-current financial assets** | | **1,782** | **-** | **59,684** | **76,225** | **137,691** |
| Trade and other receivables | | - | - | 610,048 | - | **610,048** |
| Finance lease receivables | | - | - | 287 | - | **287** |
| Cash and cash equivalents | | - | - | 326,108 | - | **326,108** |
| Debt securities | | 14,136 | - | - | 10,139 | **24,275** |
| Other current financial assets | Commodity derivatives | 5,894 | - | - | - | **5,894** |
| | Loans given | - | - | 4,415 | - | **4,415** |
| | Deposit | - | - | 40,269 | - | **40,269** |
| | Finance lease receivables | - | - | 556 | - | **556** |
| | Other derivatives | 1,053 | - | - | - | **1,053** |
| | Other | - | - | 51,958 | - | **51,958** |
| **Total current financial assets** | | **21,083** | **-** | **1,033,641** | **10,139** | **1,064,863** |
| **Total financial assets** | | **22,865** | **-** | **1,093,325** | **86,364** | **1,202,554** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Borrowings (long-term debt) | | - | - | 473,612 | - | **473,612** |
| Finance lease liabilities | | - | - | 108,805 | - | **108,805** |
| Other non-current financial liabilities | Foreign exchange derivatives | 556 | 679 | - | - | **1,235** |
| | Other | - | - | 1,903 | - | **1,903** |
| **Total non-current financial liabilities** | | **556** | **679** | **584,320** | **n/a.** | **585,555** |
| Trade and other payables | | - | - | 624,164 | - | **624,164** |
| Borrowings (short-term debt) | | - | - | 300,281 | - | **300,281** |
| Finance lease liabilities | | - | - | 26,341 | - | **26,341** |
| Other current financial liabilities | Transferred "A" shares with put&call options | - | - | 230,723 | - | **230,723** |
| | Commodity derivatives | 10,742 | - | - | - | **10,742** |
| | Foreign exchange derivatives | 3 | - | - | - | **3** |
| | Other derivatives | 4,231 | - | - | - | **4,231** |
| | Other | - | - | 6,907 | - | **6,907** |
| **Total current financial liabilities** | | **14,976** | **-** | **1,188,416** | **n/a.** | **1,203,392** |
| **Total financial liabilities** | | **15,532** | **679** | **1,772,736** | **n/a.** | **1,788,947** |

*hedge acc: under hedge accounting

The Group does not have any instrument that the Group designated upon initial recognition as at fair value through profit or loss in order to reduce a measurement or recognition inconsistency. The Group does not have any financial instrument whose classification has changed as a result of amendments in business model categorization.

Investments in equity instruments designated upon initial recognition as at fair value through other comprehensive income. Investments in venture funds where the Group has significant influence are measured as at fair value through profit or loss. The managements' intention regarding the instruments which are measured as at fair value through other comprehensive income not changed so the Group decided to apply the measurement of previous years. The most significant equity instrument is JANAF interest hold by INA d.d., the company that owns and operates the Adria pipeline system. The market value of the shares as of 31 December 2020 amounted to HUF 24,711 million (31 December 2019: HUF 24,814 million).

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 bonds is HUF 603,386 million, while their carrying amount is HUF 576,100 million as of 31 December 2020 (31 December 2019: fair value was HUF 299,018 million, carrying amount was HUF 279,513 million).

Impairment only accounted for on trade receivables and loans given. No impairment is recognised on the remaining financial instruments based on materiality, history, expectations and change in credit risk.

Contract assets and contract liabilities from contracts with customers are not material for the Group.

The carrying amount of hedging instruments designated in hedge accounting programmes are the followings.

| Carrying amounts of hedging instrument | | | 2020 HUF million | 2019 HUF million |
|---|---|---|---|---|
| Cash flow hedge | Liabilities | Foreign exchange derivatives | 1,121 | 679 |
| Net investment hedge | Liabilities | Borrowings | 665,450 | 319,002 |

## 22. Fair value measurement of financial instruments

| Fair value hierarchy | 2020 Level 1 Unadjusted quoted prices in active markets HUF million | 2020 Level 2 Valuation techniques based on observable market input HUF million | 2020 Total fair value HUF million | 2019 Level 1 Unadjusted quoted prices in active markets HUF million | 2019 Level 2 Valuation techniques based on observable market input HUF million | 2019 Total fair value HUF million |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Equity instruments | 24,711 | 49,518 | **74,229** | 24,814 | 40,380 | **65,194** |
| Debt securities | 3,826 | 10,685 | **14,511** | 4,688 | 32,267 | **36,955** |
| Commodity derivatives | - | 18,486 | **18,486** | - | 6,027 | **6,027** |
| Foreign exchange derivatives | - | - | **-** | - | - | **-** |
| Other derivatives | - | - | **-** | - | 1,053 | **1,053** |
| Other | - | - | **-** | - | - | **-** |
| **Total financial assets** | **28,537** | **78,689** | **107,226** | **29,502** | **79,727** | **109,229** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Commodity derivatives | - | 23,936 | **23,936** | - | 10,742 | **10,742** |
| Foreign exchange derivatives | - | 1,323 | **1,323** | - | 1,238 | **1,238** |
| Other derivatives | - | 9,644 | **9,644** | - | 4,231 | **4,231** |
| **Total financial liabilities** | **-** | **34,903** | **34,903** | **-** | **16,211** | **16,211** |

Both in 2020 and 2019, the Group does not have any instruments with fair value categorised as Level 3 (valuation techniques based on significant unobservable market input).

## 23. 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 Group 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.

| Trade and other receivables | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Trade receivables | 451,757 | 540,841 |
| Other receivables | 71,521 | 69,494 |
| **Total** | **523,278** | **610,335** |

| Trade receivables | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Trade receivables (gross) | 473,963 | 560,339 |
| Loss allowance for receivables | (22,206) | (19,498) |
| **Total** | **451,757** | **540,841** |

| Movements in the loss allowance for receivables | 2020 HUF million | 2019 HUF million |
|---|---|---|
| **At 1 January** | **19,498** | **24,058** |
| Additions | 6,043 | 5,146 |
| Reversal | (6,566) | (10,378) |
| Amounts written off | (154) | (250) |
| Foreign exchange differences | 3,385 | 922 |
| **At 31 December** | **22,206** | **19,498** |

The total additions in loss allowance for receivables as of 31 December 2020 is HUF 6,043 million, of which HUF 2,685 million relates to receivables in Egypt. The total reversal in loss allowance for receivables as of 31 December 2020 is HUF 6,566 million, of which HUF 2,128 million relates to receivables in Egypt.

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|---|---|---|---|
| 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** | **425,748** | **425,152** | **491,071** | **487,971** |
| **Past due** | **48,215** | **26,605** | **69,268** | **52,870** |
| Within 180 days | 21,610 | 21,194 | 42,660 | 41,481 |
| Over 180 days | 26,605 | 5,411 | 26,608 | 11,389 |
| **Total** | **473,963** | **451,757** | **560,339** | **540,841** |

**Current assets pledged as security**

There are no current assets pledged as security as of 31 December 2020.

## 24. 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. The Group considers the term “insignificant risk of change in value” not being limited to three-month period.

| | 31 Dec 2020 HUF million | 31 Dec 2019 HUF million |
|---|---|---|
| Short-term bank deposits | 46,521 | 33,042 |
| Demand deposit | 137,109 | 281,794 |
| Cash on hand | 10,247 | 11,272 |
| **Total** | **193,877** | **326,108** |

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# 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.

## 25. Commitments and contingent liabilities

**Accounting policies**

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

### a) Guarantees

The total value of guarantees undertaken to parties outside the Group is contractually HUF 193,631 million.

### b) Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2020 is HUF 246,568 million (31 December 2019: HUF 283,483 million), of which HUF 220,361 million relates to Hungarian operation, HUF 13,478 million relates to operation in Slovakia and HUF 657 million relates to associated company.

The most significant amounts relate to a polyol project in MOL Petrochemicals (HUF 100,198 million) which intends to become a significant producer of polyether polyols, high-value intermediates for products applied in the automotive, packaging and furniture industry. Under the project a new polyol plant will be constructed to which significant part of capital expenditures relate both in the current and comparative period. Additional significant amounts of capital commitments in Hungary relate to the MOL Campus project (HUF 60,772 million), olefin reconstruction projects (HUF 19,657 million) and an oil handover point project in Csurgó (HUF 4,230 million).

Further significant amounts relate to a project in Slovakia that aims to increase the production reliability and mitigate HSE (health, safety, environment) risks (HUF 3,228 million) and a transformers replacement project to satisfy environmental requirements (HUF 2,165 million).

As part of corporate social responsibility MOL Group is committed to spending HUF 11,159 million via sponsorship agreements in the next 3 years.

MOL Group has a take-or-pay contract with JANAF in amount of HUF 5,345 million.

### c) Unrecognised lease commitments

| Unrecognised lease commitments* | 31 Dec 2020<br>HUF million | 31 Dec 2019<br>HUF million |
|---|---|---|
| Due within one year | 1,774 | 1,216 |
| Due later than one year but not later than five years | 2,892 | 912 |
| Due later than five years | 275 | 240 |
| **Total** | **4,941** | **2,368** |

*Lease commitments for short-term leases and leases of low-value assets.

### d) Authority procedures, litigation

**General**

None of the litigations described below have any impact on the accompanying consolidated financial statements except as explicitly noted. MOL Group entities are parties 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 the Group.

The value of litigation where members of the MOL Group act as defendant is HUF 39,037 million for which HUF 12,921 million provision has been made.

**CREDITOR procedure (MOL Plc.)**

Creditor BETA, s.r.o. claimed 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. Therefore, the company was not able to receive consideration for its shares. Creditor BETA, s.r.o. claims compensation for damages cca. EUR 3 million plus annual interest of 10.48%. The procedure is at the quantum determination phase, 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)**

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.

**CONCESSIONS (INA Group)**

On 29 July 2011 the Ministry of Economy, Labour and Entrepreneurship (hereinafter: the Ministry) rendered three Decisions depriving INA of the license to explore hydrocarbons in exploration areas “Sava”, “Drava” and “North-West Croatia”.

On 29 August 2011, INA filed three administrative lawsuits against the Ministry’s Decisions. The Administrative Court annulled the Ministry’s Decisions.

On 10 November 2014, and on 20 February 2015 the Ministry adopted new Decisions in which it again deprived INA of the license to explore hydrocarbons in exploration areas “Sava” and “North-West Croatia” and “Drava”, with the same explanations. INA filed lawsuits against new Ministry Decisions regarding exploration areas “Sava”, “Drava” and “NW Croatia”.

In November 2016 the Administrative Court reached a decision and rejected INA’s claim in the case regarding exploration area “Drava”. INA has filed an appeal against that decision in December 2016.

On 08 September 2017 INA received the judgment brought by the High Administrative Court rejecting INA's appeal against the first-instance verdict in the “Drava” case. Thus, the Decision on seizure of hydrocarbon exploration approvals in the "Drava" research area, became final. The court also reached a decision regarding exploration area “North-West Croatia”. Both cases are under review at the Constitutional Court.

On 12 July 2018, INA received decision of the High Administrative Court cancelling previous decision of the Administrative Court and Ministry of Economy decision regarding "Sava" exploration license and has returned a case in its initial state. The case is pending.

**BELVEDERE**

In July 2017 INA received a lawsuit from Belvedere d.d. Dubrovnik with a claim amounting HRK 220 million. The claim relates to a loan provided by INA in 2005 to Belvedere d.d. (hotel “Belvedere” in Dubrovnik served as security for the loan). Since Belvedere d.d. has not returned the loan, enforcement procedure was initiated in 2012, and the hotel was sold to a highest bidder on a public auction. Belvedere d.d. now claims that the hotel was sold below its market value and also claims damage to its reputation and loss of profit. Although the outcome of this procedure is uncertain it is more likely in favour of INA than not. Notwithstanding the possible outcome, request for the damage is deemed to set too high considering three independent court experts already discussed the market price issue.

**MOL Plc. and INA vs Federation of the Bosnia and Herzegovina**

MOL Plc. and INA initiated arbitration against FBIH in year 2012, in front of ICC Zurich. Case was in abeyance till November 2019.

INA/MOL claim:

In the Energopetrol (EP) Recapitalization Agreement, signed September 2006, Federation of the Bosnia and Herzegovina (FBIH) gave representations and warranties to the Consortium in respect of EP’s compliance with legal regulations relating to labour and employment matters, that there was no risk of legal proceedings to be brought against EP. Following the closing of the transaction, a significant number of then former and existing employees started lawsuits against EP.

FBIH counterclaim:

According to the EP Recapitalization Agreement (RA), INA and MOL Plc. obligation was to provide for the investments in the EP. According to the text of RA, investment means to ensure necessary funds, including, without limitation, the loans, to the EP, with a purpose to renew and expand the existing network of PS, as foreseen in the Investment plan which was enclosed to the RA. Deloitte, who was engaged by the parties to the RA to confirm performance of the agreed RA provisions, confirmed the Consortium has performed its investment obligations.

Hearing is likely to be set during the second half of 2021.

**Dana and Crescent vs. OMV and MOL**

On 3 April 2019, OMV Upstream International GmbH (“OMV”) as Claimant commenced an arbitration at the London Court of International Arbitration (“LCIA”) under the Joint Venture Agreement (the ”JVA”), dated 15 May 2009 concerning Pearl Petroleum Company Limited (“Pearl”) naming Dana Gas PJSC (“Dana”), Crescent Petroleum Company International Limited (“Crescent”), MOL Hungarian Oil and Gas Public Limited Company (“MOL”) and Pearl as Respondents. On 12 April 2019, another arbitration was commenced by Dana and Crescent as Claimants, against OMV and MOL as Respondents. Subsequently the LCIA approved the consolidation of these arbitrations and Pearl was removed as a Party on giving an undertaking to be bound by the Tribunal’s awards.

Dana and Crescent’s position is that Pearl’s approval of a Field Development Plan (“FDP”) for the oil and gas field at Chemchemal is necessary for Pearl’s development of this field and any delay is value destructive to Pearl.

MOL’s (and OMV’s) position is that Dana and Crescent are principally motivated by seeking earn-out payments to which they are not entitled by advancing a premature and unjustified Field Development Plans (“FDPs”) for the Chemchemal discovery that ignore its under appraised status. MOL (and OMV) continues to propose that further appraisal work (acquisition of 3d seismic and drilling of appraisal wells) be carried out in order to properly and prudently assess development options.

In two expert determination procedures initiated by Dana and Crescent, the Experts, agreeing with MOL (and OMV), determined that the FDPs did not reasonably conform with the Development Criteria set out in the Joint Venture Agreement.

MOL seeks dismissal of all Dana's and Crescent's claims and has counterclaimed for the costs incurred by MOL in the Expert Determinations. A ten day hearing on the merits is set down has been fixed for 12-23 April 2021.

**Dana and Crescent vs. MOL Plc.**

On 14 February 2020, Dana Gas PJSC ("Dana") and Crescent Petroleum Company International Limited ("Crescent") as Claimants commenced arbitration against Hungarian Oil and Gas Public Limited Company ("MOL") as Respondent.

Dana and Crescent claim that MOL breached the Share Sale Agreement dated 15 May 2009 concluded by Dana, Crescent and MOL (the "SSA") by refusing to pay earn-out payments that they allege are due.

MOL's position is that the Claimants have no entitlement to Reserve Based Earn Out Payments, Production Based Earn Out Payments or Crude Oil Earn-Out Payments under the SSA. The facts are substantially the same as those being adjudicated in the JVA Arbitration. An arbitral tribunal has been appointed and a 5 day hearing has been fixed for 28 March – 1 April 2022.

### e) Environmental liabilities

MOL Group's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL Group is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL Group has established a provision of HUF 97,644 million for the estimated cost as at 31 December 2020 for probable and quantifiable costs of rectifying past environmental damage (see Note 16). In addition, a provision of HUF 7,500 million was recorded to cover an expected intervention where the timing, cost and nature of the intervention is still uncertain. 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 the Group'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, including both the facilities of MOL Petrochemicals and area of MOL's Tisza refinery, where the Group has identified significant underground water and subsurface soil contamination. In accordance with the resolutions of the regional environmental authorities combined for MOL Petrochemicals and MOL Group, the Group completed a detailed investigation and submit the results and technical specifications to the authorities in July of 2017. Based on these documents the authorities brought a resolution on 15 September 2017 requiring MOL Petrochemicals and MOL Group to jointly 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 Petrochemicals and MOL Group 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 the Group's Hungarian predecessor before 1995 may give rise to future remediation of drilling mud produced (in 1995 there was modification in the drilling technology). In accordance with legal requirements the treatment (extraction and disposal) of the resulting pollutant is required. 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. According to current estimates the amount of the environmental liability is HUF 1.14 billion.

Further to more detailed site investigations to be conducted in the future and the advancement of national legislation or authority practice, additional contingent liabilities may arise at the industrial park around Mantova refinery and the Croatian refineries, depots and retail sites which have been acquired in previous business combinations. As at 31 December 2020, on Group level the aggregate amount of environmental liabilities for the above-mentioned areas, recorded on the statement of financial position was HUF 50.8 billion (31 December 2019: HUF 42.8 billion).

## 26. Notes to the consolidated 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.

The Group has classified cash payments for the principal portion of lease payments and cash payments for the interest portion of lease payments as financing activities.

| Analysis of net cash outflow on acquisition of subsidiaries, joint operations as business combinations | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Cash consideration | (475,798) | (56,192) |
| Cash at bank or on hand acquired | 18,686 | 10,356 |
| **Net cash outflow on acquisition of subsidiaries, joint operations** | **(457,112)** | **(45,836)** |

| Net cash outflow on acquisition of subsidiaries as asset-deals | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Cash consideration | - | 915 |
| **Total** | **-** | **915** |

| Analysis of cash flow related to joint ventures and associates | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Cash consideration of acquisition and capital increase | (16,479) | (1,849) |
| Cash consideration of sale and capital decrease | 172 | 33 |
| Dividend from joint ventures and associates | 11,223 | 11,654 |
| Net movements of loans | 2,208 | 70 |
| **Total** | **(2,876)** | **9,908** |

| Analysis of other items | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Write-off of inventories, net | 4,296 | 6,775 |
| Write-off of receivables, net | 6,052 | 526 |
| Other non-highlighted items | (23,573) | 36,010 |
| **Total** | **(13,225)** | **43,311** |

| | 2019 balance | Cash flows used in financing activities | Non-cash changes: Acquisitions/ Disposals | Realised and non-realised FX | FV change on derivatives | Accrued Interest | New lease liabilities | Non-financing CF related movements | 2020 balance |
|---|---|---|---|---|---|---|---|---|---|
| | HUF million | **HUF million** | HUF million | HUF million | HUF million | HUF million | HUF million | HUF million | HUF million |
| Long-term debt | 582,417 | **168,664** | 2,515 | 32,273 | - | 11,679 | 23,360 | 90 | 820,998 |
| Other non-current financial liabilities | 3,138 | **3,181** | - | (243) | - | - | - | 43,291 | 49,367 |
| Short-term debt | 326,622 | **(69,508)** | - | 65,155 | - | 3,776 | - | (4,255) | 321,790 |
| Other current financial liabilities | 252,606 | **(60,547)** | - | 21,770 | 1,718 | - | - | 13,831 | 229,378 |
| **Total Cash flows used in financing activities from financial liabilities** | | **41,790** | | | | | | | |
| Other items impacting Cash flows used in financing activities* | | **(19,353)** | | | | | | | |
| **Total Cash flows used in financing activities** | | **22,437** | | | | | | | |

The total cash outflow for leases in the period is HUF 34,151 million.

## 27. Earnings per share

**Accounting policies**

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share taking into consideration all dilutive potential ordinary shares that were outstanding during the period:

- the net profit for the period attributable to ordinary shares is increased by the after-tax number of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.
- the weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The diluted earnings per share differs from the basic earnings per share due to dilutive effect of outstanding number of shares with conversion option at the end of the year, please refer to Note 4.

| | Income HUF million | Weighted average number of shares | Earnings/(Loss) per share HUF |
|---|---|---|---|
| Basic Earnings Per Share 2019 | 223,214 | 704,367,982 | 317 |
| Diluted Earnings Per Share 2019 | 223,214 | 710,992,821 | 314 |
| Basic Loss Per Share 2020 | (15,939) | 711,992,681 | (22) |
| Diluted Loss Per Share 2020* | (15,939) | 711,992,681 | (22) |

*Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

## 28. Related party transactions

### a) Transactions with associated companies and joint ventures

| | 2020 HUF million | 2019 HUF million |
|---|---|---|
| Trade and other receivables due from related parties | 6,672 | 7,662 |
| Long-term loans given to related parties | 28,600 | 21,185 |
| Long-term receivables from related parties due to finance lease | 7,665 | 8,129 |
| Short-term loans given to related parties | 3,834 | 738 |
| Short-term receivables from related parties due to finance lease | 612 | 556 |
| Trade and other payables due to related parties | 7,654 | 6,795 |
| Long-term liabilities to related parties due to finance lease | 4,034 | 4,027 |
| Short-term liabilities to related parties due to finance lease | 479 | 480 |
| Net sales to related parties | 20,191 | 28,091 |

The Group purchased and sold goods and services with associated companies and joint ventures during the ordinary course of business in 2020 and 2019. All of these transactions were conducted under market prices and conditions.

### b) Remuneration of the members of the Board of Directors

Directors' total remuneration approximated HUF 146 million in 2020 (2019: HUF 131 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.

### c) Number of shares held by the members of the Board of Directors, Chief Executives' Committee and the Management

| | 2020<br>Number of shares | 2019<br>Number of shares |
|---|---|---|
| Board of Directors | 2,871,246 | 2,685,974 |
| Chief Executives' and Management Committee and Supervisory Board (except Board of Directors members) | 468,780 | 891,220 |
| Senior Management (except Board of Directors, Chief Executives', Supervisory Board and Management Committee members) | 124,702 | 117,258 |
| **Total** | **3,464,728** | **3,694,452** |

### d) Transactions with Management, officers and other related parties

In 2020 entities controlled by the members of key management personnel purchased fuel and other retail services from MOL Group in the total value of HUF 1,667 million. MOL Group provided subsidies through sponsorship for sport organisations controlled by key management personnel in the total value of HUF 677 million. MOL Group purchased other services (including PR, media, business operations related services) from companies controlled by key management personnel in the total value of HUF 257 million.

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

### e) Key management compensation

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

| | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| Salaries and wages | 892 | 1,073 |
| Other short-term benefits | 675 | 345 |
| Share-based payments | 932 | 1,537 |
| **Total** | **2,499** | **2,955** |

### f) Loans to the members of the Board of Directors and Supervisory Board

No loans have been granted to key management personnel.

## 29. Events after the reporting period

Exploration well located in the license PL617 in Norwegian offshore was drilled in January 2021. Well did not achieve the objectives and has been classified as dry. The asset value in the books as of 31 December 2020 is HUF 11,772 million.

No other significant post - balance sheet event occurred.

## 30. Appendices

### a) 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 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023 not yet endorsed by EU)
- Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023 not yet endorsed by EU)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023 not yet endorsed by EU)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023 not yet endorsed by EU)
- Amendment to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2022 not yet endorsed by EU)
- Amendment to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022 not yet endorsed by EU)
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022 not yet endorsed by EU)
- Amendment to Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022 not yet endorsed by EU)
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform- Phase 2 (effective for annual periods beginning on or after 1 January 2021 and endorsed by EU)
- Amendment to IFRS 4 Insurance Contracts- deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021 and endorsed by EU)

The above-mentioned standards and amendments are not expected to significantly impact the Group's consolidated results, financial position or disclosures except amendments to IFRS 7 Interest Rate Benchmark Reform- Phase 2 that might impact Group's disclosure.

MOL Group is continuously following the market developments in relation to the IBOR reform because majority of its loan agreements include LIBOR and/or EURIBOR screen rates as reference rates. The effected agreements include fallback options to be used in case any of the screen rates are unavailable. Furthermore, MOL Group is engaging in discussions with banking partners and data providers on the potential fallback options and alternative rates to be used. MOL Group intends to implement the necessary changes to all loan documentation before relevant IBOR reform becomes effective. MOL Group has not engaged in any hedging relations effected by the IBOR Reform.

## b) Appendix II.: Subsidiaries

| Company name | Country (Incorporation/Branch) | Range of activity | Ownership 2020 | Ownership 2019 |
|---|---|---|---|---|
| **Integrated subsidiaries** | | | | |
| INA-Industrija nafte d.d. | Croatia | Integrated oil and gas company | 49% | 49% |
| **Upstream** | | | | |
| Adriagas S.r.l. | Italy | Pipeline project company | 49% | 49% |
| Croplin, d.o.o. | Croatia | Natural gas trading | 49% | 49% |
| Csanád Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| EMSZ Első Magyar Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| INA Adria B.V. [5] | Netherlands | Exploration financing | - | 49% |
| INA Jadran d.o.o. [5] | Croatia | Exploration and production activity | - | 49% |
| Kalegran B.V. | Netherlands | Exploration financing | 100% | 100% |
| Kalegran Ltd. | Iraq | Exploration and production activity | 100% | 100% |
| KMSZ Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MH Oil and Gas BV. | Netherlands | Investment management | 100% | 100% |
| MNS Oil and Gas B.V. | Netherlands | Exploration financing | 100% | 100% |
| MOL Energy UK Ltd. | United Kingdom | Exploration and production activity | 100% | 100% |
| MOLGrowest (I) Ltd. | United Kingdom | Exploration and production activity | 100% | 100% |
| MOLGrowest (II) Ltd. | United Kingdom | Exploration and production activity | 100% | 100% |
| MOL Operations UK Ltd. | United Kingdom | Exploration and production activity | 100% | 100% |
| MOL UK Facilities Ltd. | United Kingdom | Exploration and production activity | 100% | 100% |
| MOL Bázakerettye Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL Bucsa Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL Crossroads B.V. | Netherlands | Exploration financing | 100% | 100% |
| MOL Azerbaijan Ltd. [2] | Bermuda | Exploration and production activity | 100% | - |
| MOL Denmark B.V. | Netherlands | Exploration financing | 100% | 100% |
| MOL Dania APS [3] | Denmark | Exploration and production activity | - | 100% |
| MOL Dráva Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL (FED) Kazakhstan B. V. - Head office | Netherlands | Exploration financing | 100% | 100% |
| MOL (FED) Kazakhstan B.V. - Representative office [3] | Kazakhstan | Exploration financing | - | 100% |
| MOL (FED) Kazakhstan B.V. - Branch office | Kazakhstan | Investment management | 100% | 100% |
| MOL Jászárokszállás Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL Mezőtúr Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL Nordsjön B.V. | Netherlands | Exploration financing | 100% | 100% |
| MOL Norge AS | Norway | Exploration activity | 100% | 100% |
| MOL Nyírség-Dél Szénhidrogén Koncessziós Kft. [2] | Hungary | Exploration and production activity | 100% | - |
| MOL Nyírség-Észak Szénhidrogén Koncessziós Kft. [2] | Hungary | Exploration and production activity | 100% | - |
| MOL Okány-Nyugat Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL Őrség Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL Pakistan Oil and Gas Co. B.V. - Head Office | Netherlands | Exploration financing | 100% | 100% |
| MOL Pakistan Oil and Gas Co. B.V. - Branch Office | Pakistan | Exploration and production activity | 100% | 100% |
| MOL-RUSS Ooo. | Russia | Management services | 100% | 100% |
| MOL Somogybükkösd Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL Somogyvámos Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL SZMDK Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| MOL West Oman B.V. - Head Office | Netherlands | Exploration financing | 100% | 100% |
| MOL West Oman B.V. - Oman Branch Office | Oman | Exploration activity | 100% | 100% |
| MOL Zala-Nyugat Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| Panfora Oil and Gas S.r.l. | Romania | Exploration and production activity | 100% | 100% |
| Tápió Szénhidrogén Koncessziós Kft. | Hungary | Exploration and production activity | 100% | 100% |
| **Gas-Midstream** | | | | |
| FGSZ Földgázszállító Zrt. | Hungary | Natural gas transmission | 100% | 100% |
| Magyar Gáz Tranzit Zrt. [4] | Hungary | Natural gas transmission | - | 100% |
| **Downstream** | | | | |
| IES S.p.A. | Italy | Refinery and marketing of oil products | 100% | 100% |
| Nelsa S.r.l. | Italy | Trading of oil products | 74% | 74% |
| MOL Group Italy L&G S.r.l. | Italy | Energy services | 70% | 70% |
| Panta Distribuzione S.r.l. | Italy | Trading of oil products | 100% | 100% |
| INA d.o.o. | Serbia | Trading of oil products | 49% | 49% |
| INA BH d.d. | Bosnia and Herzegovina | Trading of oil products | 49% | 49% |
| INA Kosovo d.o.o. | Kosovo | Trading of oil products | 49% | 49% |
| INA Maziva Ltd. | Croatia | Lubricants production and trading | 49% | 49% |
| Leodium Investment Kft. | Hungary | Financial services | 100% | 100% |
| MOL Austria GmbH | Austria | Wholesale trade of lubricants and oil products | 100% | 100% |
| Roth Heizöle GmbH | Austria | Trading of oil products | 100% | 100% |
| MOL Commodity Trading Kft. | Hungary | Financial services | 100% | 100% |
| MCT Slovakia s.r.o. | Slovakia | Financial services | 100% | 100% |
| MOL Germany GmbH | Germany | Trading of oil products | 100% | 100% |
| Aurora Kunststoffe GmbH | Germany | Plastic compounding | 100% | 100% |
| Aurora Kunststoffe Walldürn GmbH | Germany | Plastic compounding | 100% | 100% |
| Aurora Kunststoffe VS GmbH | Germany | Plastic compounding | 100% | 100% |
| MOL Kunststoff Kft. | Hungary | Investment management | 100% | 100% |
| MOL-LUB Kft. | Hungary | Production and trade of lubricants | 100% | 100% |
| MOL-LUB Russ LLC | Russia | Production and trade of lubricants | 100% | 100% |
| MOL Petrolkémia Zrt. | Hungary | Petrochemical production and trading | 100% | 100% |
| Tisza-WTP Kft. [1] | Hungary | Feed water and raw water supply | 0% | 0% |
| TVK-Erőmű Kft. | Hungary | Electricity production and distribution | 100% | 100% |
| MOL Slovenia Downstream Investment B.V. | Netherlands | Investment management | 100% | 100% |
| Moltrans Kft. | Hungary | Transportation services | 100% | 100% |
| MOLTRADE-Mineralimpex Zrt. | Hungary | Importing and exporting of energetical products | 100% | 100% |
| MOL CZ Downstream Investment B.V. | Netherlands | Investment management | 100% | 100% |
| MOL Ukraine LLC | Ukraine | Wholesale and retail trade | 100% | 100% |
| SLOVNAFT a.s. | Slovakia | Refinery and marketing of oil and petrochemical products | 100% | 100% |
| Slovnaft Polska S.A. | Poland | Wholesale and retail trade | 100% | 100% |
| Slovnaft Trans a.s. | Slovakia | Transportation services | 100% | 100% |
| SWS s.r.o. | Slovakia | Transport support services | 51% | 51% |
| Vúrup a.s. | Slovakia | Research and development | 100% | 100% |

| Company name | Country (Incorporation/Branch) | Range of activity | Ownership 2020 | Ownership 2019 |
|---|---|---|---|---|
| Terméktároló Zrt. | Hungary | Oil product storage | 74% | 74% |
| Zväz pre skladovanie zásob a.s. | Slovakia | Wholesale and retail trade, warehousing | 100% | 100% |
| **Consumer Services** | | | | |
| Energopetrol d.d. | Bosnia and Herzegovina | Retail trade | 44% | 44% |
| Holdina d.o.o. | Bosnia and Herzegovina | Trading of oil products | 49% | 49% |
| INA Crna Gora d.o.o. | Montenegro | Trading of oil products | 49% | 49% |
| INA Maloprodajni servisi d.o.o. | Croatia | Trade agency in the domestic and foreign market | 49% | 49% |
| INA Slovenija d.o.o. | Slovenia | Trading of oil products | 49% | 49% |
| MOL Česká republika s.r.o. | Czech Republic | Wholesale and retail trade | 100% | 100% |
| MOL E-mobilitás Vagyonkezelő Kft. | Hungary | Investment management | 100% | 100% |
| MOL Fleet Holding Kft. | Hungary | Investment management | 100% | 100% |
| MOL Fleet Solution Flottakezelő Kft. | Hungary | Fleet management | 100% | 100% |
| MOL Limitless Mobility Holding Kft. | Hungary | Investment management | 100% | 100% |
| MOL Limitless Mobility Kft. | Hungary | Car sharing | 100% | 100% |
| MOL Magyarország Szolgáltató Központ | Hungary | Business services | 100% | 100% |
| MOL Solar Operator Kft. | Hungary | Power production | 100% | 100% |
| Tisza Solar Energy Kft. [2] | Hungary | Power production | 100% | - |
| White Solar Energy Kft. | Hungary | Power production | 100% | 100% |
| MOL Retail Holding Kft. | Hungary | Real estate management | 100% | 100% |
| MOL Kiskereskedelmi Ingatlan Kft. | Hungary | Real estate management | 100% | 100% |
| MOL Romania PP s.r.l. | Romania | Retail and wholesale trade of fuels and lubricants | 100% | 100% |
| MOL Serbia d.o.o. | Serbia | Retail trade of fuels and lubricants | 100% | 100% |
| Port SPV d.o.o. | Serbia | Water transportation services | 100% | 100% |
| MOL Slovenia d.o.o. | Slovenia | Retail trade of fuels and lubricants | 100% | 100% |
| Petrol d.d. | Croatia | Trading of oil products | 49% | 49% |
| Slovnaft Mobility Services, s.r.o. | Slovakia | Rental services | 100% | 100% |
| Tifon d.o.o. | Croatia | Retail trade of fuels and lubricants | 100% | 100% |
| **Corporate and other** | | | | |
| CEGE Közép-európai Geotermikus Energia Termelő Zrt. | Hungary | Geothermal energy production | 100% | 100% |
| CEGE Geothermikus Koncessziós Kft. | Hungary | Geothermal energy production | 100% | 100% |
| Geoinform Kft. | Hungary | Hydrocarbon exploration | 100% | 100% |
| Hostin d.o.o. | Croatia | Tourism | 49% | 49% |
| INA Industrijski servisi d.o.o. | Croatia | Investment management | 49% | 49% |
| Crosco Naftni Servisi d.o.o. | Croatia | Oilfield services | 49% | 49% |
| Crosco B.V. | Netherlands | Oilfield services | 49% | 49% |
| Nordic Shipping Ltd. | Marshall Islands | Platform ownership | 49% | 49% |
| Crosco International d.o.o. (Tuzla) [3] | Bosnia and Herzegovina | Oilfield services | - | 49% |
| Crosco S.A. DE C.V | Mexico | Maintaining services | 49% | 49% |
| Crosco Ukraine Llc. | Ukraine | Oilfield services | 49% | 49% |
| Rotary Zrt. | Hungary | Oilfield services | 49% | 49% |
| Rotary D&WS SRL [2] | Romania | Oilfield services | 49% | - |
| Sea Horse Shipping Inc. | Marshall Islands | Platform ownership | 49% | 49% |
| Plavi Tim d.o.o. | Croatia | IT services | 49% | 49% |
| STSI integrirani tehnički servisi d.o.o. | Croatia | Repairs and maintenance services | 49% | 49% |
| INA Vatrogasni Servisi d.o.o. | Croatia | Firefighting services | 49% | 49% |
| MOL Aréna Kft. | Hungary | Investment management | 100% | 100% |
| MOL CVC Investment Kft. | Hungary | Investment management | 100% | 100% |
| MOL Cyprus Co. Ltd. [3] | Cyprus | Captive insurance | - | 100% |
| MOL GBS Magyarország Kft. | Hungary | Accounting services | 100% | 100% |
| MOL GBS Slovensko s.r.o. | Slovakia | Accounting services | 100% | 100% |
| MOL Group Finance S.A. - Head Office | Luxembourg | Financial services | 100% | 100% |
| MOL Group Finance S.A. - Branch Office | Switzerland | Financial services | 100% | 100% |
| MOL Group International Services B.V. | Netherlands | Financial and accounting services | 100% | 100% |
| MOL Ingatlan Holding Kft. | Hungary | Investment management | 100% | 100% |
| MOL C.F. Kft. | Hungary | Real estate management | 100% | 100% |
| MOL Ingatlankezelő Kft. | Hungary | Real estate management | 100% | 100% |
| MOL Investment Kft. | Hungary | Financial services | 100% | 100% |
| MOL IT & Digital GBS Magyarország Kft. | Hungary | IT services | 100% | 100% |
| MOL IT & Digital GBS Slovensko, s.r.o. | Slovakia | IT services | 100% | 100% |
| MOL IT Holding Kft. | Hungary | Investment management | 100% | 100% |
| MOL Magyarország Társasági Szolgáltató Kft. | Hungary | Company services | 100% | 100% |
| MOL Reinsurance Co. DAC | Ireland | Captive insurance | 100% | 100% |
| MOL Vagyonkezelő Kft. | Hungary | Investment management | 100% | 100% |
| Multipont Program Zrt. | Hungary | Marketing agent activity | 100% | 100% |
| Neptunus Investment Kft. | Hungary | Investment management | 100% | 100% |
| Fonte Viva Kft. | Hungary | Mineral water production and distribution | 100% | 100% |
| OT Industries Vagyonkezelő Zrt. | Hungary | Investment management | 100% | 100% |
| Petrolszolg Kft. | Hungary | Repairs and maintenance services | 100% | 100% |
| Slovnaft Montáže a opravy a.s. | Slovakia | Repairs and maintenance services | 100% | 100% |
| MOL Industrial Services Investment Kft. (former: MOL Solar Inv. Kft.) | Hungary | Investment management | 100% | 100% |
| ISO-SZER Kft. | Hungary | Construction services | 100% | 100% |
| OT Industries-DKG Gépgyártó Zrt. | Hungary | Manufacturing of machinery and equipment | 100% | 100% |
| OT Industries Eszközhasznosító Kft. | Hungary | Leasing activity | 100% | 100% |
| OT Industries Fővállalkozó Zrt. | Hungary | Technical consultancy | 100% | 100% |
| OT Industries-KVV Kivitelező Zrt. | Hungary | Pipeline construction | 100% | 100% |
| OT Industries Tervező Zrt. | Hungary | Engineering activity | 100% | 100% |
| Top Računovodstvo Servisi d.o.o. | Croatia | Accounting services | 49% | 49% |
| TVK Ingatlankezelő Kft. | Hungary | Real estate management | 100% | 100% |

1) Fully consolidated because MOL Petrolkémia Zrt. and TVK Erőmű Kft. are the only costumers of Tisza-WTP Kft.; 2) Fully consolidated from 2020; 3) Liquidated in 2020; 4) Merged to FGSZ Földgázszállító Zrt.; 5)Merged to INA-Industrija nafte d.d.

### c) 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, purchased finished products 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 inventory**

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, impairment should be recognised if the closing value of the inventory 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.

**CO2 adjustment**

CO2 adjustment revaluates provisions created in Downstream operation for CO2 consumption above freely allocated quotas, as defined in accounting policy. This adjustment ensures the accurate cost recognition for the given period in the clean CCS result, also including the smoother distribution within the financial year. It consequently eliminates rolled-over impacts between financial years, too.

**Non-recurring special items**

One-off items are single, significant (more than USD 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.

| Clean CCS profit/(loss) from operation reconciliation | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| **Profit from operation** | **67,366** | **294,059** |
| Inventory holding gain/(loss) | 90,720 | (8,065) |
| Impairment on raw materials and own-produced inventory | (2,781) | (6,007) |
| *- thereof affects raw materials* | (151) | (635) |
| *- thereof affects own-produced inventory* | (2,630) | (5,014) |
| *- thereof affects purchased goods/products inventory* | - | (358) |
| Cargo commodity derivatives | (33,938) | 406 |
| CO2 adjustment | 3,231 | (978) |
| **CCS profit from operation** | **124,598** | **279,415** |
| Impact of derivative transactions | 4,702 | 34,893 |
| Special items | 33,132 | 24,111 |
| **Clean CCS profit from operation** | **162,431** | **338,419** |

| Special items | 2020<br>HUF million | 2019<br>HUF million |
|---|---|---|
| **Profit from operation excluding special items** | **100,498** | **318,170** |
| **Upstream** | | |
| Impairment on Upstream assets in the Group | (25,771) | (7,927) |
| Kalegran switch to accrual accounting | - | 3,922 |
| **Total special items in Upstream** | **(25,771)** | **(4,005)** |
| **Downstream** | | |
| Sisak impairment | (13,717) | - |
| Environmental provision | - | (7,505) |
| Unutilised refinery impairment | - | (12,601) |
| **Total special items in Downstream** | **(13,717)** | **(20,106)** |
| **Corporate and Other** | | |
| Provision release for legal claims (Creditor GAMA, s.r.o.) | 11,606 | - |
| Crosco impairment | (5,250) | - |
| **Total special items in Corporate and Other** | **6,356** | **-** |
| **Total impact of special items on profit from operation** | **(33,132)** | **(24,111)** |
| **Profit from operation** | **67,366** | **294,059** |

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

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

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

**Person required to sign financial statements**

Name: Zsolt Hernádi
Address: HU – 1026 Budapest, Orló utca 7.

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

**Contacts**

Company name: MOL Plc.
Registered address: HU – 1117 Budapest, Október huszonharmadika utca 18.
Official website: www.molgroup.info

**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 and voting percentage of all business associations in which the company has majority control according to the provisions of the Civil Code governing business associations. See Appendix II.

There is no such company which holds majority control or qualified majority control in MOL Plc.

**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 auditor or audit firm for the audit of annual accounts and for non-audit services. In the year of 2020 fee of audit was HUF 861.3 million and fee of other audit and non-audit services were HUF 240.5 million.

## 1. OVERVIEW OF THE MACROECONOMIC AND INDUSTRY ENVIRONMENT

**Macroeconomic environment**

The global economy has suffered its deepest contraction in 2020 due to the COVID-19 pandemic since World War II. Moreover, the downturn in economic activity has shown the highest synchronization in history, with growth trending down in virtually all economies of the world. World output has contracted by 3.5% in 2020[1] despite the unprecedented monetary and fiscal support in a large number of countries, with only China managing to post positive growth among the major economies. Industrialized nations will post a contraction of close to 5%, but emerging and developing economies have also been ravaged, with lower- and middle-income segments effectively losing several years of economic development in a short amount of time.

In the first half of the year, the pandemic outbreak and associated lockdown measures took a severe and unprecedented toll on the EU economy, but the depth of contractions has been uneven across countries. Strictness of lockdown measures, the share of tourism in the economy and the quality of governance all play a significant role in explaining the differences in economic losses. The Euro area has been strongly affected by the pandemic, based on seasonally and calendar adjusted quarterly data, GDP fell by 6.8%[2] in 2020. The Visegrád countries withstood the first wave of the coronavirus pandemic relatively well, and better than most countries in Western Europe. However, the economic rebound after the reopening was interrupted by a second wave of the pandemic, which led to another round of restrictions from mid-November that mainly affected the hospitality, leisure and entertainment sectors. Hungary's GDP showed a 5.1%[3] contraction in 2020, mostly driven by plummeting investment and service exports.

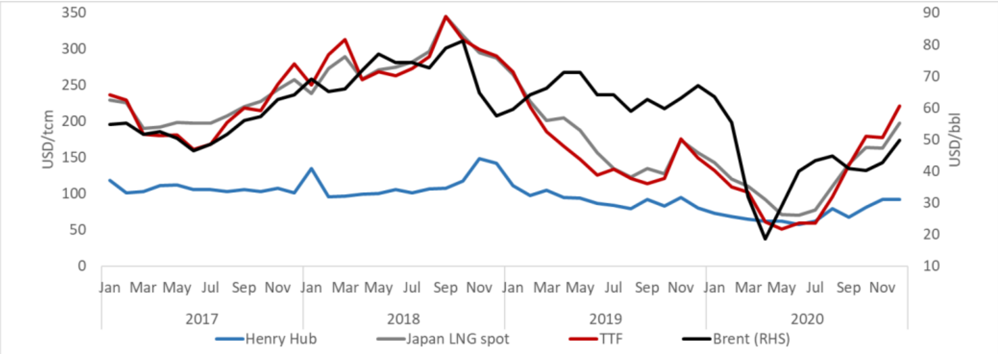


*Figure 1 Brent and gas prices dtd (Bloomberg source)*

**Oil and natural gas market developments**

Brent price weakened from the 2019 annual average of 64 to 42 USD/bbl in 2020. In the beginning of the year prices were supported by rising tensions in the Middle East after Qassem Soleimani – major general of the Iranian Islamic Revolutionary Guard Corps – was killed in a drone attack in Iraq. In addition, unrest in Libya curtailed supplies, lending further support. Later on, COVID-19 started dominating the market sentiment as the virus spread across the globe, and government restrictions were imposed to halt the pandemic. As a result, in April – worst month of the year – oil demand fell by 20 mb/d (-20%) and overall 2020 oil demand fell by 8.8 mb/d (-9%) compared to 2019[4] – the steepest decline ever experienced. To make matters even worse, OPEC+ was unable to reach an agreement in March, resulting in extra supplies on the market in a time when demand collapsed. In the second half of the year, Brent price partially corrected back as OPEC+ tightened supplies by 9.7 mb/d and the impact of restrictions on oil demand eased.

TTF day-ahead natural gas prices started the year in a falling trend as the mild winter season weighed on demand and kept storage levels high. From March on, the surging number of COVID-19 infections and the following government measures put further pressure on demand. As a result of high LNG availability in the beginning of the pandemic, TTF prices went below 5 EUR/MWh signaling a significantly oversupplied market. Since Summer, a strong price recovery has started supported by curtailed U.S. LNG supply, tighter power supply from alternatives (coal, lignite and nuclear), weaker Russian exports and increased home energy use due to teleworking and remote learning. European TTF prices increased steeply to above pre-COVID levels from September on. Strong Asian demand due to the colder than expected winter has kept prices at elevated levels till year-end despite a second wave of the pandemic all over Europe. CEGH regional prices followed European benchmarks for most of the year, except for periods when the lack of direct access to the sea muted the impact of global LNG market developments on the landlocked part of the continent limiting the fall in prices during early Summer but also the extent of the price gain in the year-end.

[1] IMF World Economic Outlook, January update (20 January, 2021).
[2] Eurostat flash estimate (2 February, 2021).
[3] National Statistical Office flash estimate (16 February, 2021).
[4] IEA Oil Market Report (February, 2021).

| Macro figures (average) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| Brent dated (USD/bbl) | 41.7 | 64.2 | (35) |
| Ural Blend (USD/bbl)(10)* | 41.9 | 63.9 | (34) |
| Brent Ural spread (USD/bbl)(5) | 0.4 | 0.4 | 1 |
| CEGH gas price (EUR/MWh) | 10.1 | 14.8 | (32) |
| Premium unleaded gasoline 10 ppm (USD/t)(11) | 383.7 | 613.4 | (37) |
| Gas oil – ULSD 10 ppm (USD/t)(11) | 367.3 | 590.9 | (38) |
| Naphtha (USD/t)(12) | 332.2 | 480.6 | (31) |
| Fuel oil 3.5 (USD/t)(12) | 215.6 | 324.0 | (33) |
| Crack spread – premium unleaded (USD/t)(11) | 67.2 | 127.6 | (47) |
| Crack spread – gas oil (USD/t)(11) | 50.8 | 105.2 | (52) |
| Crack spread – naphtha (USD/t)(12) | 15.7 | (5.2) | n.a. |
| Crack spread – fuel oil 3.5 (USD/t)(12) | (100.9) | (161.8) | (38) |
| Crack spread – premium unleaded (USD/bbl)(11) | 4.2 | 9.4 | (55) |
| Crack spread – gas oil (USD/bbl)(11) | 7.5 | 15.1 | (50) |
| Crack spread – naphtha (USD/bbl)(12) | (4.6) | (10.3) | (55) |
| Crack spread – fuel oil 3.5 (USD/bbl)(12) | (7.8) | (13.0) | (40) |
| MOL Group refinery margin (USD/bbl) | 2.8 | 4.2 | (33) |
| Complex refinery margin (MOL + Slovnaft) (USD/bbl) | 3.2 | 5.1 | (37) |
| Ethylene (EUR/t) | 796.6 | 1,006.7 | (21) |
| Butadiene-naphtha spread (EUR/t) | 222.8 | 394.1 | (43) |
| MOL Group petrochemicals margin (EUR/t)(9) | 384.3 | 371.9 | 3 |
| HUF/USD average | 307.9 | 290.7 | 6 |
| HUF/EUR average | 351.2 | 325.4 | 8 |
| HUF/HRK average | 46.6 | 43.9 | 6 |
| HRK/USD average | 6.6 | 6.6 | 0 |
| 3m USD LIBOR (%) | 0.65 | 2.33 | (72) |
| 3m EURIBOR (%) | (0.43) | (0.36) | 20 |
| 3m BUBOR (%) | 0.69 | 0.19 | 263 |

| Macro figures (closing) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| Brent dated closing (USD/bbl) | 50.5 | 66.8 | (24) |
| HUF/USD closing | 297.4 | 294.7 | 1 |
| HUF/EUR closing | 365.1 | 330.5 | 10 |
| HUF/HRK closing | 48.4 | 44.4 | 9 |
| HRK/USD closing | 6.2 | 6.6 | (7) |
| MOL share price closing (HUF) | 2,190 | 2,940 | (26) |

**Downstream**

European refinery margins had an extremely weak year in 2020, remaining on the edge of profitability. Surging Urals differential to Brent, weak gasoline crack spreads and collapsing middle distillate markets were the main factors behind the poor performance. The Urals market was supported by tighter supplies as OPEC+ cut production while reduced mobility due to the virus containment measures resulted in a huge oversupply on all transportation fuel markets, in particular jet crack spreads were hit because of the disruptive decline in aviation demand. Nevertheless, refinery consolidation, outages and run cuts on the supply side coupled with improving demand conditions after the reopening resulted in a slow-pace recovery of refinery margins in the second half of the year; however, levels could not come close to the long-term average values until the end of the year.

In contrast, the impact of the pandemic was surprisingly muted on European petrochemical margins. On the one hand, aggregate demand remained at relatively healthy levels because of a huge shift in demand structure. Packaging for groceries, healthcare products and e-commerce transportation as well as medical applications were highly demanded while industry and especially automotive sectors struggled. In addition,the decline in oil prices has flattened ethylene cost curves, making naphtha-based steam cracking highly competitive globally. Moreover, a devastating Hurricane season forced U.S. petrochemical plants to shut down as a precaution for longer than planned, generating additional demand for products imported from Europe. On the other hand, the relatively high demand could not be met by sufficient supply as refinery run cuts put a cap on naphtha availability for steam crackers, keeping petrochemical margins at healthy levels.

*Ural Blend for 2019 has been restated to due incorrect calculation
Notes and special items are listed in Appendix I and II.
Historical macro figures are available in the annual Data Library on the company's website.

## 2. INTEGRATED CORPORATE RISK MANAGEMENT

As operators in a high-risk industry MOL Group is committed to manage and maintain its risks within acceptable limits.

The aim of MOL Group Risk Management is to keep the risks of the business within acceptable levels and safeguard the resilience of its operations as well as the sustainable management of the company. For this purpose, as an integral part of our corporate governance structure, MOL Group has developed a comprehensive Enterprise Risk Management (ERM) system which focuses on the organisation's value creation process, meaning factors critical to the success and threats related to the achievement of objectives but also occurrence of risk events causing potential impact to people, assets, environment or reputation. Within the ERM framework all significant risks throughout the whole Group are identified, assessed, evaluated, treated and monitored, covering all business and functional units, geographies as well as projects, taking into consideration multiple time horizons.

In order to ensure an effective risk management, risks are being managed (assess, evaluate, treat) as a 1st line of defence by Risk Owners who are managers responsible for each business area including supervising the existing mitigation and the implementation of new mitigation actions in their organisations. Group level business and functional units, specialised risk management functions, the Group Risk Management department provide oversight. The Management Committee, the Chief Executives' Committee, the Board of Directors and the Supervisory Board together with their specialized committees provide supervision and assurance on the effectiveness of the group level application of the risk management framework.

Regular risk reporting to top management provides oversight on top risks and assurance that updated responses, controls, and appropriate mitigation actions are set and followed. Effectiveness of the risk management system is monitored by the Management Committee, the Chief Executives' Committee, the Board of Directors, Supervisory Board and its respective Committees.

**The main risk drivers of the Group**

Risks are categorised to ensure effective risk reporting and consistent responses for similar or related risks.

**Market and financial risks include, but are not limited to:**

- **Commodity price risk:** MOL is exposed to commodity price risk on both the purchasing and sales sides. The main commodity risks reflect the integrated business model with downstream processing more crude than our own production and selling refined products. We monitor this risk in order to support our strong financial position and capacity to fund operations and investments. When necessary, MOL Group may consider a variety of commodity hedging instruments to mitigate other than 'business as usual' risks or general market price volatility.
- **Foreign exchange (FX) risk:** MOL's current FX risk management policy is to monitor the FX risk and to balance the FX exposures of the operating & investment cash flow with the financing cash flow exposures when necessary and optimal.
- **Interest rate (IR) risk**: According to risk management policy of MOL Group IR risk is continuously monitored and managed by the adequate mix of funding portfolio.
- **Credit risk**: MOL Group provides products and services to a diversified customer portfolio - both from business segment and geographical point of view – with a large number of customers representing an acceptable credit risk profile. MOL Group's risk management tracks these risks on a continuous basis, and provides support to the sales processes in accordance with MOL Group's sales strategy and ability to bear risk. In order to mitigate the customer credit risk, credit insurance policies are in place group-wide.
- **Financing/Refinancing Risk**: The financing and refinancing risk is managed by using diversified funding sources/instruments as well as having a diversified, balanced, and decently long maturity profile. Financing and refinancing activities of the Group are supported by the investment grade rating (BBB-) of the Group recently affirmed by Fitch and S&P with a stable outlook.

**Operational risks include, but are not limited to:**

- **Physical asset safety and equipment breakdown risk**: High asset concentration in Downstream is a significant risk driver. The potential negative effects are mitigated by comprehensive HSE activities, a group-wide Process Safety Management system including an asset related operational risk management process and a group-wide insurance management program. Physical risks associated with climate change covered under "Climate change risk" section risk below.
- **Crude oil supply risk**: Crude supply disruption is a major risk factor for the Downstream business, as it can disrupt continuous operations. In order to mitigate risk, a crude oil-supply diversification strategy has been implemented with regular crude cargo deliveries from the Adriatic Sea via pipeline to the Group's land-locked refineries.
- **E&P reserve replacement**: Higher than expected decline of E&P production and failure to replace reserves may lead to the decrease in the revenues generated by E&P segment. Operating optimization programs and reserve replacement are both focus areas of E&P operations. In 2020, significant mitigating steps were taken with the acquisition of ACG and the achievement of a 100% reserves replacement ratio in Hungary as well.

- **Cyber risk**: Due to digitalization and new technologies more cyber threat and vulnerability appear. Global trends show steadily growing frequency and intensity of Cyber-attacks / incidents as well as more specified Cyber Crime Groups targeting Industrial Control System's weaknesses, which may have increasing economic impact and relevance on MOL. Therefore, MOL continuously improves cyber security capabilities. MOL Group entities supervise their cyber security risks ensuring the protection of the confidentiality, integrity and availability of data, furthermore assure that cyber security is built into all the MOL Group products and services. MOL continuously educates their employees and partners about cyber security risks and support them to act in a responsible way.
- **Human Capital**: As the Group's ability to implement its 2030 Strategy is dependent on the capabilities and performance of its people, management, experts and technical personnel, MOL has been operating HR frameworks to attract, develop, reward and retain talented employees. MOL promotes diversity and generational collaboration by enhancing internal knowledge transfer, strongly focusing on digital transformation, and employee experience, further developing innovation & feedback culture, utilizing flexible working arrangements and adjusting mobility frameworks.
- **Pandemic Risk**: Pandemics may significantly adversely affect the Group's business environment, including price and demand on the Group's products and services. Availability of contractors, subcontractors as well as raw materials, creditworthiness of credit customers may be affected and on the other side availability of the Group's key personnel could also be limited causing deterioration of the Group's business results of operations or financial condition, and leading to the need to cut capital expenditures. The Group has Crisis Management plans in place to reduce the impact of this risk.

**Strategic risks include, but are not limited to:**

- **Regulatory risk**: MOL has significant exposure to a wide range of laws, regulations and policies on the global, the European and the individual country level, that may change significantly over time and may even require the Group to adjust its core business operation. Government actions may be affected by the elevated risk of economic and, in some regions, political crisis, increasing their impact on MOL's operations.
- **Country risk**: The international presence of MOL Group contributes to diversification but also exposure to country specific risk at the same time. Therefore, we monitor the political risk and compliance with local regulations and international sanctions to keep country risk in our investment portfolio within acceptable limits.
- **Reputation risk**: MOL, as a major market player and employer in the region with a sizeable operational footprint, operates under special attention from a considerable number of external stakeholders, as we constantly seek to meet our responsibilities towards them. MOL Group's stakeholder governance processes enables the Group to monitor and adjust to any reputational risks.
- **Climate change risk**: Transition and physical risks associated with climate change have the potential to negatively impact MOL's current and future revenue streams, expenditures, assets and financing. MOL Group's transformational strategy is not only meant to mitigate risks associated with the low-carbon transition, but to capitalize on the opportunities created by it. Additionally, several operational steps have been taken to mitigate physical risks emanating from climate change.
- **Capex Project Execution Risks** are that the projects are delayed or less profitable than expected or unsuccessful for numerous reasons, including cost overruns, lower product prices, higher raw material or energy prices, equipment shortages, limited availability of contractors and execution difficulties. In order to manage such risks, dedicated team is operating to identify risks at earlier stages, plan for mitigation or avoidance by linking potential risks with schedule and budget to build realistic estimates, and following it up through the project lifecycle.

**Risk Review Process in 2020**

Risk owners in the Group identified, analysed and evaluated their major risks in 2020 – both on medium-term and long-term time horizon - and defined and/or updated the relevant mitigation plans where it has been necessary. Risk reports have been discussed by the Finance and Risk Management Committee of the Board of Directors.

**Main risk management tools**

As described above, as a general risk management framework, we operate an Enterprise Risk Mangement system.

Hedging Policy: to ensure the profitability and the financial stability of the Group, financial risk management is in place to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured regularly by using a complex model based on advanced statistical methods and are managed – if and when necessary - with hedging measures.

Insurance Policy: transferring the financial consequences of our operational risks is done by insurance management, which represents an important risk mitigation tool to cover the most relevant exposures and liabilities arising out of our operations. Insurance is managed through a joint program for the whole group to exploit considerable synergy effects.

Crisis and Business Continuity Management: following best industry practice and focusing on low probability high potential risks that could disrupt our operations, value chain and cash generation, MOL Group has implemented and is currently working to integrate a crisis management and business continuity program in order to reduce recovery times within tolerable limits for processes critical to our business.

**TCFD disclosure on Risk Management**

Climate change related risks are covered within the ERM framework, both in the long-term and mid-term risk review process.

Top-down approach is taken to identify and assess long term strategic risks affecting long-term strategy of the Group. Climate change risk, including transitional and physical risks, have been identified as long-term risks and are therefore, assessed together with mitigation plans within the strategic risk review process. Sponsorship, oversight of management of such risks sits with executive leadership while operative leaders directly reporting to executive leadership are nominated as risk owners, who are responsible for assessment, mitigation of these risks. Strategic Risk Reports are discussed by the Finance and Risk Management Committee of the Board of Directors.

Within the bottom-up mid-term risk process several climate change related individual risks (regulatory changes, demand for fossil fuels, risk on physical assets) are and may be identified and reviewed regularly. Various organizational levels and geographies are involved in the process, with the aim of covering all material risks, including climate related ones. Operative managers are nominated as risk owners, being responsible for assessing and mitigating the relevant risks. Aggregated, consolidated risk report is discussed by the Finance and Risk Management Committee of the Board of Directors.

Risk owners, with the involvement of subject matter experts, assess risks taking into consideration the probability of occurrence and the potential impact on the Group's objectives. Depending on the level of risk acceptable for the Group, risk owners define appropriate mitigation plans.

**Identified climate change related risks**

- Identified **transition risks** include a) **policy and legal risks** (actions that attempt to constrain activities that contribute to climate change and/or actions that encourage adaption/limitation of climate change, including stricter emission rules and carbon pricing), b) **technological risks** (innovation that supports transition to a low carbon world, including increasingly efficient and lower consumption in transportation), c) **market risks** (shift in supply/demand for certain products and services due to changes in customer preferences, and technology), and d) **reputational risks** (stakeholder pressure). MOL Group's long-term strategy seeks not only to **mitigate risks** associated with the transition to a low carbon economy, but to capitalize on opportunities created by it.
- Identified **physical risks** include a combination of both **acute risks** (extreme rainfall and flooding), as well as **chronic risks** (extreme heat, fluctuating water levels and drought). If any of these events were to occur, they could have an adverse effect on the Group's assets, operations and staff. MOL Group has incurred and is likely to continue incurring additional costs to protect its assets, operations and staff from physical risks. To the extent such severe weather events or other climate conditions increase in either frequency, severity or both, MOL Group may be required to adjust its operations and incur costs that could adversely affect its financial position.

## 3. FINANCIAL AND OPERATIONAL OVERVIEW OF 2020

| | HUF billion | | | USD million | | |
|---|---|---|---|---|---|---|
| **Summary of results** | **FY 2020** | **FY 2019 Restated** | **Ch %** | **FY 2020** | **FY 2019 Restated** | **Ch %** |
| Net sales revenues | 4,011.0 | 5,266.7 | (24) | 13,071 | 18,100 | (28) |
| EBITDA | 579.4 | 685.1 | (15) | 1,891 | 2,354 | (20) |
| **EBITDA excl. special items(1)** | **567.8** | **688.7** | **(18)** | **1,853** | **2,365** | **(22)** |
| **Clean CCS-based EBITDA (1) (2)** | **629.7** | **708.9** | **(11)** | **2,048** | **2,435** | **(16)** |
| Profit from operation | 67.4 | 294.1 | (77) | 222 | 1,012 | (78) |
| **Profit from operation excl. special items(1)** | **100.5** | **318.2** | **(68)** | **331** | **1,092** | **(70)** |
| **Clean CCS-based operating profit (1) (2)** | **162.4** | **338.4** | **(52)** | **526** | **1,162** | **(55)** |
| Net financial gain / (expenses) | (110.5) | (17.4) | 535 | (367) | (59) | 522 |
| **Net profit attributable to equity holders of the parent** | **(15.9)** | **223.2** | **n.a.** | **(56)** | **770** | **n.a.** |
| Operating cash flow before ch. in working capital*** | 542.8 | 698.7 | (22) | 1,791 | 2,399 | (25) |
| Operating cash flow | 572.3 | 704.2 | (19) | 1,857 | 2,428 | (24) |
| **EARNINGS PER SHARE** | | | | | | |
| Basic EPS | (22.4) | 316.9 | n.a. | (0.1) | 1.1 | n.a. |
| Basic EPS excl. special items | 35.6 | 359.4 | (90) | 0.1 | 1.2 | (92) |
| **INDEBTEDNESS** | | | | | | |
| Simplified Net debt*/EBITDA | 1.61 | 0.82 | - | 1.61 | 0.82 | - |
| Net gearing**(4) | 27% | 19% | - | 27% | 19% | - |

*Long-term debt plus Short-term debt less Cash and cash equivalents less Current debt securities.
**Net Debt divided by Net Debt plus Total equity.
*** Operating cash flow before ch. in working capital has been restated from HUF 711.7 billion to HUF 698.7 billion

### KEY FINANCIAL DATA BY BUSINESS SEGMENTS

| | HUF billion | | | USD million | | |
|---|---|---|---|---|---|---|
| **Net Sales Revenues (3) (6)** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
| Upstream | 398.1 | 490.8 | (19) | 1,303 | 1,691 | (23) |
| Downstream | 3,379.8 | 4,651.9 | (27) | 11,012 | 15,986 | (31) |
| Gas Midstream | 94.0 | 95.1 | (1) | 306 | 327 | (6) |
| Consumer Services | 1,452.9 | 1,708.6 | (15) | 4,737 | 5,870 | (19) |
| Corporate and other | 245.4 | 311.7 | (21) | 800 | 1,069 | (25) |
| **Total Net Sales Revenues** | **5,570.2** | **7,258.1** | **(23)** | **18,158** | **24,943** | **(27)** |
| Intersegment transfers (7) | (1,559.2) | (1,991.4) | (22) | (5,087) | (6,843) | (26) |
| **Total External Net Sales Revenues (6)** | **4,011.0** | **5,266.7** | **(24)** | **13,071** | **18,100** | **(28)** |

| **EBITDA** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
|---|---|---|---|---|---|---|
| Upstream | 210.2 | 309.1 | (32) | 689 | 1,065 | (35) |
| Downstream | 167.2 | 224.6 | (26) | 545 | 771 | (29) |
| Gas Midstream | 62.0 | 54.2 | 14 | 201 | 187 | 7 |
| Consumer Services | 156.2 | 137.3 | 14 | 510 | 471 | 8 |
| Corporate and other | (28.1) | (37.2) | (24) | (91) | (129) | (29) |
| Intersegment transfers(7) | 11.9 | (2.9) | n.a. | 37 | (11) | n.a. |
| **Total EBITDA** | **579.4** | **685.1** | **(15)** | **1,891** | **2,354** | **(20)** |

| **EBITDA Excluding Special Items (1)** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
|---|---|---|---|---|---|---|
| Upstream | 210.2 | 305.2 | (31) | 689 | 1,052 | (35) |
| Downstream | 167.2 | 232.1 | (28) | 545 | 796 | (32) |
| Downstream - clean CCS-based(2) | 229.1 | 252.4 | (9) | 740 | 866 | (15) |
| Gas Midstream | 62.0 | 54.2 | 14 | 201 | 187 | 7 |
| Consumer Services | 156.2 | 137.3 | 14 | 510 | 471 | 8 |
| Corporate and other | (39.7) | (37.2) | 7 | (129) | (129) | 0 |
| Intersegment transfers(7) | 11.9 | (2.9) | n.a. | 37 | (12.0) | n.a. |
| **Total - clean CCS-based(1) (2)** | **629.7** | **708.9** | **(11)** | **2,048** | **2,435** | **(16)** |
| **Total EBITDA Excluding Special Items** | **567.8** | **688.7** | **(18)** | **1,853** | **2,365** | **(22)** |

| | HUF billion | | | USD million | | |
|---|---|---|---|---|---|---|
| **Depreciation** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
| Upstream | 258.7 | 172.2 | 50 | 844 | 592 | 43 |
| Downstream | 159.5 | 143.8 | 11 | 519 | 493 | 5 |
| Gas Midstream | 16.5 | 14.0 | 18 | 54 | 48 | 13 |
| Consumer Services | 41.8 | 34.8 | 20 | 136 | 120 | 13 |
| Corporate and other | 35.2 | 27.1 | 30 | 116 | 93 | 25 |
| Intersegment transfers[7] | 0.3 | (0.9) | n.a. | 0 | (4) | (100) |
| **Total Depreciation** | **512.0** | **391.0** | **31** | **1,669** | **1,342** | **24** |

| **Operating Profit** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
|---|---|---|---|---|---|---|
| Upstream | (48.5) | 136.9 | n.a. | (155) | 473 | n.a. |
| Downstream | 7.7 | 80.8 | (90) | 26 | 278 | (91) |
| Gas Midstream | 45.5 | 40.3 | 13 | 147 | 138 | 7 |
| Consumer Services | 114.4 | 102.5 | 12 | 374 | 352 | 6 |
| Corporate and other | (63.3) | (64.3) | (2) | (206) | (222) | (7) |
| Intersegment transfers[7] | 11.6 | (2.1) | n.a. | 36 | (7) | n.a. |
| **Total Operating Profit** | **67.4** | **294.1** | **(77)** | **222** | **1,012** | **(78)** |

| **Operating Profit Excluding Special Items [1]** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
|---|---|---|---|---|---|---|
| Upstream | (22.7) | 141.0 | n.a. | (70) | 486 | n.a. |
| Downstream | 21.4 | 100.9 | (79) | 71 | 346 | (79) |
| Gas Midstream | 45.5 | 40.3 | 13 | 147 | 138 | 7 |
| Consumer Services | 114.4 | 102.5 | 12 | 374 | 352 | 6 |
| Corporate and other | (69.7) | (64.3) | 8 | (226) | (222) | 2 |
| Intersegment transfers[7] | 11.6 | (2.2) | n.a. | 35 | (8) | n.a. |
| **Total Operating Profit Excluding Special Items** | **100.5** | **318.2** | **(68)** | **331** | **1,092** | **(70)** |

| **Capital Expenditures** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
|---|---|---|---|---|---|---|
| Upstream | 605.9 | 104.8 | 478 | 1,824 | 360 | 407 |
| Downstream | 220.2 | 416.3 | (47) | 715 | 1,422 | (50) |
| Gas Midstream | 11.6 | 48.9 | (76) | 38 | 163 | (77) |
| Consumer Services | 40.9 | 51.2 | (20) | 132 | 175 | (25) |
| Corporate and other | 63.0 | 38.4 | 64 | 209 | 131 | 60 |
| Intersegment transfers[7] | (1.1) | (2.4) | (54) | -4 | (9) | (56) |
| **Total** | **940.5** | **657.2** | **43** | **2,914** | **2,242** | **30** |

Notes and special items are listed in Appendix I and II.

## 3.1 KEY ACHIEVEMENTS AND SUMMARY OF 2020 RESULTS

In 2020 MOL Group delivered HUF 630bn (USD 2.05bn) Clean CCS EBITDA, 11% lower in HUF terms (16% lower in USD terms) than in the previous year, but slightly above the latest, post-COVID guidance (of around USD 1.9bn).

**Financial Highlights**

- Upstream segment's EBITDA, excluding special items, reached HUF 210bn (USD 689mn) in 2020, representing a 31% decrease compared to 2019 as sharply lower oil and gas prices were only partly offset by the contribution of ACG that helped full-year production volumes to rise by 8% compared to last year to 120 mboepd.

- In 2020 Downstream generated HUF 229bn (USD 740mn) Clean CCS EBITDA, which is 9% behind the previous year's performance. The decreasing result was fully attributable to a weaker macro environment and the Covid pandemic – with volatility of refinery margins and plummeted in H2 2020 (down by 33% for the year), while volumes declined due to mobility restrictions. Petchem margin and the EBITDA held up fairly well during the crisis, due to a more supportive demand development than for fuels.

- Consumer Services EBITDA increased by 14% in 2020, reaching HUF 156bn (USD 510mn) resulting in another year-on-year double-digit-growth. The unfavourable external conditions as a result of lockdowns and travel restrictions led to a decline in fuel volumes. However, the decline was offset by active micro-location based pricing and effective unit margin optimization, with premium fuel penetration also increasing by almost 20% compared to 2019.

- Corporate and other segment delivered an EBITDA (Excluding Special Items) loss of HUF 40bn in 2020, slightly increasing year-on-year.
- Gas Midstream reached HUF 62bn (USD 201mn) EBITDA in 2020, 14% more than in 2019, mainly driven by higher regulated revenues and lower opex, which overcompensated the effect of decreasing non-regulated income.
- Net financial expenses increased significantly to HUF 111bn in 2020 compared to HUF 17bn in the previous year, primarily due to large, mostly unrealized FX losses.
- Total CAPEX spending reached HUF 941bn (USD 2.9bn) in 2019, increasing 43% year-on-year on, due to the acquisition of a 9.57% stake in Azerbaijan's ACG field and 8.9% in the BTC pipeline.
- Operating Cash Flow before Working Capital declined by 22% year-on-year in 2020 to HUF 543bn (USD 1.79bn)
- Net debt increased to HUF 934bn in 2020 from HUF 559bn a year ago. Net Debt/EBITDA rose to 1.61 from 0.82, and net gearing also increased to 27% from 19%, yet the available liquidity remained strong, as it increased back to above pre-ACG level and stood at around USD 3.9bn at the end of 2020.
- Total headcount decreased to 24,948 in 2020 from 26,032 in 2019.
- Key group financial and operational figures and historical financial statements are available in the annual Data Library on the company's website.

**Operational Highlights**

- MOL has successfully closed the acquisition with Chevron Global Ventures, Ltd and Chevron BTC Pipeline, Ltd regarding their non-operated E&P and mid-stream interests in Azerbaijan, including a 9.57% stake in the Azeri-Chirag-Gunashli ("ACG") oil field, and an effective 8.9% stake in the Baku-Tbilisi-Ceyhan ("BTC") pipeline that transports the crude to the Mediterranean port of Ceyhan for a total consideration of USD 1.50bn with an effective date of 1 January 2019.
- MOL Group entered into a strategic partnership with the Swiss trading group Meraxis in order to forge ahead with the development and production of polyolefin re-compounds in the future.
- The polyol project exceeded 75% overall completion at the end of 2020. Due to the pandemic, MOL together with the EPC contractor estimates that the project completion will be shifting to H2 2022 (originally it was planned for H2 2021) and as a result of the delay the total capex may increase to around EUR 1.3bn (originally EUR 1.2bn)
- MOL has again been selected as an index component of the Dow Jones Sustainability Indices (DJSI) during the 2020 indices review process. This is the fifth year running that MOL was recognized for its corporate sustainability leadership and made it to the DJSI index. Following the annual sustainability assessment, MOL continued to improve its scores compared to previous years and is ranked in the top 10% of Upstream & Integrated Oil & Gas companies worldwide, based on sustainability performance.

## 3.2 CORPORATE STRATEGY

### 3.2.1 MOL 2030 STRATEGY PUBLISHED IN 2016: ENTER TOMORROW

In anticipation of the mid-term decline in European fuel consumption (sales) as result of shifting consumer preferences, legislative actions and technological developments, MOL Group published in 2016 its 2030 strategy "Enter Tomorrow". The launch of the 2030 strategy sought not only to mitigate the low-carbon economy transition risks, but to capitalize on the opportunities created by it. With the strategy, MOL Group sought to gradually diversify the Group's revenue streams away from traditional hydrocarbons by seeking opportunities for developing new low-emission products and services in new markets. The initial strategic shift rested on two pillars: 1) transform the Group's refining operations by gradually shifting refining activities away from the production of fuels towards the production of feedstock for the Group's petrochemical division, whilst simultaneously expanding the chemical value chain towards semi-commodity and specialty chemicals ("from fuel to chemicals"). Initial steps towards the Group's petrochemical product diversification included expansion towards new products like synthetic rubber, polyol and propylene glycol. 2) The second pillar was to transform a traditional fuel retailer into a convenience retailer and alternative low-carbon mobility player ("from fuel retail to consumer goods"). Initial steps included the launch of the Fresh Corner concept store across the Group's service station network, as well as the launch of mobility services.

During the last five years, MOL Group reached a number of interim goals set in the original strategy as the Group worked towards achieving the communicated targets. Furthermore, between the initial publication in 2016 and 2020, the Group launched an additional range of new products and services that would not only strengthen the Group's ability to navigate the disruption caused by the transition to a low carbon world, but would cement the ambition of building a business model that would remain competitive in a carbon-constrained, circular economy. These new products and services include a) expanding the Group's activities towards the circular economy through an organic investment in rubber bitumen (tire recycling), whilst accessing new markets in plastics recycling and compounding through partnerships with APK and Meraxis and the acquisition of Aurora, b) investing in renewable energy (solar), c) providing additional mobility solutions (fleet management and car sharing) and d) expanding towards bio-refining through the conversion of the Group's smallest fuel refinery (Sisak, Croatia) to a bio-refinery and the start of production of bio-fuels in the Danube Refinery in 2020. Updates on low-carbon and circular economy products and services, and achievement of targets can be obtained from MOL Group's capital market communication materials.

### 3.2.2 MOL 2030+ STRATEGY UPDATE PUBLISHED IN 2021: SHAPE TOMORROW

The fundamental idea behind the 2030 strategy and direction traced in 2016 remains valid. However, MOL Group has observed, during the last twelve months, an acceleration in the speed towards the low-carbon transition. As a result, MOL Group presented in Q1 2021 an updated strategy, which seeks to further accelerate the pace and scale of the fundamental shift away from fuels initiated in 2016.

Today, the speed of the low-carbon transition represents one of the most important risk factors for the Group given the European Union's "Net-Zero 2050" initiative. MOL Group needs to transform itself at a faster pace than what was originally envisaged in 2016, with the added constraint that it may have less than expected cash from its operations to fund the transformation. Besides speed, a key aspect for the successful transformation will be to generate sufficient cash flow from existing hydrocarbon-based activities to finance the non-fossil fuel related transformational projects, especially in Downstream. MOL Group faces the scenario of fossil fuel losing its monopolistic dominance in the fuel transportation market by the end of the 2020s. Furthermore, MOL Group faces several longer-term structural challenges that would potentially lead to unfavorable market conditions. These include shifting consumer preferences, increasing decarbonization (electrification) of transportation and the spread of alternative fuels, tightening regulations, increasing import pressure and rising carbon prices (MOL Group operates with EUR 100/t carbon price assumption for 2030 and EUR 50/t for the period of 2021-25). The combination of these factors could lead to a permanent decline in demand for refined products and by the extension lower refinery throughput, which combined with fixed operating costs, could possibly result in permanently lower downstream earnings by mid 2030s.

As a result, the main priority of the updated strategy is to accelerate the pace of the initial "fuel to chemicals" transformation of Downstream that began in 2016. In 2016 the focus was on the extension of the chemical value chain towards non-commodity specialty chemicals (petrochemical product diversification), with plans including synthetic rubber, polyol and propylene glycol. However, the new focus will be placed on the shift in refining activities, as the Group seeks to gradually withdraw from the production of motor fuels, and instead focus on converting hydrocarbon molecules to become feedstock for the petrochemical and chemical value chains. In parallel with the shift towards the manufacturing of petrochemical feedstock and ahead of further petrochemical product diversification, MOL Group will prioritize the diversification of the feedstock itself by integrating different types of waste streams into the Group's refining operations. These waste streams, including, but not limited to municipal solid waste, biomass, plastics waste etc. will be fully integrated into the downstream value chain and will constitute an increasingly important source of alternative feedstock. MOL Group will seek to convert these waste streams into valuable products such as chemicals, fuels or plastics in order to cement the Group's ambition to be a driver of the regional transition towards the circular economic model. For the 2021-25 period, at least USD 3.5bn capex (around USD 700mn annually) will be available and earmarked to fund the fuel-to-petchem transformation and the low-carbon, green transition. Furthermore, in order to decarbonize operations, partly to mitigate the risk of rising carbon costs, MOL Group targets a 20% reduction in Scope 1 and 2 emissions in Downstream by 2030 (2019 as base), as a step on the road towards net-zero economy envisioned in the EU's Green Deal.

In 2016 MOL Group's Consumer Services division (consisting of fuel retail and mobility) developed the new Fresh Corner concept store to increase store traffic, seeking to increase fuel sales as well as to realize untapped in-store non-fuel revenue and margin potential. The transformation of the service stations and the continued roll-out of the Fresh Corner concept that began in 2016 will continue in the new strategy. Consumer Services aims to increasingly become a FMCG retailer using the Fresh Corner store concept as the catalyst for in-store non-fuel revenue generation and diversification. Furthermore, the combination of a wider range of in-store non-fuel products and services, alternative fuels (below) and increasing digitalization will act as a major draw-in for customers supporting both an increase to store visits and sales (basket size). To ensure long-term profitable and sustainable growth, the diversification of the retail portfolio will be in focus through the expansion of Fresh Corner concept store via a franchise network to gradually decouple non-fuel revenue generation from the Group's service station network. Non-fuel margin is targeted to reach 1/3 of total margin by 2025. In preparation for beyond the fuel age, the mobility division within Consumer Services launched in 2016, as part of the 2030 strategy, a number of clean, alternative mobility related products and services, aiming at facilitating the gradual shift towards multimodal, clean and sustainable transportation. In the new strategy, MOL Group will continue to expand the EV charging points across its network and third-party locations, targeting to install 500 EV charging points by 2025 to become a leading mobility service provider in the CEE region. Furthermore, Consumer Services aims at providing alternative fuel options, with a special emphasis on hydrogen fuel cell-based mobility. Finally, Consumer Services aims to grow its fleet management division, with a new focus being placed on expanding towards public transportation following the acquisition of ITK Holding. Consumer Services targets its operations to become carbon-neutral (in terms of Scope 1 and 2 emissions) by 2030.

Ending previous practices, the new Upstream strategy does not include any volumetric growth targets neither on reserves nor on production. The major focus will be placed on generating value from current assets both in CEE and in the Group's international E&P portfolio combined with opportunistic steps, with smaller international tail-end assets subject to portfolio rationalization and optimization. MOL Group intends to manage the production decline in its mature CEE assets (Hungary and Croatia), whilst simultaneously identifying depleted gas reservoirs in both countries which could potentially be converted to Carbon Capture, Utilization and Storage (CCUS) sites in cooperation with large industrial emitters, including the Group's Downstream operations. Approximately 70mn tonnes of $CO_2$ storage capacity has been identified in the CEE region, with the first CCS pilot projected by 2026. Upstream targets to become carbon-neutral (in terms of Scope 1 and 2 emissions) by 2030.

As for other businesses, MOL Group will spend USD 1bn on new, low-carbon and sustainable businesses to become a key player in CEE in circular economy. MOL will intensify investments to further expand in recycling and will actively seek new business opportunities in waste integration and utilization, advanced biofuels and potentially hydrogen-related activities. MOL targets EU Taxonomy-aligned Capital expenditures (capex) to exceed 50% of total capex by 2030 and to approach 100% by 2050, or earlier.

More information concerning the new strategy can be obtained from the Group's capital markets presentations.

### 3.2.3 USE OF SCENARIOS

For the preparation of the new strategy, MOL Group applied scenario analysis as a means of assessing the potential implications of transition related risks and opportunities. A number of scenarios were constructed, all of which were based on the assumption that the energy transition will occur, especially in the European Union where the Green Deal has accelerated the EU's energy and climate policy. The difference between the different scenarios was the speed of the transition. Each scenario outlined a number of legal, economic and technological constraints that would potentially affect the speed of the transition towards a low-carbon, net zero economy. Of the several scenarios created, three scenarios were chosen by Executive Management (and approved by the Board of Directors) for the creation of the strategy. These three scenarios were: "slow transition", "steady transition" and "net zero emission". These scenarios helped senior management to frame and assess a wide range of plausible business, strategic and financial impacts associated with the transition to a low-carbon world, including capital allocation, costs, revenues and earnings. The three scenarios were largely based on quantitative modelling, including but not limited to technological and legal developments, macro assumptions and future demand projections for a number of petroleum products that today form part of the core product portfolio of MOL Group. MOL Group considers the 'Steady transition' scenario as the most probable, with both of the two other scenarios having more than a marginal probability of realization. Nevertheless, MOL Group ran a number of simulations to assess the viability and resilience of the strategy against an extreme net zero scenario in order to identify potential vulnerabilities. MOL Group did not use existing external scenarios and models provided by third-party vendors or agencies, as the scenario analysis was built in-house.

MOL Group created a "Premises Committee" made up from representatives of the main divisions and functional areas. The committee is tasked with monitoring the main indicators and assumptions used in the different scenarios and carrying out updates following changes to the external environment. This system can provide early notice that the external environment is moving to a different stage along the chosen scenario path, or potentially moving towards a different scenario altogether, providing senior management the opportunity to reassess and adjust its plans accordingly. Changes to the premises - in part or in full - automatically triggers a notification to the Executive Management and the Board of Directors, and as a result it may cause a modification of the strategy. Any changes to the strategy would need approval from the Board of Directors.

## 3.3 UPSTREAM

| Segment IFRS results (HUF bn) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| EBITDA | 210.2 | 309.1 | (32) |
| **EBITDA excl. spec. items(1)** | **210.2** | **305.2** | **(31)** |
| Operating profit/(loss) | (48.5) | 136.9 | n.a. |
| **Operating profit/(loss) excl. spec. items(1)** | **(22.7)** | **141.0** | **n.a.** |
| **Organic CAPEX and investments** | **100.5** | **104.8** | **(4)** |
| o/w exploration CAPEX | 18.9 | 27.5 | (31) |

| Hydrocarbon Production (mboepd) | FY2020 | FY 2019 | Ch % |
|---|---|---|---|
| **Crude oil production** | **61.7** | **47.8** | **29** |
| Hungary | 9.4 | 11.7 | (20) |
| Croatia | 10.8 | 12.1 | (11) |
| Kurdistan Region of Iraq | 3.7 | 3.4 | 9 |
| United Kingdom | 16.9 | 17.6 | (4) |
| Pakistan | 0.7 | 0.6 | 17 |
| Azerbaijan | 17.8 | n.a. | n.a. |
| Other International | 2.4 | 2.4 | 0 |
| **Natural gas production** | **44.0** | **47.8** | **(8)** |
| Hungary | 22.5 | 22.7 | (1) |
| Croatia | 15.3 | 18.1 | (15) |
| o/w. Croatia offshore | 4.7 | 6.1 | (23) |
| United Kingdom | 0.8 | 1.1 | (27) |
| Pakistan | 5.4 | 5.9 | (8) |
| **Condensate** | **5.5** | **6.3** | **(13)** |
| Hungary | 3.2 | 3.4 | (6) |
| Croatia | 1.1 | 1.3 | (15) |
| Pakistan | 1.2 | 1.6 | (25) |
| **Average hydrocarbon production of fully consolidated companies** | **111.2** | **101.9** | **9** |
| Russia (Baitex) | 4.4 | 4.9 | (10) |
| Kurdistan Region of Iraq (Pearl Petroleum)* | 4.5 | 4.2 | 7 |
| **Average hydrocarbon production of joint ventures and associated companies** | **8.9** | **9.1** | **(2)** |
| **Group level average hydrocarbon production** | **120.1** | **111.0** | **8** |

| Main external macro factors | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| Brent dated (USD/bbl) | 41.7 | 64.3 | (35) |
| HUF/USD average | 308.0 | 290.7 | 6 |
| CEGH gas price (EUR/MWh) | 10.1 | 14.8 | (36) |

| Average realised hydrocarbon price | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| Crude oil and condensate price (USD/bbl) | 40.2 | 60.5 | (34) |
| Average realised gas price (USD/boe) | 19.8 | 27.6 | (28) |
| **Total hydrocarbon price (USD/boe)** | **32.8** | **46.1** | **(29)** |

| Production cost (USD/boe) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| **Average unit direct production cost of fully consolidated companies** | **6.2** | **7.1** | **(12)** |
| Average unit direct production cost of joint ventures and associated companies | 1.9 | 1.9 | 0 |
| **Group level average unit direct production cost (USD/boe)** | **5.8** | **6.4** | **(10)** |

**Capital Expenditures**

| FY 2020 HUF bn | Hungary | Croatia | Kurdistan Region of Iraq | Pakistan | United Kingdom | Norway | Azerbaijan | Other | Total - FY 2020 | Total - FY 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Exploration** | 8.3 | 2.2 | 0.0 | 1.4 | 0.0 | 6.7 | 0.0 | 0.3 | **18.9** | **27.5** |
| **Development** | 11.2 | 7.7 | 2.4 | 0.0 | 6.7 | 0.0 | 36.0 | 4.2 | **68.2** | **62.3** |
| **Other** | 5.1 | 6.4 | 0.4 | 0.2 | 1.0 | 0.1 | 0.2 | 0.0 | **13.4** | **15.0** |
| **Total - FY 2020** | **24.6** | **16.3** | **2.8** | **1.6** | **7.7** | **6.8** | **36.2** | **4.5** | **100.5** | |
| **Total - FY 2019** | **30.1** | **22.8** | **8.2** | **1.9** | **17.3** | **17.1** | **n.a.** | **7.3** | | **104.8** |

| Key Exploration & Production Sustainability Indicators | Unit of measure | FY 2020 | FY 2019 | SASB |
|---|---|---|---|---|
| Total Direct GHG emissions (scope 1) | mn tonnes CO2 eq | 0.84 | 0.84 | EM-EP-110a.1 |
| Fatalities - own staff and contractors | number | 0.00 | 1.00 | EM-EP-320a.1 |
| Total Recordable Injury Rate (own staff + contractors) | per 1 mn worked hours | 0.79 | 0.65 | EM-EP-320a.1 |
| Process Safety Tier 1 Events | number | 9.00 | 1.00 | EM-EP-540a.1 |
| Volume of Spills (> 1bbl)* | m3 | 108 | n.a. | EM-EP-160a.2 |

Notes and special items are listed in Appendix I and II.
Tables regarding Hydrocarbon production (mboepd); Production cost (USD/boe); Average realised hydrocarbon price; Gross reserves (according to SPE rules): 1P – Proved reserve; 2P – Proved and Probable reserve; Costs incurred (HUF mn); Earnings (HUF mn); Exploration and development wells are available in the annual Data Library on the company's website.
*New methodology from 2020.

### 3.3.1 FINANCIAL OVERVIEW OF 2020

Upstream EBITDA, excluding special items, decreased 31% year-on-year in 2020 and amounted to HUF 210bn. The financial performance was primarily affected by the significantly lower average realized hydrocarbon prices (by 29% or by 13 USD/boe less than in 2019). This was driven by a 34% decrease in realized crude prices and a 28% drop in realized gas prices.

Total group production (including JVs and associates) increased by 8% compared to the previous year, resulting in an average 120.1 mboepd production for the year. Higher production volume was attributable to the inclusion of ACG entitlement, which counterbalanced the strong baseline decline at CEE assets, and the production losses in the UK attributable to Catcher's restrainment and production stoppage on two other assets in the country.

Group-level average direct production cost, excluding DD&A, decreased by 10% to 5.8 USD/boe, remaining at a very competitive level, thanks to the addition of low unit cost ACG barrels.

Upstream Organic CAPEX amounted to HUF 101bn in 2020, dropping 4% year-on-year. This decrease is the result of capital spending optimization, in response to the turmoil in the industry caused by the pandemic and consequent economic downturn. It was mostly an outcome of greater scrutiny in exploration activities, as spending was lower primarily in Norway. The constrain was mostly offset by the addition of development-focused capital expenditure in Azerbaijan which also shifted more weight towards development CAPEX within our portfolio. Overall, the CEE region and Azerbaijan together accounted for more than 75% (HUF 77bn) of total segment capital spending, mostly allocated to development activities.

In 2020, Upstream remained to play a vital role in the cash generation ability of MOL Group with USD 409mn simplified free cash flow generated, meaning that 9.3 USD/boe unit free cash flow was achieved on a portfolio level.

**Changes in the Upstream regulatory environment**

Pakistan: Sales Tax Notification was issued by the Government of Pakistan which allowed the exploration and production operator (MOL Pakistan) to transfer the share of common input tax from the output tax to other joint venture partners as per their respective share in given block, by issuing a credit transfer note (CTN) on a monthly basis. As a result, MOL Pakistan's refund matter has partially been resolved, and further accumulation of refund has also stopped.

Russia: Changes in the Mineral Extraction Tax (MET) calculation were introduced at the end of 2016, having direct implications on royalty payments since 2017. According to the new regulations, the MET was raised by 306 RUB/ton for 2017, 357 RUB/t for 2018 and 428 RUB/t for 2019. In 2019, the period of application of the raised oil MET was extended indefinitely. Export duty gradually decreasing from 2019 to 2023, while MET proportionally increasing, overall has a slight increasing effect on total tax burden. Amendments to the Tax Code concerning the MET and Additional Income Tax (AIT), effective beginning of 2021, mean that the MET relief granted to Baitex will be cancelled, and as per the new list of AIT fields, it will be possible to apply for AIT from 2021.

### 3.3.2 OPERATIONAL OVERVIEW OF 2020

**Exploration**

**Total of 14 wells were drilled in 5 countries, while 1 further has been spudded. 3 new conventional, and 6 shallow gas discoveries were made in 2020. Besides drilling, seismic acquisition campaigns progressed in Croatia, Pakistan and Norway. The Hungarian Shallow Gas exploration program showed eminent track record with a 100% success rate. Exploration portfolio was extended with a new licence acquired in Norway.**

In Hungary, an intensive exploration program was carried out during 2020. The Shallow Gas exploration program continued with six new wells drilled (Tör-6, Hbagos-K-2, Mh-22, Pf-K-1, Hbagos-K-3, Kpu-3), all of them confirmed gas discoveries, and, with the exception of Kpu-3, these wells were tied into nearby infrastructure with excellent lead time, before the end of the year. In 2021, Kpu-3 will be put into production, and the program will also continue. Additionally, a total of three conventional wells were drilled, although each of them resulted in sub-commercial or uneconomic hydrocarbon discoveries. Tótkomlós, the unconventional pilot well spud in 2019, was finished, with evaluation of results still in progress. On account of the pandemic emergency periods, the Ministry of Innovation and Technology offered a new vis major extension of minimum three months for all Hungarian licences, without any additional commitments to be fulfilled.

In Croatia, INA d.d. and the Government of Croatia signed three Production Sharing Agreements for three exploration blocks (DR-03, SZH-01, DI-14). On block DR-02, a commercial oil discovery was declared on Jankovac-1 well, (originally spudded in 2019, and making it the second commercial discovery on the block). Moreover, drilling preparations and geological and geophysical (G&G) studies were carried out as part of the Second Exploration Phase. On block DR-03, the first phase of the country's single largest 3D seismic acquisition was completed, forming a basis for later G&G studies. On blocks SZH-01 and DI-14, geological and geophysical studies were performed.

In Romania, the first exploration well on EX-1 licence was drilled, but proved to be dry. Activities aimed at delivering remaining committed work program are under way for EX-1 and EX-5, while on EX-6, permitting activities are in progress.

In Norway, exploration activities were focused on operated licences. Oil and gas discovery has been announced on well PL820S, preliminary discovery showing recoverable resources between 12 and 71 MMboe; technical evaluations and planning of further wells are ongoing. Additionally, seismic acquisition for a new 3D study was finished on the PL820 licence, and a new licence was awarded on an adjacent acreage, with MOL being the operator. Drilling of the MOL-operated exploration well on PL617 was completed in February 2021. The well encountered reservoir rocks with poor to moderate properties and it will be permanently plugged and abandoned. Three licences (PL019C, PL814, PL905) were relinquished by MOL Norge, due to inferior prospectivity and having completed the work program.

In the Middle East, Asia And Africa region, exploration activities advanced in Pakistan, Egypt and Oman, although hampered in Kurdistan. In Pakistan, while the 3D seismic (re-)processing project continued, the TAL West 3D seismic data acquisition project was completed in TAL block. Drilling, well testing and completion operations at Mamikhel South-1 exploratory well were completed with a reserve addition of 0.5 MMboe (net to MOL), and so the 10th hydrocarbon discovery of the TAL block awaits tie-in. 2D seismic data (re-)processing project was completed in Margala block. Furthermore, licence extensions were secured for Margala, TAL, and Karak blocks. In Kurdistan, a force majeure was declared by Pearl JV on the drilling of two exploration wells, due to the travel and resource restrictions applied during the ongoing pandemic. In Oman, the Ministry of Oil & Gas approved to transfer committed well from Block 66 to adjacent block of JV partner, and to relinquish Block 66, which is currently in progress. In Egypt, new drillings targeting the reservoirs discovered by Rizk-2D well on East Yidma were postponed to 2021.

**Field Development and Production**

**In 2020, MOL successfully carried out drilling of new development wells. Production optimization program continued in Hungary and Croatia, which resulted in an annualized production uplift of 1.7 mboepd with a total of 83 well workovers. In Russia, the new Field Development Plan was prepared, then submitted to and accepted by the State Reserves Committee.**

In Hungary, field development activities comprised of development drillings, tie-ins, and production optimization. A total of four development wells were successfully drilled, of which three were tied-in, both Földes-24, Móra-6 and Bike-33 wells producing as per expectations, while tie-in works have begun for the fourth well, Túrkeve-27. Moreover, the debottlenecking construction of Mezősas Ph-2 was finished. In addition, the production optimization program was continued with 42 operations, leading to 1.4 mboepd incremental production, on an annualized basis. For year-end 2020, Hungary has achieved 100% RRR by means of brownfield developments, project maturation, and exploration.

In Croatia, offshore appraisal well Irena-2, located on Izabela exploitation field, was successfully drilled, and main gas reservoir target was confirmed. Selnica-1 East well, the drilling of which started in 2019, was finished and proved to be dry. The EOR project continued with carbon dioxide and water injection on Ivanić and Žutica North, and has been extended to a new field, Žutica South, followed by the completion of nine well workovers. A pilot project was initiated for implementing carbon dioxide EOR technology on Šandrovac oil field, in order to study future possibilities for full-field EOR application. The production optimization program continued as well, resulting in 41 completed well workovers, contributing 0.3 mboepd additional production on an annualized basis. Unmanned offshore platform Ivana D has capsized, and Emergency Shut Down had been initiated, without any gas leak, or any risk posed to sea traffic. All relevant external institutions were notified, and investigations are ongoing.

In the United Kingdom, produced water handling system issues and unplanned shutdown were causes for Catcher's reduced production rate, leading to an average uptime of 78% for the year. Infill drilling of Varadero VP1 was completed. Decision was made that production will not restart on Broom field, after incident on board of host platform in Q4 2019. In Scolty & Crathes area, the pipeline replacement carried out in 2019 contributed to a stable production in 2020, better than originally expected. Scott operated with high uptime, also taking the completed annual turnaround into account.

In the CIS region, field development of the operated Baitugan field in Russia continued. The annual drilling program was successfully conducted with 5 wells drilled, of which 3 were horizontal. A total of 48 interventions were executed as part of the well workover program, and a further 5 advanced workovers in the re-assessment program. In addition, the new Field Development Plan was accepted by the State Reserves Committee. In Kazakhstan, Rozhkovskoye Field Development Plan was updated and is being reviewed internally and by authorities, and Front-End Engineering Design study was prepared and agreed by partners to be tendered. In Azerbaijan, the transaction of acquiring a stake in the ACG field and BTC pipeline was closed mid-April 2020. Production entitlement is being received since, although gross production has been curtailed since May 2020 in line with OPEC+ commitments of the Republic of Azerbaijan. The 2020 drilling program was completed, with a total of 13 wells drilled. Schedules for both the Azeri Central East and the Chirag Gas Lift projects were reset due to the pandemic, but both are progressing.

In Pakistan, as part of TAL block development, the Maramzai compression project is in progress. The work of converting Makori-03 into produced water disposal well is also ongoing. The water injection facility at Makori West water disposal well was converted into electric-driven, instead of diesel-driven. Successful production optimization jobs at Makori East-05, Makori East-06, Tolanj X-1, and Maramzai-1 wells contributed to a realized incremental production of 0.2 mboepd, annualized and net to MOL.

In the Kurdistan Region of Iraq, despite some delays suffered, production capacity was increased towards the 55 mboepd target of the Shaikan development project. Tie-in of well SH-9, and well recompletion workover of well SH-12 were both successfully carried out as well, however well delivery of SH-13 remains suspended. At Pearl, higher production volumes than planned were reached and attributable to the commissioning of a bypass project, however the operator advised of force majeure to the Khor Mor gas plant expansion project fully induced by the pandemic and consequent conditions in Kurdistan.

In Egypt, field development activities continued. Of the three non-operated concessions, 9 development wells were drilled and 9 recompletion jobs were done on North Bahariya, 28 well workovers and interventions were performed on Ras Qattara, and upgrade and production maintenance activities were carried out on West Abu Gharadig.

In Angola, maintenance, water injection and well intervention activities were carried out on Block 3/05, and studies are in progress for Punja and Caco Gazela development areas.

### 3.3.3 ESG OVERVIEW OF 2020

In 2020, there were no fatalities in Upstream, however there were 6 own staff and 1 contractor lost time injuries, mainly caused by slips/trips/falls. Total recordable injury rate increased in 2020, from 0.65 to 0.79.

As a result of the implementation of the HAZMAT (hazardous materials) transportation action plan in MOL Pakistan, the HAZMAT road accidents reduced in 2020 to 1 compared to 5 in 2019. There is also a decreasing number of road accidents in CEE when compared to 2019.

The number of hydrocarbon spills increased due to enhanced reporting in Hungary and Croatia, with total spills volume above 1 $m^3$ going up from 23.75 $m^3$ in 2019 to 35.6 $m^3$ in 2020. In order to reduce spills, pipeline integrity programs were introduced in Hungary, Croatia and Russia. Total direct (Scope 1) greenhouse gas (GHG) emission stayed at the same level as in 2019.

The pandemic caused by COVID-19 affected all of MOL Upstream's locations. With the implementation of both proactive (PPE) and reactive (regular testing) measures, at offices and at fields, protection and safety of employees was ensured. No disruption to day-to-day production and operation occurred as a result, with the exception of a March-April production restriction in Pakistan due to restricted refinery intake. Aforementioned measures and best practices will be continued to ensure against operational disruptions and threats to employees' health.

### 3.4 DOWNSTREAM

| Segment IFRS results (HUF bn) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| EBITDA | 167.2 | 224.6 | (26) |
| **EBITDA excl. spec. items[1]** | **167.2** | **232.1** | **(28)** |
| **Clean CCS-based EBITDA[1] [2]** | **229.1** | **252.4** | **(9)** |
| o/w Petrochemicals[1] [2] | 80.6 | 82.7 | (3) |
| Operating profit/(loss) reported | 7.7 | 80.8 | (90) |
| **Operating profit/(loss) excl. spec. items[1]** | **21.4** | **100.9** | **(79)** |
| **Clean CCS-based operating profit/(loss)[1] [2]** | **81.7** | **121.2** | **(33)** |
| **CAPEX** | **220.0** | **416.0** | **(47)** |
| o/w transformational | 115.2 | 228.8 | (50) |

| MOL Group Without INA | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| EBITDA excl. spec. items[1] | 208.4 | 241.4 | (14) |
| **Clean CCS-based EBITDA[1] [2]** | **232.6** | **260.0** | **(11)** |
| o/w Petrochemicals clean CCS-based EBITDA[1] [2] | 80.6 | 82.7 | (3) |
| Operating profit/(loss) excl. spec. items[1] | 92.7 | 136.3 | (32) |
| **Clean CCS-based operating profit/(loss)[1] [2]** | **116.8** | **154.9** | **(25)** |

| INA Group | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| EBITDA excl. spec. items[1] | (41.3) | (9.2) | 347 |
| **Clean CCS-based EBITDA[1] [2]** | **(3.5)** | **(7.6)** | **(54)** |
| Operating profit/(loss) excl. spec. items[1] | (71.3) | (35.4) | 101 |
| **Clean CCS-based operating profit/(loss)[1] [2]** | **(35.1)** | **(33.7)** | **4** |

| Refinery margin | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| **Total MOL Group refinery margin (USD/bbl)** | **2.8** | **4.2** | **(33)** |
| Complex refinery margin (MOL+Slovnaft) (USD/bbl) | 3.2 | 5.1 | (37) |
| MOL Group petrochemicals margin (EUR/t) [9] | 384.3 | 371.9 | 3 |

| External refined product and petrochemical sales by country (kt) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| Hungary | 4,600.2 | 5,074.6 | (9) |
| Slovakia | 1,760.1 | 1,931.2 | (9) |
| Croatia | 1,837.9 | 2,219.5 | (17) |
| Italy | 1,583.7 | 1,949.6 | (19) |
| Other markets | 8,272.3 | 8,807.1 | (6) |
| **Total** | **18,054.2** | **19,981.9** | **(10)** |

| External refined and petrochemical product sales by product (kt) [13] | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| **Total refined products** | **16,612.0** | **18,657** | **(11)** |
| o/w Motor gasoline | 3,295.0 | 4,018 | (18) |
| o/w Diesel | 9,815.0 | 10,592 | (7) |
| o/w Fuel oil | 341.0 | 394 | (13) |
| o/w Bitumen | 550.0 | 551 | 0 |
| **Total petrochemicals products** | **1,443.0** | **1,324** | **9** |
| o/w Olefin products | 213.0 | 210 | 1 |
| o/w Polymer products | 1,171.0 | 1,033 | 13 |
| o/w Butadiene products | 59.0 | 81 | (27) |
| **Total refined and petrochemicals products** | **18,054.2** | **19,981** | **(10)** |

| Change in regional motor fuel demand | Market* | | | MOL Group sales | | |
|---|---|---|---|---|---|---|
| FY 2020 vs. FY 2019 in % | Gasoline | Diesel | Motor fuels | Gasoline | Diesel | Motor fuels |
| Hungary | (6) | (4) | (5) | (7) | (6) | (6) |
| Slovakia | (8) | (8) | (8) | (8) | (9) | (9) |
| Croatia | (19) | (10) | (12) | (17) | (8) | (11) |
| Other | (16) | (9) | (11) | (4) | (5) | (5) |
| CEE 10 countries | (15) | (9) | (10) | (8) | (6) | (7) |

| CAPEX (in HUF bn) | FY 2020 | FY 2019 | YoY Ch % | Main projects in FY 2020 |
|---|---|---|---|---|
| Refining & Marketing | 87.3 | 140.8 | (38) | MOL: Base Oil and Wax production strategy, Blending alternative crudes in DR, Reconstruction of crude oil tanks, Dev of crude unload, stor, dispatch at B, Development of RTC cleaning facility DR, Catalyst DR<br>SN: New Crude Oil tank, Catalyst SN REF<br>INA: Rijeka Refinery Upgrade Project, Bitumen production, Propane-propylene splitterINA: Propane-propylene splitter, Platforming 2 modernisation, Turnaround, New column on CDU |
| Petrochemicals | 129.5 | 271.0 | (52) | MPC (MOL): Polyol Project, MPC SC1 Boiler replacement, Metathesis Project (Olefin Conversion), PSA installations in SC1-2, MPC SC1 Lifetime extension<br>SN: Ethylene Storage tanks, SN Steam Cracker Intensification, Reconstr of Furnaces BA101, BA103, BA104, PP3 unit revamp (growth part)<br>Opco (TVK Erőmű Term.Szolg. Kft): Power Plant extend the guaranteed life |
| Power and other | 3.2 | 4.2 | (24) | |
| **Total** | **220.0** | **416.0** | **(47)** | |

| Key Downstream Sustainability Indicators | Unit of measure | FY 2020 | FY 2019 | SASB |
|---|---|---|---|---|
| Total Direct GHG emissions (Scope 1) | mn tonnes CO2 eq | 5.91 | 5.91 | EM-RM-110a.1 |
| o/w under ETS | percentage | TBD | 5.85 | EM-RM-110a.1 |
| Fatalities - own staff and contractors | number | 2 | 0 | EM-RM-320a.1 |
| Total Recordable Injury Rate (own staff + contractors) | per 1 mn worked hours | 1 | 2 | EM-RM-320a.1 |
| Process Safety Tier 1 Events | number | 2 | 11 | EM-RM-540a.1 |

Notes and special items are listed in Appendix I and II.
Tables regarding processing and production of the refineries of MOL Group (Duna, Bratislava, INA in kt); External Refined Product Sales (kt); Crude oil product sales (kt); Petrochemical production (kt); Petrochemical sales (kt); Petrochemical transfer to Refining and Marketing (kt) are available in the annual Data Library on the company's website.

### 3.4.1 FINANCIAL OVERVIEW OF 2020

In 2020 Downstream generated HUF 229bn Clean (USD 740mn) CCS EBITDA, which is 9% behind the previous year's performance. The decreasing result was fully attributable to a weaker macro environment and Covid pandemic - refinery margin moved hectically, (down by 33%) as well as negative developments on brent-ural spread put pressure on fuel cracks. Petchem EBITDA and margin remained on base level, thanks to slightly higher volumes y-o-y, thanks to a more supportive demand than fuels.

Strong cost and operational discipline (in maintenance and PTE costs) partially offset the negative impact of the pandemic.

Due to the coronavirus pandemic, CAPEX spending underwent a review during H1 2020, resulting in a 35% reduction in spending. As a result, USD 211mn was allocated to sustain current operation, and USD 503mn was allocated on strategic and growth projects.

Regarding ongoing transformational projects the construction works of the new polyol complex in Tiszaújváros reached nearly 75% completion by the end of 2020. INA Residue Upgrade Program proceeded according to schedule, completion is expected in 2023. Both the Propane-Propylene splitter project in INA and the rubber bitumen plant in Zala site were completed during the year.

### 3.4.2 OPERATIONAL OVERVIEW OF 2020

MOL Group's 2030 'Enter Tomorrow' strategy key directions are still valid and confirmed, however, an acceleration of the original fuel transformation strategy is necessary. To achieve the set directions, downstream will focus on four areas (Efficiency, Fuel transformation, Diversification, Sustainability) with customer and people focus as an enabler to build a resilient investment portfolio.

In **Production** despite all hardship caused by pandemic situation in 2020 operations were kept up safe and with improving HSE performance at all production sites. With a dynamic and thorough crisis management Downstream successfully protected its people and was able to ensure the continuous operation of its production assets. As a result operational availability reached 92.92% in Refining (including INA RIJ) and 95.88% in Petrochemicals. The processed total raw material and crude oil reached 17.3mn tons and 14.4mn tons, respectively. Total Recordable Incident Rate (TRIR) reached 1.02 a 52% improvement compared to last year. Downstream effectively reacted to the changes in external environment with re-optimization of maintenance and project related activities and related spending while keeping up mechanical availability of the assets. In connection to the strategic initiatives and efficiency, FTE optimization initiatives were carried out across the Group, the Propane-propylene splitter was commissioned in Rijeka, Sisak's transformation continued as well as the build-up of the necessary operational competencies for the on-going Polyol investment in MOL Petrochemicals. In March, 2020 MOL LUB assets were partly switched to disinfectant production (3.7kt products) within a very short time. First manufactured volumes were given to state institutions playing a key role in the fight against coronavirus (e.g. hospitals, public utilities, military services etc.).

In **Logistics** we transported 18.8mn tons, less than previous year by 4.6% in line with decreased fuel demand. Overall Logistics costs have decreased by 4.3% as a result of successful optimization of the pipeline and terminal operation. Market supply and operation were continuous on all sites, despite the challenging year. Benchmark of the road transportation operation between the companies has been completed with improvement actions set. Following the success of the pipeline and terminal excellence programs, we continued with the rail excellence program, targeting significant process simplifications and cost reduction in the same time. Automatization is still in focus, with the Group wide stock management system on track to meet the goals of digitizing logistics transactional processes. Core functions of Logistics were performed with excellent HSE results, ending the year with best performance in last 3 years and below set tolerable limits. In 2020, the planning for a diesel/naphtha interconnector pipeline connecting the Százhalombatta and Bratislava refineries was initiated with completion scheduled by 2024/25. MOL Group currently relies on rail and barge (70/30 split) for the transportation of around 1mn barrels of petroleum products per year between the Slovakian and Hungarian markets (including the two refineries). A future pipeline would result in several financial and operational benefits, including but not limited to higher flexibility, faster response time to both changing markets and unplanned events, lower transportation costs, and improved safety as transport shifts from rail/barge to pipeline. Furthermore, the new pipeline would eliminate a) the risk river spills from barges, and b) disruptions to transport caused by fluctuating (lower) water levels in the Danube caused by climate change as no river barge transportation between Danube and Bratislava refineries would take once the pipeline is completed.

The challenges of 2020 required **Commerce & Optimization** to comprehend the new situation very quickly and adapt to the frequently changing market circumstances. The organization successfully maintained full continuity of supply chain even with reduced operation and in spite of combined effects of the pandemic demand distruption for fuels and supply glut on crude side. In polyolefins the crisis offered some opportunities in certain segments resulting in a record breaking overall polymers annual sales result. In Q4 an exhaustive review of the operations and structure was launched as a focused efficiency improvement program. The goal of the review was to assess C&O activities and further develop processes and structure while improving our customer service with more flexible, reliable and tailor made products and services. In the area of sustainability the efforts were focused on securing the renewable component for the fuel business and on preparing MOL Group market entry with initial plastic recycling solutions. In 2018, a new Group wide unified B2B customer satisfaction monitoring methodology was implemented seeking to constantly measure customer satisfaction across MOL Group spanning the wholesale product portfolio (including fuel and petrochemicals). In 2019 MOL Group reached 89.4% satisfaction, an increase from 88.9% from the previous year. MOL Group keeps increasing B2B customers' satisfaction by focusing on development of digital business solutions, especially reflecting to the digital trends accelerated by the pandemic. As part of the Digital Roadmap, Partner Portal was introduced to B2B customers which provides a single-sign in access to all B2B applications of MOL Group which is relevant to the given customer. Such application is the newly developed ISA (Internet Sales Application) that gives flexible online ordering possibility to customers. ISA was already implemented in Hungary and Romania in 2019 and was gradually rolled-out to Slovakia, Croatia and several other subsidiaries of MOL Group during 2020 both on desktop and in the form of mobile application.

In **Developmen**t in line with MOL Group strategic objective - to transform production from fuel to more competitive goods by increasing the share of non-fuel products - investigation and assessment of a number of shortlisted large-scale fuel transformation opportunities have started, covering technological solutions by involving selected potential technology licensors.

The flagship **Polyol Project** of MOL Downstream has reached an overall 75% progress by the end of 2020 following a challenging year earmarked by various turbulences resulting from the COVID-19 pandemic, mainly on the areas of supply chain management and construction. The pandemic caught the investment in its most workforce intensive steel erection phase creating inefficiencies in construction activities especially in the second half of the year. The peak workforce on site through 2020 was 1,800 against the planned 2,500 due to pandemic preventive measures. Despite the setbacks, key milestones were reached, including the transportation of all oversized pre-fabricated equipment pieces for the construction site by using river routes of the Danube and Tisza, the detailed design reached close to completion and with all purchase orders placed, procurement activities stand also almost finalized. Of the EUR 1.2bn initial budget slightly below EUR 1bn has been spent until 31.12.2020. In 2021, besides maintaining focus on construction, our professionals will start the preparation for commissioning activities together with our Contractor, which, in case of a Project of this magnitude, is a lengthy and complex process. The assessment of the impacts of the pandemic were ongoing at the end of the year with the main Contractor of the Project. Parties were considering the most efficient implementation scenarios going forward to safeguard the health of field staff and the surrounding communities. The pandemic is an ongoing event, with certain remaining risks, but according to current best estimates the completion of the Project has been delayed to the second half of 2022, i.e one calendar year later in comparison to the original schedule, whilst the overall budget is likely to increase to around EUR 1.3bn (from EUR 1.2bn).

**DOWNSTREAM FUTURE PRODUCT PORTFOLIO**

MOL Group Downstream is in a continuous process of developing its future product portfolio, launching new products and services that not only mitigate low-carbon transition risk, but capitalize on opportunities created by a carbon constrained, circular economy.

**Biofuels in MOL Group**

Until 2020, MOL Group has been a biofuel user by purchasing more than 500 kt of biofuels (bioethanol and biodiesel) for blending. In 2020, an investment for the co-processing of waste fats and oils was completed in the Danube refinery to produce renewable diesel for the first time within MOL Group. First test run has been started in March and production scaled up from Q2-Q3. With this project, MOL Group became a biofuel producer. Further testing is ongoing to extend the feedstock portfolio and support new compliance targets. At the Bratislava refinery several equipment were built and tested, for co-processing of vegetable oil in the diesel hydrotreater.

From the beginning of 2020, higher bioethanol content is required in gasolines by respective regulation in Slovakia and Hungary, therefore MOL Group is supplying E10 as standard gasoline grade.

**Advanced Biofuels Project and Sisak Biorefinery Project**

MOL Group kicked off the group level Advanced Biofuels Project in 2019 and continued the assessment through 2020 with the scope of investigating potential solutions to fulfil the targets set in the European RED II legislation regarding advanced biofuels. As a part of this work organic and inorganic solutions have been assessed further to define a compliance roadmap till 2030. This roadmap concludes own technological investment options from existing licencable technologies on the market, as well as an investment into technology via JV shareholding.

As part of this potential compliance roadmap the Sisak Biorefinery project would enable INA to produce second generation biofuels (fuel with a negative carbon footprint) from energy plant miscanthus, in addition to producing green energy with 55,000t/Y capacity of advanced bio-ethanol. This investment is worth EUR 300mn, and INA is planning to partially secure funding for it from the EU Innovation Fund, to which the project was submitted October 2020. The project met the formal criteria defined by the Ministry of Economy and Sustainable Development and was officially included in the Strategic investment Projects List. This means easier and faster issuing of permits in the first place and provides a signal of governmental support to the project.

The project was also assigned an Operating Group Leader to facilitate the preparation for project implementation. The project would activate 12,500 hectares of abandoned and lower quality land that is not used for food production (low ILUC). The Biorefinery project is important for INA, but it is also important for the Republic of Croatia, and all its elements are aligned with the Green Deal and the European Energy Strategy.  Implementation of the project would create new jobs in the biotechnology sector and indirectly in the agricultural sector through production and biomass supply in an area with high unemployment (around 30%). This is especially important given the current situation when a significant number of people from Sisak-Moslavina County moved away after the earthquake and optimism level among locals is low. The Biorefinery project envisages the installation of the innovative Futurol™ technology combined with Bio-CCUS. The Futurol™ technology was developed by the French company Axens, and the Sisak bio-refinery would be the first-of-a-kind commercial plant to use the technology.

**R&D and Biofuels**

MOL Group continued to work within the 4REFINERY consortium on the development of advanced biofuels made from lignocellulosic biomass. Within the project different technological approaches for the liquefaction of agricultural and forestry waste, and the integration of further processing of the oils in refinery units were investigated during 2020. Furthermore, MOL Group joined the REDIFUEL consortium, where advanced renewable diesel fuel production is developed based on biomass gasification and Fischer-Tropsch synthesis and hydroformylation.

In 2020, Downstream **R&D** continued its activities and projects with roughly EUR 9mn (2020 CAPEX ) spending across three different business lines: Refining, Polyolefin and Polyol. A new Research & Development Center in the Danube Refinery was inaugurated during 2020 and serving as the base for the future development of polyol products and polyurethane application technologies. Key R&D developments in the polyolefin area include the development of new polypropylene compound for the automotive industry, including a more environmentally-friendly high-density polyethylene grades with 30-50% recyclate content. In Refining, R&D contributed to the development of the technology license for rubber modified bitumen production. Downstream R&D contributed developing advanced and sustainable solutions by creating a new, dedicated unit dealing with new projects e.g. in the field of waste conversion and other sustainable technologies.

**Compounding Project**

MOL Group entered into a strategic partnership with Swiss trading group **Meraxis** in September 2020. Under the agreement, Meraxis will supply  MOL Group with high-quality, post-consumer recycled materials to be blended  with MOL virgin polyolefin resins. At a first instance, it is planned to be produced at the Aurora Kunststoffe production facility. The partnership creates a unique value proposition to customers by providing competence in the entire product value chain from sourcing, compounding and sales to technical service. Development has started in 2020 for polypropylene-based recyclate-compounds and further grades will be developed in 2021 for the automotive, furniture and construction industries.

MOL Group entered the market of recycled plastic compounding in 2019 by acquiring **Aurora** Kunststoffe GmbH, a German-based company focusing on the production of engineering plastic compounds. The specifically collected post-industrial plastic residues are grinded into flakes and further processed into customized compounds. In the beginning of 2019, Aurora completed a new compounding facility in

Neuenstein (Germany), doubling its production capacity. With this investment Aurora produces up to 15 kt of sustainable high-quality compounds per year, achieving a total saving of 62 kt CO2 equivalents. The products are used in multiple applications primarily in the automotive, construction and consumer industry. In cooperation with Aurora, polypropylene compound recipes based on MOL base polymers for several interior, exterior and under-the-hood parts of passenger cars were prepared during 2020 and will be ready for commercialization in 2021.

**Recycling Project**

In 2020 the first recyclate content in-house developed product (see also at R&D) was undergoing its first test production: the 30% Post-Consumer Recyclate (PCR) containing HDPE compound targets the rigid packaging sector, which is the most exposed to potential plastic regulations following the recent EU Green Deal. The customer testing – involving Polish and Austrian customers – brough back good initial quality feedback, confirming the expectations of delivering a product with near-virgin qualities, which is a pioneer in MOL's own recyclate product portfolio to come in the next few years, targeting various segments and applications.

**APK AG**, MOL Group's strategic partner for plastics recycling since 2018 located in Merseburg, Germany, was supported in 2020 with the stabilization of their production of Post-Industrial Recycled Content (PIR) based low-density polyethylene (LDPE), as well as their polyamide (PA) production with an annual capacity of 8,000 tons per year. There were several successful trials at customers. Post-Consumer Recyclate content (PCR) will be further tested in 2021, and based on detailed investigation, advanced technical solutions will need further development to be market ready for PCR consumption.

In June, 2020 **rubber bitumen plant** in Zalaegerszeg (Hungary) with capacity of 20 kt/y started the production, using patented technology, recycling about half a million used tyres (equivalent to about 3kt rubber granulate a year), same amount of around 8-10% of annual Hungarian tyre waste. The rubber bitumen produced from tyre waste and bitumen is used for road construction, enabling the construction of either 200km 2x1 lane road or the renovation of 600km 2x1 lane road depending on the layers. Benefits include climate change resistance against highest-lowest temperatures, lower maintenance costs due to improved resistance to environmental and traffic impact (1.5x longer lifecycle), improved fatigue and aging resistance (fewer road cracks), larger load capacity combined with lower tear tendency, and reduced road noise (not always necessary to build noise barriers along roads). In 2020 September we have signed a memorandum of understanding with PJSC Tatneft. According to the plans, we are going to jointly build a rubber bitumen plant which is a nearly USD 13mn investment. It will use the chemically modified rubber bitumen production technology MOL has developed.

Lubricant producer and distributor **MOL-LUB** provides contracted partners and other participants collection of waste oil. Contracted partners deliver the waste oil to the Zala site, where it will be recycled (6,685 tons in 2020), thereby re-entering the industrial cycle as an essential element for bitumen production. Through the lubricant waste collecting service, MOL Group ensures that lubricants – such as motor oil or hydraulics oil – which are classified as hazardous waste, are be transformed into fluxing oil, which is an important element for bitumen production. MOL-LUB contributes to recycling 5-6 thousand tons of waste lubricant oil per year and takes care of treating 99% of waste oil product within the company since 2011. MOL Group also ensures collection and treatment of other waste oils: combustible waste is delivered to the Danube Refinery incinerator, while non-combustible waste (e.g. metal) is handed over to contracted partners (530 To in 2020).

### 3.5 INNOVATIVE BUSINESSES AND SERVICES

2020 was another strong year for the Innovative Businesses and Services segment, with record breaking financial performance.

#### 3.5.1 Consumer Services

| Segment IFRS results (HUF bn) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| EBITDA | 156.2 | 137.3 | 14 |
| **EBITDA excl. spec. items[(1)]** | **156.2** | **137.3** | **14** |
| Operating profit/(loss) reported | 114.4 | 102.5 | 12 |
| **Operating profit/(loss) excl. spec. items[(1)]** | **114.4** | **102.5** | **12** |
| **CAPEX** | **39.0** | **51.2** | **(24)** |
| o/w organic | 39.0 | 51.2 | (24) |

| Total retail sales (kt) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| Hungary | 1,257 | 1,345 | (7) |
| Slovakia | 678 | 725 | (6) |
| Croatia | 934 | 1,098 | (15) |
| Romania | 691 | 753 | (8) |
| Czech Republic | 462 | 525 | (12) |
| Other[(8)] | 364 | 405 | (10) |
| **Total retail sales** | **4,386** | **4,851** | **(10)** |

| Non-fuel indicators | FY 2020 | FY 2019 |
|---|---|---|
| Non-fuel margin | 27.3% | 28.8% |
| Number of Fresh corner sites | 955 | 877 |

| Key Retail ESG Indicators | Unit of measure | FY 2020 | FY 2019 | SASB |
|---|---|---|---|---|
| Total Energy Consumption | mn GJ | 0.72 | 0.77 | CG-MR-130a.1 |
| Total Recordable Injury Rate (own staff + contractors) | per 1 mn worked hours | 0.68 | 0.78 | - |
| Process Safety Tier 1 Events | number | 1 | 2 | - |

Notes and special items are listed in Appendix I and II.
Tables regarding the number of MOL Group service stations, retail sales of refined products (kt) and gasoline and diesel sales by countries (kt) are available in the annual Data Library on the company's website.

##### 3.5.1.1 FINANCIAL OVERVIEW OF 2020

In 2020 Consumer Services EBITDA increased by 14%, reaching HUF 156bn resulting in another year-on-ear double-digit-growth. The unfavourable external conditions as a result of lockdowns and travel restrictions led to a decline in fuel volumes. However, the decline was offset by active micro-location based pricing and effective unit margin optimization, with premium penetration increasing by almost 20% compared to 2019. Restrictions likewise affected the non-fuel margin which decreased by 4% compared to last year, while sales remained almost on the same level as in 2019, at USD 1,175mn (HUF 361bn). However, the decline was almost fully offset by OPEX optimization measures and the broadening of in-store product potfolio towads protective and hygienic items and groceries.

##### 3.5.1.2 OPERATIONAL OVERVIEW OF 2020

The segment consists of two main business lines: "Retail" includes both fuel and non-fuel retailing, while "Mobility" is comprised of all other services provided for people "on-the-go".

**Retail**

Retail completed over 175 reconstruction, including forecourt, car- and jetwash reconstructions and the installation of the new non-fuel concept, Fresh Corner at the stations. By the end of 2020, MOL Group's service station network consisted of 1,870, whilst reaching 1,940 station when combined with the franchise. MOL Group maintained a leading position on the Hungarian, Croatian and Slovakian markets, as well as in Bosnia and Herzegovina, remained the second largest market player on the Czech market, and the third largest in Slovenia, Romania and Montenegro. More information on the installation of EV chargers across the Groups service station network can be obtained from the "Mobility" section below.

The implementation of the non-fuel concept accelerated, 78 Fresh corners were added across the network taking the total number of Fresh Corners to 955 with 15 lost time injuries. The Fresh Corner concept is constanly being developed through the continuous expansion of the gastro and grocery portfolio and the offering of a wider range of convenience services (e.g. self-service and innovative payment solutions). After the successful start of the renewed coffee concept MOL Group already launched its own branded coffee beans and introduced the french-type hot-dog which already became a flagship gastro product. Together with other options (sandwich, bakery etc.) MOL Group offers hot snacks in ca. 900 service stations for the people on the go.

**Retail Customer**

Consumer Services systematically collects retail customer insights and tracks overall customer satisfaction through a number of channels. As a result, MOL Group does not operate with (and therefore does not report) a single score for Retail, as several customer satisfaction scores are applied depending on the insight channel. A customer insight system called Brand Tacking was operational in 7 countries involving 1,000 customers per country once a year. From 2021, it will be expanded to monthly data collection involving 3,000 customers per country, providing data for 20 different KPIs including fuel, gastro, store hygiene and staff behavior. During 2020, MOL Group conducted its biggest research to date called the Fresh Corner Usage & Attitude (U&A), involving almost 10,000 customers in 7 countries via 4 different channels in order to understand expectations and certain non-fuel shopping habits. During 2021, a fuel U&A research will be carried out. Insights gathered from U&As should help create a more customer centric business decision-making, supporting the retail transformation of the Group.

MOL Retail's customer loyalty program constitutes a key element in the digital transformation of Consumer Services. A new, digital, gamified, tier-based rewards program was finalized during 2020, allowing for personalized and highly automated communication across different channels. The new program was introduced in Croatia in 2020, with expansion to new expected in 2021. The MOL GO application was introduced in six countries during 2020, resulting in increasing customer response to marketing activities, and improved data analytics. Active loyalty customer base reached 2.8 million in 2020, targeting loyalty customer base of over 3 million in 2021. MOL Group applies the mystery shopper concept in measuring customer satisfaction, the results of which are integrated into bonus schemes for both management as well as partner commission. MOL consciously uses mystery shoppers (selected through tender) when measuring customer satisfaction across different channels to avoid internal biased systems. Digitization is also increasingly present in our internal operation via the extensive use of AI and ML-based tools and also support the execution via our online, gamified learning tool, Esmile.

MOL Group Retail did not register any incidents concerning neither non-compliance concerning product and service information and labeling, nor any non-compliance with marketing communication during 2020. Finally, no incidents or complaints concerning breaches of customer privacy and/or losses of customer data as a result of data breaches were registered at MOL Group Retail.

**E-smile**

As a consumer facing business, employee engagement plays a major role in the transformation of Consumer Services and enhancing customer experience. In 2017 MOL Group introduced a face-to-face training program called 'Smile' for more than 15,000 service station staff, covering both hosts and station managers, with the aim to improve customer service. In 2020 MOL Group expanded employee training and development through a digital microlearning training platform called e-SMILE and available on their smart phones. The online training system expands the Group's training portfolio on product, process, sales, compliance and HSE relevant topics, reinforcing previously shared knowledge. Furthermore, the new platform connects the Group directly to each member of staff working at the Group's service stations. Furthermore, it allows for real-time sharing of the latest sales promotions and especially important during the pandemic, the latest operational changes ensuring a safe working environment and safe consumer experience. The platform is based on gamification elements which boosts employee engagement and wellbeing in the workplace. This results in a stable-high usage of the platform, with 96% of frontline staff using eSMILE every day when at work, resulting in an average 17% increase in knowledge from the training topics. These programs support should not only support the transformation of the Group's service station from fuel retail into FMCG retail but also the continuous increase non-fuel revenues.

**Mobility**

In 2018, MOL Group launched MOL Plugee, a new EV charging brand under the Consumer Services division. By year end 2020, 164 Plugee EV chargers were installed throughout the Group's services station network across the CEE region. Of the 164 EV chargers operated by MOL Group, 127 have been installed under the NEXT-E program. In July 2017, the NEXT-E project was selected by the European Commission for co-financing through the Connecting Europe Facility. Within the framework of this project, the NEXT-E consortium installs 222 multi-standard fast chargers (50 kW) and 30 ultra-chargers (150-350 kW) along Trans-European Transport Network (TEN-T) core corridors and core network. The first EV charger under the NEXT-E program was installed in 2018, with final completion expected in 2021. Of the 252 EV chargers deployed under the NEXT-E program, MOL Group's share was set at 141 chargers to be deployed across its service station network located on TEN-T corridors, creating an interoperable and nondiscriminatory network of EV charging points, allowing long distance travel across six CEE countries based 100% on electricity. By year-end 2020, 127 EV chargers were deployed by MOL Group as part of NEXT-E consortium, with the final 14 chargers being installed in 2021 (all 141 carrying the Plugee brand). By the end of 2021, MOL Group aims to have EV chargers at 10% of its service stations in the CEE region, or approximately 200 service stations. The number of MOL Plugee EV chargers deployed in third-party locations (outside MOL service stations, and not under the scope of NEXT-E) reached 9 by 31 December 2020, an increase from 2 in 2019. Energy consumption for all EV chargers in 2020 reached 385,824 kWh, saving a total of above 257 tonnes of CO2-eq.

In 2018, MOL Group launched a car sharing service in Budapest (Hungary) called MOL LIMO. By 2020 year-end, a fleet of 450 shared cars from 10 different models were in operation (5 electric and 5 petrol), with the number of electric vehicles (EVs) reaching 150. During 2020, Budapest city coverage increased to 86km2 (an increase from78km2 in 2019), reaching key transportation hubs, as new rental payment options were introduced. Total number of registered users reached approximately 75 thousand by year-end 2020. Energy consumption of all LIMO EVs reached 192,176 kWh in 2020, saving an equivalent of around 128 tonnes of CO2-eq. Although already partly electric, MOL aims to gradually increase the proportion of EVs in its product portfolio in order to meet the increasing demand for shared and clean transportation. The rise in EVs is expected to take place as EVs with more advanced specifications are introduced to the market and as the EV charging infrastructure expands.

| MOL LIMO KEY ESG FIGURES | UNIT OF MEASURE | 2020 | 2019 | SASB |
|---|---|---|---|---|
| Average fleet size | number of vehicles | 450 | 450 | - |
| o/w electric | percentage | 33% | 30% | - |
| Average vehicle age at year end | in months | 15.5 | 18 | TR-CR-000.A |
| Vehicles rated by Euro NCAP programs with an overall 5-star safety rating | percentage of fleet | 22% | 17% | TR-CR-250a.1 |
| Vehicles recalled during period | number | 0 | 0 | TR-CR-250a.2 |

As part of MOL Group's mobility strategy, a fleet management service called MOL Fleet Solution was launched in 2018. The main target is to finance and manage vehicles owned and used by MOL Group and external clients, as well as the fleets of small-, medium-sized or large businesses in Hungary. The number of financed and managed cars reached almost 4,000 by the end of 2020. MOL Fleet Solutions targets the size of its fleet to reach 10,000 cars by 2026.

| MOL FLEET KEY ESG FIGURES | UNIT OF MEASURE | 2020 | 2019 | SASB |
|---|---|---|---|---|
| Average fleet size | number of vehicles | 3,797 | 2,630 | - |
| o/w electric and hybrid | percentage | 10.4% | 6.8% | - |
| Average vehicle age at year end | in months | 19.4 | 13.6 | TR-CR-000.A |
| Vehicles recalled during period | number | 306 | 149 | TR-CR-250a.2 |

Neither MOL Limo nor MOL Fleet Solutions registered any incidents concerning a) non-compliance concerning product and service information and labeling, and/or b) non-compliance with marketing communication during 2020. Finally, no incidents or complaints concerning breaches of customer privacy and/or losses of customer data as a result of data breaches were registered at neither MOL Limo nor MOL Fleet Solutions during 2020.

### 3.5.2 INDUSTRIAL SERVICES[15]

Industrial Services was established with the aim to provide oilfield and maintenance services for MOL Group internal customers whilst seeking to likewise provide these services to third-party companies. The strategic aim of Industrial Services is therefore twofold: to increase the quality and level of services provided to internal customers as well as utilizing internal know-how to provide services to third party customers.

International drilling activity of oilfield service companies (OFS) was halted for third party customers due to the pandemic situation and a low oil price environment from February 2020. Due to the low asset engagement and decreased revenues, CAPEX and OPEX cuts were implemented in order to provide continuous operation of the companies. OFS companies were able to provide continuous and reliable services for MOL Group's internal Exploration and Production division despite the changed circumstances during 2020 caused by the pandemic.

Maintenance service companies were targeting to achieve the highest own capacity utilization (92%) and initiated new key performance indicators and processes, moreover newly defined common targets with Downstream Maintenance organization were determined.

Former OT Industries (KVV) was partially integrated into Group Industrial Services during 2019. After the integration of KVV, the achieved financial results were significantly above previously defined business plan for 2020.

Algyő-2 is an in-house reference project to support worldwide sales activities of MOL innovative Polymer EOR surfactant product. The post evaluation of EOR project will be finalized during 2021 based on the current encouraging additional oil production result. Due to the continuous business development activity several project turned to planning phase in 2020.

During 2020, MOL Group's total solar power generating capacity remained unchanged at 30 MWp, as no expansion was undertaken during the year. A combined 36,386 MWh of renewable energy was generated during 2020 from previously installed assets (see 2019 Annual Report). Organic capex for renewable energy reached HUF 0.4bn in 2020.

### 3.6 GAS MIDSTREAM

| Segment IFRS results (HUF bn) | FY 2020 | FY 2019 | Ch % |
|---|---|---|---|
| EBITDA | 62.0 | 54.2 | 14 |
| **EBITDA excl. spec. items(1)** | **62.0** | **54.2** | **14** |
| Operating profit/(loss) reported | 45.5 | 40.3 | 13 |
| **Operating profit/(loss) reported excl. spec. items(1)** | **45.5** | **40.3** | **13** |
| **CAPEX and investments** | **11.6** | **48.9** | **(76)** |
| o/w organic | 11.6 | 12.9 | (10) |

| Key Gas Midstream ESG Indicators | Unit of measure | FY 2020 | FY 2019 | SASB |
|---|---|---|---|---|
| Total Direct GHG emissions (scope 1) | mn tonnes CO2 eq | 0.18 | 0.24 | EM-MD-110a.1 |
| Volume of Spills (> 1m3) | m3 | 0.00 | 0.00 | EM-MD-540a.1 |
| Lost Time Injury Frequency (own staff) | per 1 mn worked hours | 0 | 0 | EM-MD-540a.4 |

Tables regarding transmission volumes (million cmc) are available in the annual Data Library on the company's website.

#### 3.6.1 FINANCIAL OVERVIEW OF 2020

FGSZ Földgázszállító Ltd (hereinafter referred to as: FGSZ) reached HUF 62bn EBITDA in 2020, a 14% increase from last year, mainly driven by higher regulated revenues which overcompensated the effect of decreasing non-regulated income. Domestic transmission volumes fell by almost 18% YoY, as mild winter and fully loaded storage capacities resulted in lower injected gas storage volumes, while export transmission volumes (to Ukraine, Romania, Croatia and Serbia) rose by 13% YoY and generated significantly higher demands of cross-border capacity bookings in line with changes of regional gas market demands. Non-regulated transit revenues were lower by 29% in 2020 compared to the previous year, as a result of lower contracted prices and decreasing realized transmission volumes (-25%). Operating expenses were similar to the previous year as lower gas consumption costs (fuel gas and network loss) could compensate for the effect of the increase in other operating expenditures e.g. expenses related to extensive pipeline maintenance activities following a new risk-based maintenance analysis of transmission network.

Total value of CAPEX and investments were lower compared to prior year, as FGSZ completed the acquisition of MGT Ltd. in 2019. Organic CAPEX in 2020, which mainly contains spending on sustain-type projects (e.g. pipeline rehabilitation, reconstruction of compressor units), remained at a similar level compared to 2019.

#### 3.6.2 OPERATIONAL OVERVIEW OF 2020

FGSZ's main activity is the operation of the high pressure natural gas transmission system in Hungary, and as a natural monopoly it operates on a regulated basis governed by EU and domestic law. After the acquisition of Magyar Gáz Tranzit (MGT) in 2019, FGSZ became the sole operator of the nearly 6,000km long transmission system in Hungary. Beside the domestic natural gas transmission, FGSZ is also engaged in international transmission activities and operates bidirectional interconnection points with the Slovak Republic, Ukraine, Romania and Croatia and unidirectional inlet point from Austria and exit point to Serbia.

The security of supply of Hungary is inseparable from the energy security of the broader CEE region. Therefore, FGSZ aims to ensure the interoperability of the natural gas networks of the region; while also striving to increase the volume of transmission through Hungary. The developments of the pipeline and trade infrastructure implemented by FGSZ in the recent years helped Hungary and the broader region as well in reaching a more competitive gas market while increasing security of supply and making natural gas accessible as a lower carbon alternative in – among others – electricity generation.

To further enhance regional market integration, FGSZ completed several important developments on its network in 2020. In May 2020 the first non-EU virtual interconnection point was launched at the Ukrainian border to more efficiently use the existing capacities, and both the export and the import capacities were strengthened at the Romanian interconnector. With the operation of the Krk LNG terminal, the Croatian import capacity was also upgraded up to 1.75 bcma from 1st of January 2021. While the economic circumstances created by the COVID pandemic resulted in an overall gas demand decline in the EU, FGSZ managed to increase its transmission levels and reach record high transmission volumes in 2020. To prepare for the future challenges posed by the accelerating decarbonisation efforts, FGSZ started to evaluate its infrastructure for the transmission of low-carbon and decarbonised gases.

The Regional Booking Platform (RBP) of FGSZ is an IT application developed in accordance with the EU network code governing the capacity allocation mechanisms used in natural gas transmission networks and with other relevant EU and national legislation[16] The capacity allocation application enables capacity allocation procedures and secondary capacity trading among other services. Today – beyond FGSZ – fourteen further transmission system operators use it partially or entirely on their system capacities throughout the EU and the Energy Community: Eustream (Slovakia), Transgaz (Romania), Plinacro (Croatia), Bulgartransgaz (Bulgaria), DESFA (Greece), Gas Connect Austria (Austria), Gascade (Germany), Ontras (Germany), Gaz-System (Poland), Gas TSO of Ukraine (Ukraine), Gastrans (Serbia), Moldovatransgaz (Moldavia), NEL Gastransport (Germany), and Opal (Germany).

## 4. APPENDICES

### APPENDIX I - IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT AND EBITDA

| | HUF billion | | | USD million | | |
|---|---|---|---|---|---|---|
| **Special items - operating profit** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
| **OPERATING PROFIT EXCLUDING SPECIAL ITEMS** | **100.5** | **318.2** | **(68)** | **331** | **1,092** | **(70)** |
| **Upstream** | **(25.8)** | **(4.0)** | **545** | **(84)** | **(13)** | **568** |
| Impairment on Upstream assets in the Group | (25.8) | 0.0 | **n.a.** | (84) | 0 | n.a. |
| Kalegran switch to accrual accounting | 0.0 | 3.9 | (100) | 0 | 14 | (100) |
| Year-end impairments (mainly in Hungary) | 0.0 | (7.9) | (100) | 0 | (27) | (100) |
| **Downstream** | **(13.7)** | **(20.1)** | **(32)** | **(45)** | **(68)** | **(34)** |
| Unutilised refinery impairment | 0.0 | (12.6) | (100) | 0 | (42) | (100) |
| Environmental provision | 0.0 | (7.5) | (100) | 0 | (25) | (100) |
| Sisak impairment | (13.7) | 0.0 | n.a. | (45) | 0 | n.a. |
| **Corporate and other** | **6.4** | **0.0** | **n.a.** | **20** | **0** | **n.a.** |
| Provision release for legal claims (Creditor Gamma) | 11.6 | 0.0 | n.a. | 38 | 0 | n.a. |
| Crosco impairment | (5.3) | 0.0 | n.a. | (18) | 0 | n.a. |
| **TOTAL IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT** | **(33.1)** | **(24.1)** | **37** | **(109)** | **(80)** | **36** |
| **OPERATING PROFIT** | **67.4** | **294.1** | **(77)** | **222** | **1,012** | **(78)** |

| **Special items - EBITDA (USD mn)** | **FY 2020** | **FY 2019** | **Ch %** | **FY 2020** | **FY 2019** | **Ch %** |
|---|---|---|---|---|---|---|
| **EBITDA EXCLUDING SPECIAL ITEMS** | **567.8** | **688.7** | **(18)** | **1,853** | **2,365** | **(22)** |
| **Upstream** | **0.0** | **3.9** | **(100)** | **0** | **14** | **(100)** |
| Kalegran switch to accrual accounting | 0.0 | 3.9 | (100) | 0 | 14 | (100) |
| **Downstream** | **0.0** | **(7.5)** | **(100)** | **0** | **(25)** | **(100)** |
| Environmental provision | 0.0 | (7.5) | (100) | 0 | (25) | (100) |
| **Corporate and other** | **11.6** | **0.0** | **n.a.** | **38** | **0** | **n.a.** |
| Provision release for legal claims (Creditor Gamma) | 11.6 | 0.0 | n.a. | 38 | 0 | n.a. |
| **TOTAL IMPACT OF SPECIAL ITEMS ON EBITDA** | **11.6** | **(3.6)** | **n.a.** | **38** | **(11)** | **n.a.** |
| **EBITDA** | **579.4** | **685.1** | **(15)** | **1,891** | **2,354** | **(20)** |

## APPENDIX II - NOTES

| Number of footnote | |
|---|---|
| **(1)** | Special items that affected operating profit and EBITDA are detailed in Appendix I. |
| **(2)** | As of Q2 2013 our applied clean CCS methodology eliminates from EBITDA/operating profit inventory holding gain / loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains / losses on debtors and creditors; furthermore, adjusts EBITDA/operating profit by accurate CO2 cost recognition and capturing the results of underlying commodity derivative transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology. |
| **(3)** | Both the 2019 and 2020 figures have been calculated by converting the results of each month in the period on its actual monthly average HUF/USD rate. |
| **(4)** | Net gearing: net debt divided by net debt plus shareholders' equity including non-controlling interests. |
| **(5)** | Brent dated price vs. average Ural MED and Ural ROTT prices. |
| **(6)** | Net external sales revenues and operating profit includes the profit arising both from sales to third parties and transfers to the other business segments. Upstream transfers domestically produced crude oil, condensates and LPG to Downstream and natural gas to the Gas Midstream segment. The internal transfer prices used are based on prevailing market prices. The gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries and the proportionally consolidated joint operations engaged in the respective divisions. |
| **(7)** | This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. Unrealised profits arise principally in respect of transfers from Upstream to Downstream and Gas Midstream. |
| **(8)** | From 2016 Austrian retail operations were reclassified into wholesale. |
| **(9)** | As of January 2018 an updated formula for calculating the „MOL Group petrochemicals margin" was introduced, replacing the previous „Integrated petrochemical margin". The purpose of the new formula is to better reflect the petchem product slate of the group. |
| **(10)** | CIF Med parity |
| **(11)** | FOB Rotterdam parity |
| **(12)** | FOB Med parity |
| **(13)** | Retail segment sales are shown in chapter 3.5. ("Consumer Services"). |
| **(14)** | Regional diesel and gasoline figures do not reflect full year in the case of Croatia; because of data availability the average of January-November YoY figure is presented. |
| **(15)** | Internal corporate governance and external reporting structure of Innovative Businesses and Services are different, thus the financial result of the Industrial Services and new Ventures unit of the Innovative Businesses and Services segment is reported within „Corporate and other" segment. |
| **(16)** | Commission Regulation (EU) No 2017/459 on capacity allocation, Commission Regulation (EU) No 2017/460 on tariff, Regulation (EU EB) 2012/490 (contractual congestion management), Regulation (EU) No 1227/2011 (REMIT), Regulation (EU) No 703/2015 (interoperability), Directive 2000/31/EC (electronic commerce), Regulation (EU) No 910/2014 (eIDAS) |

MOLGROUP

## Statement of responsibility

Undersigned, authorized representatives of MOL Hungarian Oil and Gas Public Limited Company (MOL Plc.) the issuer of MOL ordinary shares, hereby declare that MOL Plc. takes full responsibility for its announced 2020 consolidated financial statement, which has been prepared to the best of our knowledge based on Section 10 of the Hungarian Accounting Act, in accordance with International Financial Reporting Standards (IFRS), and give a true and fair view of the assets, liabilities, financial position, and profit and loss of MOL Plc.

Moreover, we declare that the Management Discussion and Analysis presents a fair review of the position, development and performance of MOL Plc. and its consolidated companies with a description of principal risks and uncertainties.

Budapest, 15 April 2021

József Molnár
Group Chief Executive Officer

József Simola
Group Chief Financial Officer