

MOL Hungarian Oil and Gas Public Limited Company

Parent Company Annual Report

31 December 2021



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MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY

1117 Budapest, Október huszonharmadika u. 18.

2021

FINANCIAL STATEMENTS

Budapest, 22 March 2022

FINANCIAL STATEMENTS

Introduction

General information

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

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. Depositary Receipts (DRs) are traded Over The Counter (OTC) market in the USA. There is no single ultimate controlling party of Mol Plc.

Authorisation and Statement of Compliance

These separate financial statements have been approved and authorised for issue by the Board of Directors on 22 March 2022.

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

Mol Plc. complies with the requirements of European Securities and Markets Authority (ESMA) and publishes its annual financial statements in XHTML format from 1 January 2021.

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INDEPENDENT AUDITOR'S REPORT

Mol Plc. complies with the requirements of European Securities and Markets Authority (ESMA) and publishes its annual financial statements in XHTML format from 1 January 2021. The independent auditor's report is a separate document.

STATEMENT OF PROFIT OR LOSS

	Notes	2021 HUF million	2020 Restated HUF million
Net sales		2,183,827	1,457,393
Other operating income		5,987	36,436
Total operating income	3	2,189,814	1,493,829
Raw materials and consumables used		1,736,406	1,179,861
Employee benefits expense		73,207	64,146
Depreciation, depletion, amortisation and impairment		100,027	96,488
Other operating expenses		207,116	99,114
Change in inventory of finished goods & work in progress		(59,579)	22,534
Work performed by the enterprise and capitalised		(12,778)	(12,192)
Total operating expenses	4	2,044,399	1,449,951
Profit from operation		145,415	43,878
Finance income		371,117	112,179
Finance expense		111,422	214,274
Total finance income/(expense), net	5	259,695	(102,095)
Profit/(Loss) before tax		405,110	(58,217)
Income tax expense/(benefit)	6	(4,030)	11,423
PROFIT/(LOSS) FOR THE YEAR		409,140	(69,640)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 HUF million	2020 Restated HUF million
Profit/(loss) for the year		409,140	(69,640)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit/(loss) in subsequent periods:</i>			
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax	7	(132)	(495)
Other comprehensive income/(loss) to be reclassified to profit/(loss) in subsequent periods		(132)	(495)
<i>Other comprehensive income not to be reclassified to profit/(loss) in subsequent periods:</i>			
Remeasurement of post-employment benefit obligations	7	(892)	(742)
Other comprehensive income/(loss) not to be reclassified to profit/(loss) in subsequent periods		(892)	(742)
Other comprehensive income/(loss) for the year		(1,024)	(1,237)
Total comprehensive income/(loss) for the year		408,116	(70,877)

STATEMENT OF FINANCIAL POSITION

	Notes	12/31/2021 HUF million	12/31/2020 Restated HUF million	1/1/2020 Restated HUF million
NON-CURRENT ASSETS				
Property, plant and equipment	8	415,327	390,266	397,606
Intangible assets	8	51,372	45,120	39,662
Investments	9	2,810,130	2,221,115	2,023,716
Other non-current financial assets	18	51,611	16,382	191,519
Deferred tax asset	6	80,803	56,497	58,638
Other non-current assets	10	2,437	1,578	1,405
Total non-current assets		3,411,680	2,730,958	2,712,546
CURRENT ASSETS				
Inventories	11	296,786	200,061	231,216
Trade and other receivables	20	384,542	187,713	225,350
Securities	18	26	10,685	24,275
Other current financial assets	18	16,681	15,568	104,600
Income tax receivable	6	-	1,842	-
Cash and cash equivalents	21	184,435	78,375	64,117
Other current assets	12	12,290	53,905	18,749
Assets classified as held for sale	16	1,121	-	-
Total current assets		895,881	548,149	668,307
Total assets		4,307,561	3,279,107	3,380,853
EQUITY				
Share capital		80,992	80,972	80,939
Retained earnings and other reserves		1,667,595	1,799,998	1,798,896
Profit/(Loss) for the year		409,140	(69,640)	-
Total equity		2,157,727	1,811,330	1,879,835
NON-CURRENT LIABILITIES				
Long-term debt	18	1,182,058	752,259	370,956
Other non-current financial liabilities	18	681	1,182	589
Non-current provisions	13	216,428	181,783	184,878
Other non-current liabilities	14	1,646	708	899
Total non-current liabilities		1,400,813	935,932	557,322
CURRENT LIABILITIES				
Short-term debt	18	67,348	60,592	84,130
Trade and other payables	18	355,919	192,595	259,664
Other current financial liabilities	18	218,769	211,483	529,976
Current provisions	13	16,002	11,001	5,829
Income tax payable	6	9,652	-	1,190
Other current liabilities	15	81,331	56,174	62,907
Total current liabilities		749,021	531,845	943,696
Total liabilities		2,149,834	1,467,777	1,501,018
Total equity and liabilities		4,307,561	3,279,107	3,380,853

STATEMENT OF CHANGES IN EQUITY

	Notes	Issued share capital HUF million	Treasury shares ¹ HUF million	Share capital HUF million	Share premium HUF million	Fair valuation reserve HUF million	Retained earnings HUF million	Retained earnings and other reserves HUF million	Profit/(loss) for the year HUF million	Total equity HUF million
Opening balance										
1 January 2020		102,429	(21,490)	80,939	219,389	683	1,432,896	1,652,968	151,013	1,884,920
Correction of error		-	-	-	-	-	(4,141)	(4,141)	(944)	(5,085)
Restated opening balance										
1 January 2020		102,429	(21,490)	80,939	219,389	683	1,428,755	1,648,827	150,069	1,879,835
Profit/(loss) for the year (restated)		-	-	-	-	-	-	-	(69,640)	(69,640)
Other comprehensive income/(loss) for the year		-	-	-	-	(495)	(742)	(1,237)	-	(1,237)
Total comprehensive income/(loss) for the year		-	-	-	-	(495)	(742)	(1,237)	(69,640)	(70,877)
Transfer to reserves (restated)		-	-	-	-	-	150,069	150,069	(150,069)	-
Equity recorded for share-based payments		-	33	33	-	-	912	912	-	945
Other		-	-	-	-	-	1,427	1,427	-	1,427
Closing balance										
31 December 2020		102,429	(21,457)	80,972	219,389	188	1,580,421	1,799,998	(69,640)	1,811,330
Restated opening balance										
1 January 2021		102,429	(21,457)	80,972	219,389	188	1,580,421	1,799,998	(69,640)	1,811,330
Profit/(loss) for the year		-	-	-	-	-	-	-	409,140	409,140
Other comprehensive income/(loss) for the year		-	-	-	-	(132)	(892)	(1,024)	-	(1,024)
Total comprehensive income/(loss) for the year		-	-	-	-	(132)	(892)	(1,024)	409,140	408,116
Transfer to reserves (restated)		-	-	-	-	-	(69,640)	(69,640)	69,640	-
Dividends	17	-	-	-	-	-	(63,226)	(63,226)	-	(63,226)
Equity recorded for share-based payments		-	20	20	-	-	1,487	1,487	-	1,507
Closing balance										
31 December 2021		102,429	(21,437)	80,992	219,389	56	1,448,150	1,667,595	409,140	2,157,727

¹ Including shares under repurchase obligation

STATEMENT OF CASH FLOWS

		2021	2020 Restated
	Notes	HUF million	HUF million
Profit/(Loss) before tax		405,110	(58,217)
<i>Adjustments to reconcile profit before tax to net cash provided by operating activities</i>			
Depreciation, depletion, amortisation and impairment	4	100,027	96,488
Increase / (decrease) in provisions	13	5,025	(6,154)
Net (gain) / loss on asset disposal and divestments		2,778	11,694
Net interest expense / (income)	5	30,981	15,775
Other finance expense / (income)	5	(290,727)	85,735
Other items	23	65,677	(68,975)
Income taxes paid	6	(9,227)	(12,387)
Cash flows from operations before changes in working capital		309,644	63,959
<i>Change in working capital</i>			
(Increase) / decrease in inventories	11	(99,540)	30,874
(Increase) / decrease in trade and other receivables	20	(105,522)	51,593
Increase / (decrease) in trade and other payables	18	97,047	(81,034)
(Increase)/decrease in other assets and liabilities	12,15	(55,049)	(15,948)
Cash flows from operations		146,580	49,444
Capital expenditures	2	(98,854)	(98,073)
Proceeds from disposal of fixed assets		578	662
Acquisition of businesses (net of cash)		-	(285,898)
Increase / (Decrease) in other finance assets		29,994	(3,446)
Interest received and other financial income	5	2,136	5,847
Dividends received	5	200,799	51,470
Cash flows from investing activities		134,653	(329,438)
Proceeds from issue of bonds, notes and debentures		35,422	264,444
Proceeds from borrowings		302,480	330,161
Repayments of borrowings		(425,558)	(300,041)
Interest paid and other finance expense	5	(27,022)	(18,547)
Dividends paid to owners of parent	17	(63,213)	(1)
Other changes in equity		-	1,427
Cash flows from financing activities		(177,891)	277,443
Currency translation differences relating to cash and cash equivalents		2,975	17,265
Increase/(decrease) in cash and cash equivalents		106,317	14,714
Cash and cash equivalents at the beginning of the year		78,375	64,117
Cash and cash equivalents at the end of the year		184,435	78,375
Change in Cash and cash equivalents		106,060	14,258
Change in Overdraft		257	456
Increase / (decrease) in cash and cash equivalents		106,317	14,714

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

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

1. Accounting information, policies and significant estimates

Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by IFRS Interpretations Committee as adopted by the EU and effective on 31 December 2021. Notes to the financial statements also contains disclosures required by Hungarian Accounting Law.

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

New and amended standards adopted by MOL Plc.

MOL Plc. has applied the following amendments for the first time for the annual reporting period commencing 1 January 2021:

- ▶ Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2
- ▶ Amendment to IFRS 4 Insurance contracts- deferral of IFRS 9

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

MOL Plc. 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. In 2021, MOL Plc. continued to be engaged in discussions with banking partners and data providers on the potential fallback options and alternative rates to be used, and initial steps regarding replacement of USD LIBOR have been agreed on. MOL Plc. intends to implement the necessary changes to all loan documentation before relevant IBOR reform becomes effective. MOL Plc. has no drawdowns and outstanding loan balance directly affected by the reform at 31.12.2021 and has not engaged in any hedging relations effected by the IBOR Reform. The reform is not considered to have any major impact on the Company's hedging strategy.

MOL Plc. has applied the following amendment for the first time for the annual reporting period commencing 1 April 2021:

- ▶ Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions beyond 30 June 2021

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

Issued but not yet effective International Financial Reporting Standards

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

Summary of significant accounting policies

The accounting policies are detailed in the respective notes.

Functional and presentation currency

Based on the economic substance of the underlying events and circumstances the functional currency and presentation currency of MOL Plc. 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 denominated in foreign currencies are retranslated at exchange rate prevailing 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 separate financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. These are set out in detail in the respective notes.

In 2021, the Covid-19 pandemic had no significant impact on operations and financial results, and it became part of the usual business.

Accounting policy change

Mol plc. has changed its accounting policy regarding purchased emission quotas. The Company subsequently remeasured emission quotas which has an active market, while other green rights/quotas which has no active market was measured at cost, subject to review for impairment. As new green rights emerged the Company reassessed its policy regarding quotas and decided to unify the treatment of the different quotas to provide more relevant information by treating similar rights in similar way regardless of whether they already have an active market or not. As a consequence, MOL Plc. measure all type of green rights/quotas at cost, subject to review for impairment.

Restatement

In the financial year of 2021, the company identified an error in capital expenditures which lead to an overstatement of HUF 6,056 million. The error resulted in a material understatement of other operating expense recognised for the 2020 and prior financial years and a corresponding overstatement of property, plant and equipment, as well as intangible assets. The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity (increase/(decrease) in equity):

	12/31/2020 HUF million	1/1/2020 HUF million
Property, plant and equipment	(656)	(629)
Intangible assets	(5,400)	(4,456)
Total assets	(6,056)	(5,085)
Net impact on equity	(6,056)	(5,085)

Impact on statement of profit or loss (increase/(decrease) in profit):

	2020 HUF million
Other operating expenses	(971)
Net impact on profit for the year	(971)

Impact on statement of changes in equity:

	1/1/2020 Published HUF million	Increase/ (Decrease) HUF million	1/1/2020 Restated HUF million	12/31/2020 Published HUF million	Increase/ (Decrease) HUF million	12/31/2020 Restated HUF million
Share capital	80,939	-	80,939	80,972	-	80,972
Retained earnings and other reserves	1,803,981	(5,085)	1,798,896	1,805,083	(5,085)	1,799,998
Profit of the year	-	-	-	(68,669)	(971)	(69,640)
Total equity	1,884,920	(5,085)	1,879,835	1,817,386	(6,056)	1,811,330

Impact on property, plant and equipment and intangible assets movement table:

	1/1/2020 Published HUF million	Increase/ (Decrease) of incorrectly capitalized expenditure HUF million	1/1/2020 Restated HUF million	12/31/2020 Published HUF million	Increase/ (Decrease) of incorrectly capitalized expenditure HUF million	Increase/ (Decrease) scrapping of a construction in progress HUF million	12/31/2020 Restated HUF million
Construction in progress gross book value	78,555	(629)	77,926	81,283	(656)	(19,770)	60,857
Accumulated depreciation and impairment	(20,127)	-	(20,127)	(20,126)	-	19,770	(356)
Opening net book value	58,428	(629)	57,799	61,157	(656)	-	60,501
Property, plant and equipment	398,235	(629)	397,606	390,922	(656)	-	390,266

	1/1/2020 Published HUF million	Increase/ (Decrease) of incorrectly capitalized expenditure HUF million	1/1/2020 Restated HUF million	12/31/2020 Published HUF million	Increase/ (Decrease) of incorrectly capitalized expenditure HUF million	12/31/2020 Restated HUF million
Exploration and evaluation assets gross book value	63,454	(4,456)	58,998	59,413	(5,400)	54,013
Accumulated amortization and impairment	(52,013)	-	(52,013)	(52,171)	-	(52,171)
Opening net book value	11,441	(4,456)	6,985	7,242	(5,400)	1,842
Intangible assets	44,118	(4,456)	39,662	50,520	(5,400)	45,120

In addition, the above movement table was restated due to scrapping of a construction in progress which was not presented in 2020. The Gross book value of Construction in progress decreased by HUF 19,770 million and the Accumulated depreciation and impairment of Construction in progress decreased by HUF 19,770 million. The net book value was unchanged. Please refer to Note 8.

RESULTS FOR THE YEAR

This section explains the results and performance of MOL Plc. for the financial years ended 31 December 2021 and 31 December 2020. Disclosures are following the structure of statement of profit or loss and provide information on segmental data, total operating income, total operating expense, finance result. For taxation and share-based payments, disclosures related to the statement of financial position are also provided in this section.

2. Segmental information

Accounting policies

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

2021	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Net Revenue						
External sales	11,332	1,534,538	614,426	23,531	-	2,183,827
Inter-segment transfers	198,216	323,532	732	15,358	(537,838)	-
Total revenue	209,548	1,858,070	615,158	38,889	(537,838)	2,183,827
Profit / (loss) from operation	78,778	106,678	28,208	(50,506)	(17,743)	145,415

2020	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Net Revenue						
External sales	8,241	1,126,580	302,519	20,053	-	1,457,393
Inter-segment transfers	98,747	215,108	583	18,506	(332,944)	-
Total revenue	106,988	1,341,688	303,102	38,559	(332,944)	1,457,393
Profit / (loss) from operation - restated	(9,426)	56,263	23,988	(31,429)	4,482	43,878

2021	Upstream	Downstream	Consumer Services	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Other segment information						
Capital expenditure:	29,235	52,629	9,256	15,678	-	106,798
Property, plant and equipment	27,049	39,994	5,234	8,553	-	80,830
Intangible assets	2,186	12,635	4,022	7,125	-	25,968
Depreciation, depletion, amortisation and impairment	39,499	42,243	4,631	13,654	-	100,027
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	11,566	2,487	162	98	-	14,313
From this: reversal of impairment recognised in statement of profit or loss	23	-	-	-	-	23
Provisions made and used during the year and revision of previous estimates	3,319	2,487	411	(1,191)	-	5,025

2020	Upstream	Downstream	Consumer Services	Corporate and other	Inter-segment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Other segment information						
Capital expenditure:	20,566	57,245	8,701	21,478	-	107,990
Property, plant and equipment	16,985	35,091	5,524	11,566	-	69,166
Intangible assets	3,581	22,154	3,177	9,912	-	38,824
Depreciation, depletion, amortisation and impairment - restated	45,296	36,690	2,737	11,765	-	96,488
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	1,412	277	16	7	-	1,712
From this: reversal of impairment recognised in statement of profit or loss	1,581	-	-	-	-	1,581
Provisions made and used during the year and revision of previous estimates	2,877	8,621	52	(11,483)	-	66

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

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

3. Total operating income

Accounting policies

Net sales

IFRS 15 established a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised when control of the goods or services are transferred to the customer.

The entity has generally concluded that:

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

Lease income

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

Sales taxes

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

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

- ▶ receivables and payables that are stated with the amount of sales tax included

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

Other operating income

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

a) Sales by product lines

	2021 HUF million	2020 HUF million
Sales of crude oil and oil products	1,850,282	1,231,788
Sales of natural gas and gas products	178,228	107,690
Sales of other products	89,666	62,422
Sales of services	65,651	55,493
Total	2,183,827	1,457,393

b) Sales by geographical area

	2021 HUF million	2020 HUF million
Hungary	1,532,829	991,575
Romania	183,850	109,686
Slovakia	83,929	51,382
Serbia	68,816	70,155
Slovenia	59,447	34,011
Croatia	58,259	37,747
Austria	47,101	37,045
Germany	39,314	27,765
Switzerland	21,843	23,684
Italy	18,185	9,742
Poland	17,628	12,207
Great Britain	4,959	14,792
Rest of Europe	45,249	28,398
Iraq	2	7,891
Rest of the World	2,416	1,313
Total	2,183,827	1,457,393

MOL Plc. has one single major customer the revenue from which exceed 10% of the total net sales revenues (MOL Petrolkémia Zrt. with HUF 298,461 million in 2021 and HUF 174,224 million in 2020).

c) Other operating income

	2021 HUF million	2020 HUF million
Reimbursement of legal costs	2,826	-
Gain on sales of intangibles, property, plant and equipment	1,196	2,096
Allowances and subsidies received	432	478
Penalties, late payment interest, compensation received	416	424
Reimbursement of costs from exploration	380	173
Net gain of non-hedge commodity price transactions	-	32,743
Other	737	522
Total	5,987	36,436

The Other operating income includes reimbursement of legal costs (HUF 2,826 million) related to arbitration proceeding between Dana Gas PJSC (Dana) and Crescent Petroleum Company International LTD (Crescent) against MOL Plc. and OMV Upstream International GmbH, where MOL was the respondent. The Final Award was issued on 2nd December 2021. The tribunal dismissed all of Dana and Crescent's claims and awarded reimbursement of 90% of MOL's legal and arbitration costs.

4. Total operating expenses

Accounting policies

Total operating expense

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

Mol Plc. 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.

	2021	2020
	HUF million	Restated HUF million
Raw material and consumables used	1,736,406	1,179,861
Material expenses	1,242,401	831,200
Cost of goods purchased for resale	374,377	238,627
Value of material-type services used	103,825	93,148
Value of intermediated services	15,803	16,886
Employee benefits expense	73,207	64,146
Wages and salaries	52,617	46,535
Social security	9,694	9,391
Other employee benefits expenses	10,896	8,220
Depreciation, depletion, amortisation and impairment	100,027	96,488
Other operating expenses	207,116	99,114
Net loss of non-hedge commodity price transactions*	64,671	-
Mining royalties	32,066	16,779
Other services	19,968	17,797
Contribution to strategic inventory storage	17,869	14,890
Rental costs	11,907	10,588
Taxes and contributions	10,940	6,784
Net loss of Emission quotas	9,805	8,893
Advertising expenses	7,542	8,608
Consultancy fees	7,532	7,705
Net provision for field abandonment	3,767	1,072
Bookkeeping services	3,381	3,011
Insurance fees	3,079	2,644
Environmental provision made during the year	2,654	2,321
Penalties, late payment interest, compensation (net of provision utilized)	314	466
Net provision for legal and other claims	(2,707)	(11,487)
Other - Restated	14,328	9,043
Change in inventory of finished goods & work in progress	(59,579)	22,534
Work performed by the enterprise and capitalised	(12,778)	(12,192)
Total operating expenses	2,044,399	1,449,951

*The net result of the non-hedge commodity price transactions was gain in prior year (see Note 3/c)

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 provisions due to the reason MOL won the legal cases related to Creditor BETA, s.r.o. company (HUF 2,707 million) in 2021, and related to Creditor GAMA, s.r.o. company (HUF 11,606 million) in 2020.

Raw materials and consumables used

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

Employee benefit expenses

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

Share-based payments

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

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

Equity-settled transactions

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

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

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using the binomial model. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is 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.

	2021	2020
	HUF million	HUF million
Absolute Share Value Based Remuneration	-	221
Short-term Share Ownership Plan	1,223	-
Total cash-settled share-based payment expense	1,223	221
Absolute Share Value Based Remuneration	568	(614)
Relative Market Index Based Remuneration	52	(80)
Restricted Share Plan	1,031	-
Short-term Share Ownership Plan	(582)	1,186
Share Incentive scheme for the members of the Board of Directors	361	507
Total equity-settled share-based payment expense	1,430	999
Total expense of share-based payment transactions	2,653	1,220

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 Plc. in the long-term increase of MOL share price and so they serve the strategic interest of the shareholders.

Cash-settled share based payment:

	2021		2020 ¹	
	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	-	-	344,216	1,669
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(337,552)	1,669
Expired during the year	-	-	(6,664)	1,669
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

¹ Solely contain the cash-settled Absolute Share Value Based Remuneration Incentive for management. Last program which was accounted as cash-settled share based payment started at 2017. January 1, and the payout was in form of cash payment. This incentive terminate in 2020. December 31. Programs started from 2018. January 1 are accounted as equity settled share based payment, payout is in form of providing MOL shares.

Equity-settled share based payment:

	2021		2020	
	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	7,429,907	3,023	5,885,296	2,960
Granted during the year	227,992	2,918	2,780,354	2,922
Forfeited during the year	(294,376)	3,012	(289,191)	2,966
Exercised during the year	-	-	-	-
Expired during the year	(2,299,666)	3,107	(946,552)	2,352
Outstanding at the end of the year	5,063,857	2,981	7,429,907	3,023
Exercisable at the end of the year	2,379,084	3,052	2,386,717	3,107

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 in form of providing of MOL 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.

The programme has no longer started from 2021.

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 in form of providing of MOL shares.

The programme has no longer started from 2021.

Restricted Share Plan for management

From 1 January 2021, the MOL Group established new share-based payment remuneration plan to supersede Absolute Share Value Based Remuneration and Relative Market Index Based Remuneration programmes: Restricted Share Plan.

The Restricted Share Plan is a three-year incentive programme based on determined corporate and individual performance targets 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 on corporate performance is based on the achievement of business plan for Clean CCS EBITDA.
- ▶ Payout rates are defined based on fulfilment of the corporate performance target and individual payout rate which is based on an individual performance.
- ▶ Payout is in form of providing of MOL shares.
- ▶ The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant of HUF 2,221 per share, which is the first trading day of the first year of the programme.

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 or in cash payment. The form of settlement depends on specific circumstances outside the control of the company and the counterparty. The treatment as an equity-settled plan is based on the probability of a contingent event.

The Short-term Ownership Incentive for management after year 2020 will be paid out in cash due to specific circumstances.

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 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.

	2021	2020
Number of shares vested	149,155	148,800
Share price at the date of grant (HUF / share)	2,221	2,950

5. Finance result

Accounting policies

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

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

	2021	2020
	HUF million	HUF million
Finance result		
Dividend income	182,406	87,672
Gain on contribution in kind	104,814	-
Impairment reversal of investments in subsidiaries	77,407	174
Foreign exchange gains	4,038	18,579
Interest income	1,611	4,125
Provision reversal for intercompany obligation	-	443
Other finance income	841	1,186
Total finance income	371,117	112,179
Impairment of investments in subsidiaries	57,202	90,140
Interest expense	27,016	14,140
Foreign exchange losses	17,193	98,755
Unwinding of discount on provisions	5,577	5,761
Other finance expense	4,434	5,478
Total finance expense	111,422	214,274
Net finance income/(expense)	259,695	(102,095)

Interest expense on lease liabilities accounted for in the period is HUF 629 million (2020: HUF 603 million). Finance income on the net investment in the lease accounted for in the period is HUF 77 million (2020: HUF 65 million).

MOL Plc. provided a capital increase for MOL Group Finance Zrt. by providing its stake (shares) in MOL Group Finance SA as contribution in kind. The original carrying amount was HUF 387,704 million (related to MOL Group Finance SA), and the fair value was HUF 492,514 million (capital increase in MOL Group Finance Zrt.). The transaction's gain was HUF 104,810 million.

6. Income taxes

Accounting policies

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

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

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

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

Significant accounting estimates and judgements

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

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

a) Analysis of taxation charge for the year

Total applicable income taxes reported in the financial statements for the years ended 31 December 2021 and 31 December 2020 include the following components:

	2021 HUF million	2020 HUF million
Local trade tax and innovation fee	12,722	8,837
Deferred taxes	(24,254)	2,069
Current corporate income tax and industry income taxes	7,146	373
Other taxes	356	144
Total income tax (benefit)/expense	(4,030)	11,423

b) Current income taxes

The applicable corporate income tax rate on the taxable income was 9% in 2021 and in 2020.

Industry taxes include tax on energy supply activities in Hungary with an effective tax rate of 18% (2020: 19%) on tax base calculated using local regulations.

Due to the positive tax base, MOL Plc. has payable corporate income tax in 2021.

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, remediated services and subcontracts services from sales revenue. Tax rates vary between 0-2% depending on the regulation of local governments where the entities carry on business activities.

c) Deferred tax assets and liabilities

The deferred tax balances as of 31 December 2021 and 31 December 2020 in the statement of financial position consist of the following items by categories:

	12/31/2021 HUF million	12/31/2020 HUF million
Statutory losses carried forward	38,900	18,666
Provisions	52,982	43,651
Property, plant and equipment and intangible assets	(11,150)	(5,881)
Other temporary differences ¹	71	61
Net deferred tax asset	80,803	56,497
<i>of which:</i>		
Total deferred tax assets	91,973	62,449
Total deferred tax liabilities	(11,170)	(5,952)

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

MOL Plc. has a deferred tax asset related to the negative tax base cumulated until 2014, which can be utilised until 2030 against taxable incomes according to the corporate income tax law.

Deferred tax income is driven by the industry income tax law modification in 2021 in Hungary, which introduced the future usability of losses carried forward in the industry income tax. For the first time, the 2020 tax loss can be carried forward and used as a tax base reduction for the next 5 years, up to a maximum of 50% of tax base. The regulation change caused HUF 22,706 million increase in deferred tax income at MOL Plc. in the financial year of 2021.

Change in deferred tax assets and liabilities are recorded against profit or loss in the amount of HUF 24,254 million and against other comprehensive income in the amount of HUF 52 million.

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:

	2021	2020
	HUF million	Restated HUF million
Profit/(loss) before tax*	405,110	(58,217)
Tax expense at the applicable tax rate (2021: 9%, 2020: 9%)*	36,460	(5,240)
Other tax expenses*	13,310	11,459
of which:		
local trade tax	11,045	7,673
innovation fee	1,676	1,164
industry income tax	5,013	374
Deferred tax impact of industry tax	(26,404)	(9,544)
Change in losses not recognised as deferred tax asset	-	22,342
Non-deductible expenses	219	304
Effect of tax audit	138	101
Tax allowance available	(1,904)	(108)
Non-taxable income	(25,849)	(7,891)
Total income tax (benefit)/expense for the year	(4,030)	11,423
Effective tax rate	-1%	-20%

*Restated

The increase in non-taxable income is caused by the significant growth of the dividend received, furthermore by the accounting of the contribution in-kind transaction related to MOL Group Finance SA.

e) Unrecognised deferred tax assets

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

	12/31/2021	12/31/2020
	HUF million	HUF million
Tax losses - expiry within 5 years	120,454	149,492
Total tax losses	120,454	149,492

The tax loss of financial years 2015 and subsequent years may be used in a 5-year period from the year when the tax loss was created. The 5-year period of the 2016 tax loss (HUF 28,582 million) expired at the end of 2021, tax loss of 2015 (HUF 115,567 million) expired at the end of 2020. MOL Plc. has not created deferred tax asset related to the tax loss of 2017-2018 in the year 2020, neither in 2021, as its applicability is not probable.

7. Components of other comprehensive income

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.

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.

	2021 HUF million	2020 HUF million
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax		
Gains / (losses) arising during the year	(132)	(495)
Total	(132)	(495)
Remeasurement of post-employment benefit obligations		
Gains / (losses) arising during the year	(892)	(742)
Total	(892)	(742)

NON-FINANCIAL ASSETS AND LIABILITIES

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

8. Property, 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.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Estimated field abandonment and site restoration costs are capitalised upon initial recognition or, if decision on field abandonment is made subsequently, at the time of the decision. Expenditures incurred after the property, plant and equipment have been put into operation are charged to statement of profit or loss in the period in which the costs are incurred, except for periodic maintenance costs which are capitalised as a separate component of the related assets.

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

	Land and buildings	Machinery and equipment	Other machinery and equipment	Construction in progress	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 Jan 2020					
Gross book value	735,145	587,935	76,439	77,926	1,477,445
Accumulated depreciation and impairment	(554,705)	(451,364)	(53,643)	(20,127)	(1,079,839)
Net book value	180,440	136,571	22,796	57,799	397,606
Year ended 31 Dec 2020 - Restated					
Additions and capitalisations - Restated	29,312	35,050	5,608	6,181	76,151
Depreciation for the year	(49,642)	(33,713)	(5,286)	-	(88,641)
Impairment	(1,007)	(43)	(9)	(653)	(1,712)
Reversal of impairment	1,389	191	1	-	1,581
Disposals	(68)	(34)	(101)	(748)	(951)
Transfers and other movements	8,463	(16)	(137)	(2,078)	6,232
Closing net book value	168,887	138,006	22,872	60,501	390,266
At 31 Dec 2020 - Restated					
Gross book value	772,093	620,754	79,755	60,857	1,533,459
Accumulated depreciation and impairment	(603,206)	(482,748)	(56,883)	(356)	(1,143,193)
Net book value	168,887	138,006	22,872	60,501	390,266
At 31 Dec 2021					
Additions and capitalisations	36,517	56,215	8,095	(8,538)	92,289
Depreciation for the year	(32,377)	(37,486)	(6,692)	-	(76,555)
Impairment	(9,165)	(2,505)	(76)	(1,207)	(12,953)
Reversal of impairment	23	-	-	-	23
Disposals	(62)	(17)	(326)	(4)	(409)
Transfers and other movements	29,975	(1,877)	(518)	(4,914)	22,666
Closing net book value	193,798	152,336	23,355	45,838	415,327
At 31 Dec 2021					
Gross book value	838,790	660,255	81,546	45,903	1,626,494
Accumulated depreciation and impairment	(644,992)	(507,919)	(58,191)	(65)	(1,211,167)
Net book value	193,798	152,336	23,355	45,838	415,327

Leased assets

Accounting policies

MOL Plc. recognises the right-of-use assets and lease liabilities for most leases.

MOL Plc. 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 MOL Plc. as lessee applies incremental borrowing rate. The lease liability is measured subsequently using the effective interest rate method.

MOL Plc. 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. MOL Plc. recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

MOL Plc. 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

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

	Land and building and related rights HUF million	Machinery and equipment HUF million	Other machinery and equipment HUF million	Total HUF million
At 31 Dec 2020				
Net book value of finance leases	1,136	15,724	3,534	20,394
Period ended 31 Dec 2021				
Additions and capitalisations	148	10,382	924	11,454
Depreciation for the period	(554)	(8,828)	(1,011)	(10,393)
Impairment, termination	-	(158)	(61)	(219)
Closing net book value	730	17,120	3,386	21,236

MOL Plc. has presented lease liabilities within loans and borrowings, please refer to Note 17.

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 1,420 million in 2021 (2020: HUF 862 million). In 2021 the applicable capitalisation rate (including the impact of foreign exchange differences) has been 2.4 % (2020: 1.7 %).

b) Intangible assets

Accounting policies

An intangible asset is recognised initially at cost.

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

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

Development costs are capitalised if the recognition criteria according to IAS 38 are fulfilled. Costs in development stage can be not amortised. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Free granted quotas are not recorded in the financial statements, while purchased quotas are initially recorded as intangible assets at cost less impairment, if any, taking into consideration the residual value. The quotas recognised are not amortised if the residual value is at least equal to carrying value.

	Rights HUF million	Software and other intellectual property HUF million	Exploration and evaluation assets HUF million	Emission quotas HUF million	Goodwill HUF million	Total HUF million
At 1 Jan 2020						
Gross book value	86,321	30,635	58,998	497	281	176,732
Accumulated amortisation and impairment	(69,175)	(15,805)	(52,013)	-	(77)	(137,070)
Net book value	17,146	14,830	6,985	497	204	39,662
Year ended 31 Dec 2020 - Restated						
Additions - Restated	2,407	12,609	3,065	17,698	-	35,779
Amortisation for the year	(6,417)	(1,093)	(205)	-	-	(7,715)
Disposals	-	-	-	(16,381)	-	(16,381)
Revaluation of emission quotas	-	-	-	51	-	51
Transfers and other movements	4,665	(2,938)	(8,003)	-	-	(6,276)
Closing net book value	17,801	23,408	1,842	1,865	204	45,120
At 31 Dec 2020 - Restated						
Gross book value	93,394	40,306	54,013	1,865	281	189,859
Accumulated amortisation and impairment	(75,593)	(16,898)	(52,171)	-	(77)	(144,739)
Net book value	17,801	23,408	1,842	1,865	204	45,120
At 31 Dec 2021						
Additions	2,020	9,520	2,883	13,645	-	28,068
Amortisation for the year	(7,172)	(1,978)	(37)	-	-	(9,187)
Write-off	-	(113)	(1,225)	(6)	(16)	(1,360)
Disposals	-	-	-	(13,001)	-	(13,001)
Transfers and other movements	10,351	(6,844)	(1,775)	-	-	1,732
Closing net book value	23,000	23,993	1,688	2,503	188	51,372
At 31 Dec 2021						
Gross book value	104,756	40,786	53,184	2,503	281	201,510
Accumulated amortisation and impairment	(81,756)	(16,793)	(51,496)	-	(93)	(150,138)
Net book value	23,000	23,993	1,688	2,503	188	51,372

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 license and property acquisition costs is written off. Upon recognition of proved reserves ('proved reserves' or 'commercial reserves') and internal approval for development, the relevant expenditure is transferred to property, plant and equipment.

Exploration expenditure

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

Development expenditure

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

Significant accounting estimates and judgements

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

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

Write-off of dry-holes

Dry-hole	2021 HUF million	2020 HUF million
Hungary	1,225	-

c) Depreciation, depletion and amortisation

Accounting policies

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

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

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

Amortisation of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less.

Periodic maintenance costs are depreciated until the next similar maintenance takes place.

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

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

Significant accounting estimates and judgements

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

d) Impairment of assets

Accounting policies

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss for items of property, plant and equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated net future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not practicable, for the cash-generating unit. Intangible assets with indefinite useful life are not depreciated, instead impairment test is performed at each financial year-end.

MOL Plc. assesses at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor is higher than its carrying amount net of depreciation, had no impairment loss been recognised in prior years.

Significant accounting estimates and judgements

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units. Value in use is usually determined on the basis of discounted estimated future net cash flows. In determination of cash flows the most significant variables are discount rates, terminal values, the period for

which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products. As approved by the year-end RRC, MOL Plc. 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

	2021	2020
Impairments and write-offs (without dry-holes)	HUF million	HUF million
Upstream	10,340	1,412
Downstream	2,488	277
Consumer services	162	16
Corporate and other	98	7
Total	13,088	1,712
Impairment reversals		
Upstream	23	1,581
Total	23	1,581

In 2021 impairment was accounted in Upstream segment for production fields and for assets under construction. Impairment was recorded due to decrease in the value in use related mainly to Zala and Füzesgyarmat hubs.

Impairment test of Upstream assets

The impairment tests performed by MOL Plc. 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 rate used for the impairment tests in 2021 was 6.6%.
- ▶ Brent oil and NCG gas price assumptions applied in the value in use models: real flat 50 USD/barrel and real flat EUR 15 MWh on 2021 basis.

9. Investments in subsidiaries, associated companies and joint ventures

Accounting policies

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

In case of investments paid in foreign currency:

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

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

Investments in subsidiaries, associated companies and joint ventures are subject of impairment test when indicator of potential impairment exists. When an external or internal indicator of impairment exists, recoverable amount is to be determined and compared with net investment. If the recoverable amount is materially or permanently lower than net investment, impairment should be recorded. If the recoverable amount is materially or permanently higher than net investment, impairment reversal should be recorded. In case of upstream investments, impairment reversal cannot be recorded, only if the project turns into development phase.

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

	12/31/2021	12/31/2020
	HUF million	HUF million
Investments		
Subsidiaries	2,733,109	2,144,094
Joint ventures	1,750	1,750
Associates	74,837	74,837
Other investments	434	434
Total investments	2,810,130	2,221,115

	Subsidiaries	Joint ventures	Associates	Other investments	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
Opening net balance of 2020	1,946,695	1,750	74,837	434	2,023,716
Capital increase	311,591	-	-	-	311,591
Impairment reversal	174	-	-	-	174
Establishment	615	-	-	-	615
Impairment	(90,140)	-	-	-	(90,140)
Dissolution	(2,383)	-	-	-	(2,383)
Disposal	(2,686)	-	-	-	(2,686)
Capital decrease	(22,254)	-	-	-	(22,254)
Other	2,482	-	-	-	2,482
Closing net balance of 2020	2,144,094	1,750	74,837	434	2,221,115
Capital increase	460,841	-	-	-	460,841
Impairment reversal	77,407	-	-	-	77,407
Acquisition	3,025	-	-	-	3,025
Establishment	9	-	-	-	9
Contribution in kind	104,814	-	-	-	104,814
Impairment	(57,202)	-	-	-	(57,202)
Disposal	(7)	-	-	-	(7)
Other	128	-	-	-	128
Closing net balance of 2021	2,733,109	1,750	74,837	434	2,810,130

Significant economic events regarding investments in 2021 were the following:

Investments	Capital increase	Acquisition	Establishment	Impairment reversal	Impairment	Disposal	Contribution in kind	Other	Total
	HUF million			HUF million			HUF million		
Upstream	75,207	-	-	77,407	(29,742)	-	-	-	122,872
Downstream	281,309	-	-	-	(6,462)	(7)	-	85	274,925
Consumer Services	11,321	2,795	6	-	(545)	-	4	(35)	13,546
Corporate and other	93,004	230	3	-	(20,453)	-	104,810	78	177,672
Total changes in investments	460,841	3,025	9	77,407	(57,202)	(7)	104,814	128	589,015

For more detail regarding the contribution in kind please refer to Note 5.

Significant economic events regarding investments in 2020 were the following:

Investments	Capital increase	Establishment	Impairment reversal	Dissolution	Impairment	Disposal	Capital decrease	Other	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Upstream	27,927	612	-	(2,383)	(72,094)	-	(22,254)	2,377	(65,815)
Downstream	11,939	-	-	-	(15,540)	(2,686)	-	54	(6,233)
Consumer Services	12,283	-	-	-	(1,163)	-	-	35	11,155
Corporate and other	259,442	3	174	-	(1,343)	-	-	16	258,292
Total changes in investments	311,591	615	174	(2,383)	(90,140)	(2,686)	(22,254)	2,482	197,399

In case of investments in subsidiaries, joint ventures and associates an impairment test is made, if there is an indication of impairment. The impairment tests performed by MOL Plc. were performed using the following assumptions:

- ▶ The recoverable amounts of the investments is the higher of its fair value less cost of disposal and its 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. Based on the above, the WACC rate (which contain the country risk premium as well) used for the impairment tests in 2021 were in range from 4.9% to 8.9%.
- ▶ Brent oil and NCG gas price assumptions applied in the value in use models: real flat 50 USD/barrel and real flat EUR 15 MWh on 2021 basis.

10. Other non-current assets

	12/31/2021	12/31/2020
	HUF million	HUF million
Advance payments for assets under construction	1,854	1,301
Over-year part of prepaid expenses	583	277
Total	2,437	1,578

11. Inventories

Accounting policies

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

	12/31/2021		12/31/2020	
	At cost	Lower of cost or net realisable value	At cost	Lower of cost or net realisable value
	HUF million	HUF million	HUF million	HUF million
Purchased crude oil	89,741	89,741	75,459	75,459
Work in progress and semi-finished goods	76,918	76,918	39,230	39,230
Finished goods	69,041	68,875	46,983	46,983
Other raw materials	39,185	36,542	23,068	20,811
Other goods for resale	25,013	24,710	17,578	17,578
Total	299,898	296,786	202,318	200,061

During the year 2021 HUF 1,493,388 million of inventories have been recognised as an expense, of which impairment of HUF 716 million has been recorded in 2021 (2020: HUF 2,380 million), mainly on other goods for resale.

12. Other current assets

	12/31/2021 HUF million	12/31/2020 HUF million
Prepaid expenses	6,069	7,608
Prepaid and recoverable taxes and duties (excluding income taxes)	5,660	10,042
Advance payments	439	544
Dividend receivables	14	35,584
Other	108	127
Total	12,290	53,905

13. Provisions

Accounting policies

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

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

Provision for Environmental expenditures

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

Provision for Field abandonment

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

Provision for Redundancy

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

Provision for Long-term employee benefits

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

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

Provision for Emission quotas

MOL Plc. recognises provision for the estimated CO₂ emissions costs when actual emission exceeds the emission rights granted and still held. When actual emission exceeds the amount of emission rights granted, provision is recognised for the exceeding emission rights based on carrying amount of purchased quotas held for compliance, the purchase price of allowance concluded in forward contracts, and for any residual excess at market quotations at the reporting date. In addition, MOL Plc. 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

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

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations, which involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Outcome of certain litigations

MOL Plc. is party to 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.

	Environmental HUF million	Field abandon- ment HUF million	Redundancy HUF million	Long-term employee benefits HUF million	Legal claims HUF million	Emission rights and other HUF million	Total HUF million
Balance as of 01 Jan 2020	9,530	155,938	145	6,147	14,350	4,597	190,707
Additions and revision of previous estimates	660	2,133	106	1,459	(11,486)	7,770	642
Unwinding of the discount	319	5,271	-	(1)	-	172	5,761
Currency differences	-	-	-	-	245	-	245
Provision used during the year	(920)	(1)	(117)	(412)	-	(3,121)	(4,571)
Balance as of 31 Dec 2020	9,589	163,341	134	7,193	3,109	9,418	192,784
Additions and revision of previous estimates	1,193	31,186	204	1,403	-	11,564	45,550
Unwinding of the discount	304	5,230	-	33	-	10	5,577
Currency differences	-	-	-	-	-	113	113
Provision used during the year	(1,181)	-	(104)	(434)	(2,707)	(7,167)	(11,593)
Balance as of 31 Dec 2021	9,905	199,757	234	8,195	402	13,937	232,430
Current portion 31 Dec 2020	1,205	1	104	704	-	8,987	11,001
Non-current portion 31 Dec 2020	8,384	163,340	30	6,489	3,109	431	181,783
Current portion 31 Dec 2021	1,238	1	154	821	-	13,788	16,002
Non-current portion 31 Dec 2021	8,667	199,756	80	7,374	402	149	216,428

Provision for Environmental expenditures

The closing balance of provision for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar is HUF 9,905 million. The provision is made on the basis of assessments prepared by MOL Plc.'s internal environmental expert team. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates.

Provision for Field abandonment

As of 31 December 2021, provision of HUF 199,757 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 1% of these costs are expected to be incurred between 2022 and 2026 and the remaining 99% between 2027 and 2075. The amount of the provision has been determined conservatively on the basis of previous years' legislation, as the changes of the law in 2021 regarding wells deemed out-of-use induce transformation in the calculation methodology, which is still in progress. The amount of the provision was calculated at current prices and discounted using estimated risk-free real interest rates, its significant increase compared to last year's value was driven by indexation of prices with 2021 producer price index, that has reached its highest peak in a decade. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgement of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalised as a component of the underlying fields.

Provision for Redundancy

As part of continuing efficiency improvement projects MOL Plc. decided to further optimise workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, MOL Plc. recognised a provision for the net present value of future redundancy payments and related tax and contribution. The closing balance of provision for redundancy is HUF 234 million as of 31 December 2021 (31 December 2020: HUF 134 million).

Provision for Long-term employee benefits

As of 31 December 2021, MOL Plc. has recognised a provision of HUF 8,195 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from MOL Plc. The company operates benefit schemes that provide lump sum benefit to all employees at the time of their retirement. Employees of MOL Plc. are entitled to 3 times of their final monthly salary regardless of the period of service and the amount of 8 MOL Plc. shares after every year of service. In addition to the above-mentioned benefits, in Hungary the retiring employees are entitled to the absence fee for their notice period – which lasts for 1-3 months depending on the length of the past service – which is determined by the Hungarian Labour Code. None of these plans have separately administered funds, therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data which are in line with those incorporated in the business plan of MOL Plc.

	2021 HUF million	2020 HUF million
Present value of total retirement and jubilee benefit obligation at the beginning of the year	7,193	6,147
Current service cost	471	332
Interest expense	33	(1)
Provision used during the year	(434)	(412)
Net actuarial (gain)/loss	932	1,127
<i>from which:</i>		
Retirement benefit	892	742
Jubilee benefit	40	385
Present value of total long-term employee benefit obligation at year end	8,195	7,193

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 and jubilee benefits:

	2021 HUF million	2020 HUF million
Current service cost	471	331
Net actuarial (gain)/loss	932	1,128
Balance as at year end	1,403	1,459

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

	2021	2020
Discount rate in %	3.57 - 4.80	0.45 - 2.76
Average wage increase in %	3.00	3.00
Mortality index (male)	0.04 - 3.01	0.04 - 3.01
Mortality index (female)	0.02 - 1.33	0.02 - 1.33

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

	Retirement benefits		Jubilee benefits	
	2021 HUF million	2020 HUF million	2021 HUF million	2020 HUF million
Actuarial (gains) / losses arising from changes in demographical assumptions	1,632	910	301	104
Actuarial (gains) / losses arising from changes in financial assumptions	(1,124)	(916)	(277)	(3)
Actuarial (gains) / losses arising from experience adjustments	384	748	16	284
Total actuarial (gains) / losses	892	742	40	385

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

	Retirement benefits		Jubilee benefits	
	2021 HUF million	2020 HUF million	2021 HUF million	2020 HUF million
Discount rate:				
0.5% decrease	227	251	56	61
0.5% increase	(210)	(233)	(53)	(58)
Termination rate:				
50% decrease	1,413	2,259	259	477
50% increase	(1,001)	(1,413)	(204)	(342)

Provision for legal claims

As of 31 December 2021, provision of HUF 402 million (31 December 2020: HUF 3,109 million) has been made for estimated total future losses from litigations.

In 2021, provision of HUF 2,707 million for legal case related to Creditor BETA, s.r.o. company was released (see Note 4).

Provision for emission quotas

As of 31 December 2021, the MOL Plc. has recognised provision of HUF 8,156 million for the shortage of emission quotas (31 December 2020: HUF 5,049 million). In 2021, MOL Plc. has been granted 1,057,966 tons emission quotas by the Hungarian authorities (in 2020: 1,249,959 tons). The total emissions during 2021 amounted to equivalent of 1,613,301 tons of emission quotas (in 2020: 1,726,719 tons). In addition, MOL Plc. has recognised provision of HUF 1,802 million for Upstream Emission Reduction (UER) liability (31 December 2020: HUF 2,434 million).

MOL Plc. has recognised provision of HUF 1,333 million for Energy Efficiency quota (EKR) on 31 December 2021.

14. Other non-current liabilities

	12/31/2021 HUF million	12/31/2020 HUF million
Government grants received	1,403	430
Compensation received for pipeline eliciting	153	182
Other	90	96
Total	1,646	708

15. Other current liabilities

	12/31/2021 HUF million	12/31/2020 HUF million
Taxes, contributions payable (excluding corporate tax)	61,781	41,030
Amounts due to employees	13,596	8,169
Advances from customers	3,768	3,185
Deferred revenue from government grants	407	1,191
Other accrued incomes	244	1,205
Other	1,535	1,394
Total	81,331	56,174

Taxes, contributions payable mainly include value added taxes and excise taxes.

16. Assets classified as 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 2021, assets held for sale contains service stations at carrying amount. These assets classified as held for sale are reported in Consumer Services segment. Please also refer to Note 25.

	12/31/2021 HUF million	12/31/2020 HUF million
Assets and liabilities held for sale		
Assets		
Property, plant and equipment	1,121	-
Assets classified as held for sale	1,121	-
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 MOL Plc.'s capital structure and the financial risks MOL Plc. is exposed to. This section also describes the financial instruments applied to fulfil these procedures. 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) when the entity becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets is recognised using settlement date accounting.

Financial assets - Classification

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

Amortised cost

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.

Fair value through other comprehensive income

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

Fair value through profit or loss

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

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.

Amortised cost

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.

Fair value through other comprehensive income – debt instrument

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.

Fair value through other comprehensive income – equity instrument

Dividends are recognised when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognised in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognised in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

Fair value through profit or loss

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

Fair value measurement

Fair value of instruments is determined by reference to quoted market prices at the close of business on the balance sheet date without any deduction for transaction costs. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Derecognition of Financial Instruments

Derecognition of a financial asset takes place when the MOL Plc. no longer controls the contractual rights that comprise the financial asset, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party. When the MOL Plc. neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognises its retained interest in the asset and a liability for the amounts it may have to pay.

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

Impairment of Financial Assets

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

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

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

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

Additionally, the MOL Plc. applies the simplified approach to recognise full lifetime expected losses from origination for trade receivables, IFRS 15 contract assets, lease receivables and other financial receivables. For all other financial instruments, general approach is applied.

The Company 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 MOL Plc. is 100% of unsecured part of the financial asset. The amount of loss is recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Significant accounting estimates and judgements

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

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

17. Financial risk and capital management

Financial risk management

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

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

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

a) Key exposures

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

Commodity price risk

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

In 2021 MOL Plc. concluded short and mid-term commodity swap and option transactions. These transactions are mainly conducted for operational hedging purposes, in order to mitigate the effects of the price volatility in our operations and in the same time, when possible, to lock in favourable forward curve structure.

Foreign currency risk

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

Interest rate risk

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

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

Credit risk

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

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

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

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

Various solutions support the customer credit management procedures, including 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

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

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

The amount of undrawn major committed credit facilities*	2021	2020
	HUF million	HUF million
Long-term loan facilities available	981,546	886,173
Short-term facilities available	58,688	47,531
Total loan facilities available	1,040,234	933,704

*The table contains MOL Plc.'s own credit facilities and where the MOL Plc. is a guarantor.

EUR 575 million (HUF 212,175 million) revolving credit facility agreement was signed on the 29 November 2021 by MOL Group Finance Zrt. as Borrower and MOL Plc. as Guarantor. The tenor of the facility is 5 years and additionally includes two 1-year extension option, it can be drawn in Euros and US Dollars. Simultaneously, the total available commitment was cancelled under the EUR 615 million (HUF 226,935 million) revolving credit facility agreement concluded by MOL Plc. on 29 June 2016.

At the same time, the maturity of the EUR 555 million (HUF 204,795 million) revolving credit facility agreement signed on 9 July 2018 by MOL Group Finance S.A. Bertrange, Zürich Branch as Borrower (as predecessor of MOL Group Finance Zrt. in that agreement) and MOL Plc. as Guarantor changes to the following: EUR 470 million (HUF 173,430 million) will mature on 9 July 2025, while EUR 50 million (HUF 18,450 million) on 9 July 2024 and EUR 35 million (HUF 12,915 million) on 9 July 2023.

Maturity profile of financial liabilities based on contractual undiscounted payments 2021	Due within 1 month	Due between 1 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
Borrowings	17,953	44,104	330,033	363,071	755,161
Transferred "A" shares with put&call options	-	182,419	-	-	182,419
Trade and other payables	251,817	104,102	-	-	355,919
Other financial liabilities	576	-	320	-	896
Non-derivative financial instruments	270,346	330,625	330,353	363,071	1,294,395
Derivatives	-	36,524	362	-	36,886

Maturity profile of financial liabilities based on contractual undiscounted payments 2020	Due within 1 month	Due between 1 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
Borrowings	40,503	24,617	455,680	325,433	846,233
Transferred "A" shares with put&call options	-	191,848	-	-	191,848
Trade and other payables	144,417	48,178	-	-	192,595
Other financial liabilities	640	-	411	-	1,051
Non-derivative financial instruments	185,560	264,643	456,091	325,433	1,231,727
Derivatives	-	19,738	772	-	20,510

b) Sensitivity analysis

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

	2021	2020
	HUF billion	HUF billion
Effect on Clean CCS-based ¹ (Current Cost of Supply) profit / (loss) from operations		
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads)		
Upstream	+9.6/-9.6	+10.5/-10.5
Downstream	-2.1/+2.1	-2.2/+2.2
Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)		
Upstream	+2.3/-2.3	+1.6/-1.6
Downstream	+10.3/-10.3	+8.9/-8.9
Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads)		
Upstream	+4.1/-4.1	+1.1/-1.1
Downstream	+1.9/-1.9	+2.0/-2.0
Refinery margin (change by +/- 1 USD/bbl)		
Downstream	+16.5/-16.5	+16.5/-16.5

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

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.

	2021	2020
	HUF million	Restated HUF million
Long-term debt		
Liabilities to subsidiaries	533,438	23,928
Eurobond €750 million due 2023	275,654	272,287
Eurobond €650 million due 2027	237,046	234,179
HUF bond III. HUF 35,500 million due 2031	35,404	-
HUF bond II. HUF 36,600 million due 2030	34,758	34,579
HUF bond I. HUF 28,400 million due 2029	28,599	28,622
Finance lease liabilities	18,730	15,847
Schuldschein €130 million due between 2020-2027	18,409	39,162
Bank loans	20	103,654
Other	-	1
Total long-term debt	1,182,058	752,259
Short-term debt		
Schuldschein €130 million due between 2020-2027	21,434	4,071
Bank loans	19,641	42,478
Liabilities to subsidiaries	11,786	562
Finance lease liabilities	7,468	7,046
Eurobond €750 million due 2023	5,286	5,200
Eurobond €650 million due 2027	930	925
HUF bond III. HUF 35,500 million due 2031	486	-
HUF bond II. HUF 36,600 million due 2030	170	162
HUF bond I. HUF 28,400 million due 2029	146	146
Other	1	2
Total short-term debt	67,348	60,592
Gross debt (long-term and short-term)	1,249,406	812,851
Cash and cash equivalents	184,435	78,375
Current debt securities	26	10,685
Net Debt*	1,064,945	723,791
Total equity	2,157,727	1,879,835
Capital and net debt	3,222,672	2,603,626
Gearing ratio (%)**	33%	28%
Profit from operation	145,415	43,878
Depreciation, depletion, amortisation and impairment	100,027	96,488
Reported EBITDA	245,442	140,366
Net Debt/Reported EBITDA	4.34	5.16

*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 8 April 2021 the Company 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 35,500 million
- maturity: 10 years
- Yield: 1.926% (coupon: 1.9%)

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

	12/31/2021	12/31/2020
	HUF million	HUF million
Gross debt by currency		
HUF	667,683	113,012
EUR	569,126	591,666
USD	12,597	108,173
Gross debt	1,249,406	812,851

The following issued bonds were outstanding as of 31 December 2021:

Ccy	Amount Issued (orig ccy, millions)	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.
HUF bond	HUF	35,500	1.9%	Fixed	Annual	12.04.2021	12.04.2031	MOL Plc.

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

	12/31/2021		12/31/2020	
	Minimum lease payments	Lease liability	Minimum lease payments	Lease liability
	HUF million	HUF million	HUF million	HUF million
Finance leases as a lessee				
Due within one year	7,884	7,468	7,503	7,046
Due later than one year but not later than five years	12,684	13,420	11,843	9,922
Due later than five years	6,532	5,310	6,532	5,925
Total	27,100	26,198	25,878	22,893
Future finance charges	(902)	n/a	(2,985)	n/a
Lease liability	26,198	26,198	22,893	22,893

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

	12/31/2021		12/31/2020	
	Minimum lease payments receivable	Lease receivable	Minimum lease payments receivable	Lease receivable
	HUF million	HUF million	HUF million	HUF million
Finance leases as a lessor				
Due within one year	371	303	341	292
Due later than one year but not later than five years	395	161	1,514	1,438
Due later than five years	1,200	954	n/a	n/a
Total	1,966	1,418	1,855	1,730
Future finance income	548	n/a	125	n/a
Lease receivable	1,418	1,418	1,730	1,730

d) Equity

Accounting policies

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

Fair valuation reserves

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

Equity component of debt and difference in buy-back prices

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

Treasury Shares

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

Share capital

There was no change in the number of issued shares in 2021. As of 31 December 2021, 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 2021 and 31 December 2020 is HUF 80,992 million and HUF 80,972 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	Shares under retransfer agreement	Number of shares outstanding	Authorised number of shares
01 Jan 2020	819,424,825	(54,131,123)	(117,790,023)	-	647,503,679	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	-	-	-
Share purchase agreement with Commerzbank AG	-	10,732,876	(10,732,876)	-	-	-
31 Dec 2020	819,424,825	(54,085,505)	(117,571,197)	-	647,768,123	1,059,424,825
Share distribution for the members of the Board of Directors and participants of MRP	-	164,124	-	-	164,124	-
Settlement of share option agreement with Commerzbank AG	-	(888,250)	888,250	-	-	-
Settlement of share option agreement with ING Bank N.V.	-	(2,460,040)	2,460,040	-	-	-
Capital contribution to MOL New Europe Foundation	-	30,737,356	-	(30,737,356)	-	-
31 Dec 2021	819,424,825	(26,532,315)	(114,222,907)	(30,737,356)	647,932,247	1,059,424,825
Series "C" shares						
31 Dec 2020	578	-	-	-	578	578
31 Dec 2021	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 10,387,994 shares until 30 April 2021.

Dividend

In April 2021 the Board of Directors on behalf of the 2021 Annual General Meeting of MOL Plc. approved to pay HUF 75,875 million dividend in respect of 2020, which equals to HUF 95.02 dividend per share.

The total amount of reserves legally available for distribution based on the reconciliation of equity (see Appendix IV. f)) is HUF 1,852,814 million as of 31 December 2021 (31 December 2020, restated: HUF 1,506,304 million).

The approved dividend (HUF 75,875 million) and the dividend shown in the statement of changes in equity (HUF 63,226 million) are different because the following movements are not presented as dividend payments: dividend of shares under retransfer agreement (HUF 4,084 million) represents in substance MOL's contribution to social responsibility activities and therefore charged to the statement of profit or loss, dividend of shares under put and call option transactions (HUF 7,045 million) presented as a decrease in financial liability, dividend towards MOL Plc.'s Employee Share Ownership Programme Organisation (HUF 1,520 million) has no effect on the statement of financial position because the organisation is the extension of MOL Plc..

Shares under retransfer agreement

On 13 July 2021, MOL and the Hungarian Government established a new foundation of trusts in public interest with the name of MOL - New Europe Foundation, and with the aim of fulfilling corporate responsibility objectives especially in the field of sport, culture, health and environment protection. This foundation replaces some of MOL's corporate social responsibility activities carried out in the past.

MOL Plc. transferred 30,737,356 pieces of MOL ordinary shares of series "A" to the foundation. The operation of the foundation shall be primarily financed by the dividends of these shares.

The future dividend on these shares represents in substance MOL's contribution to social responsibility activities and therefore charged to the statement of profit or loss. As in substance the deed of foundation is a supporting agreement therefore the transferred MOL shares remain deducted from equity. The Founders in consultation with MOL appointed an asset controller to control the asset management of the Foundation. The Foundation was established for a defined period of 25 years and the Board of Trustees has the right to decide about another 25 years of extension at the end of the period. At termination of the Foundation, MOL Plc. will receive back the shares held by the Foundation. Two out of the five member of the board of trustees are the members of MOL Group key management personnel. The founders can't control the appointment and recall of the members of the Board of trustees after the establishment. The Foundation is independent from MOL thus not consolidated by MOL Group, earnings per share is presented accordingly.

Treasury share put and call option transactions

MOL Plc. has three option agreements concluded with financial institutions in respect of 74,138,899 pieces of series "A" shares ("Shares") as of 31 December 2021. 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.	36,719,933	EUR 6.6043	23-Jun-2022
Commerzbank AG	9,844,626	EUR 6.7389	16-Jun-2022
UniCredit Bank AG	27,574,340	EUR 6.72764	14-Jun-2022

MOL agreed with ING Bank N.V. ("ING") on 14 June 2021, that the option rights in relation to 39,179,973 Shares under the share option agreement executed between ING and MOL on 17 June 2020 are partly physically and partly cash settled on 25 June 2021. Simultaneously, MOL and ING entered into a new share option agreement, according to which MOL received American call options and ING received European put options in relation to 36,719,933 Shares, with the effective date of 25 June 2021. The maturity date of both the call and put options is 23 June 2022, and the strike price of both options is EUR 6.6043 per Share.

MOL agreed with Commerzbank A.G. ("Commerzbank") on 14 June 2021 that the option rights in relation to 10,732,876 Shares under the share option agreement executed between Commerzbank and MOL on 16 June 2020 are partly physically and partly cash settled on 18 June 2021. Simultaneously, MOL and Commerzbank have entered into a share option agreement where MOL received American call options and Commerzbank received European put options in relation to 9,844,626 Shares with the effective date of 18 June 2021. The maturity date of both the call and put options is 16 June 2022, and the strike price of both options is EUR 6.7389 per Share.

MOL agreed with UniCredit Bank AG ("UniCredit") on 14 June 2021 that the option rights in relation to 27,574,340 Shares under the share option agreement executed between UniCredit and MOL on 11 November 2019 are cash settled on 16 June 2021. Simultaneously, MOL and UniCredit entered into a 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 16 June 2021. The maturity date of both the call and put options is 14 June 2022, and the strike price of both options is EUR 6.72764 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.

18. Financial instruments

12/31/2021		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount
Carrying amount of financial instruments		HUF million	HUF million	HUF million	HUF million
Financial assets					
	Loans given	-	32,722	-	32,722
Other non-current financial assets	Finance lease receivables	-	1,115	-	1,115
	Commodity derivatives	450	-	-	450
	Debt securities	-	-	17,324	17,324
Total non-current financial assets		450	33,837	17,324	51,611
Trade and other receivables		-	384,542	-	384,542
Debt securities		-	-	26	26
Other current financial assets	Loans given	-	25	-	25
	Commodity derivatives	14,536	-	-	14,536
	Finance lease receivables	-	303	-	303
	Other	-	1,817	-	1,817
Cash and cash equivalents		-	184,435	-	184,435
Total current financial assets		14,536	571,122	26	585,684
Total financial assets		14,986	604,959	17,350	637,295
Financial liabilities					
Borrowings		-	1,163,328	-	1,163,328
Finance lease liabilities		-	18,730	-	18,730
Other non-current financial liabilities	Commodity derivatives	362	-	-	362
	Other	-	319	-	319
Total non-current financial liabilities		362	1,182,377	n/a	1,182,739
Borrowings		-	59,880	-	59,880
Finance lease liabilities		-	7,468	-	7,468
Trade and other payables		-	355,919	-	355,919
Other current financial liabilities	Transferred "A" shares with put&call options	-	181,669	-	181,669
	Commodity derivatives	26,354	-	-	26,354
	Other derivatives	10,170	-	-	10,170
	Other	-	576	-	576
Total current financial liabilities		36,524	605,512	n/a	642,036
Total financial liabilities		36,886	1,787,889	n/a	1,824,775

12/31/2020		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount
		HUF million	HUF million	HUF million	HUF million
Carrying amount of financial instruments					
Financial assets					
	Loans given	-	14,931	-	14,931
Other non-current financial assets	Finance lease receivables	-	1,438	-	1,438
	Commodity derivatives	13	-	-	13
Total non-current financial assets		13	16,369	-	16,382
Trade and other receivables		-	187,713	-	187,713
Debt securities		-	-	10,685	10,685
	Loans given	-	6,330	-	6,330
Other current financial assets	Commodity derivatives	7,403	-	-	7,403
	Finance lease receivables	-	292	-	292
	Other	-	1,543	-	1,543
Cash and cash equivalents		-	78,375	-	78,375
Total current financial assets		7,403	274,253	10,685	292,341
Total financial assets		7,416	290,622	10,685	308,723
Financial liabilities					
Borrowings		-	736,412	-	736,412
Finance lease liabilities		-	15,847	-	15,847
Other non-current financial liabilities	Commodity derivatives	772	-	-	772
	Other	-	410	-	410
Total non-current financial liabilities		772	752,669	n/a	753,441
Borrowings		-	53,546	-	53,546
Finance lease liabilities		-	7,046	-	7,046
Trade and other payables		-	192,595	-	192,595
	Transferred "A" shares with put&call options	-	191,105	-	191,105
Other current financial liabilities	Commodity derivatives	13,152	-	-	13,152
	Other derivatives	6,586	-	-	6,586
	Other	-	640	-	640
Total current financial liabilities		19,738	444,932	n/a	464,670
Total financial liabilities		20,510	1,197,601	n/a	1,218,111

The MOL Plc. does not have any instrument that the MOL Plc. designated upon initial recognition as at fair value through profit or loss in order to reduce a measurement or recognition inconsistency.

The MOL Plc. does not have any financial instrument whose classification has changed as a result of amendments in business model categorization.

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 611,192 million, while their carrying amount is HUF 618,479 million as of 31 December 2021 (31 December 2020: fair value was HUF 603,386 million, carrying amount was HUF 576,100 million). HUF 535,141 million of the fair value of the issued bonds is categorised as Level 1 and HUF 76,051 million is categorised as Level 2. (Classification of the debt securities are Level 2 fair value category. See note 19).

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 MOL Plc.

19. Fair value measurement of financial instruments

Fair value hierarchy	12/31/2021		12/31/2020	
	Level 2 Valuation techniques based on observable market input	Total fair value	Level 2 Valuation techniques based on observable market input	Total fair value
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Debt securities	17,350	17,350	10,685	10,685
Commodity derivatives	14,986	14,986	7,416	7,416
Other derivatives	-	-	-	-
Total financial assets recognised at fair value	32,336	32,336	18,101	18,101
Financial liabilities				
Commodity derivatives	26,716	26,716	13,924	13,924
Other derivatives	10,170	10,170	6,586	6,586
Total financial liabilities recognised at fair value	36,886	36,886	20,510	20,510

Neither in 2021 nor in 2020, MOL Plc. are there any instruments with fair value categorised as Level 1 (Unadjusted quoted prices in active markets) and Level 3 (valuation techniques based on significant unobservable market input).

20. Trade and other receivables

Accounting policies

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

If collection of trade receivables is expected within the normal business cycle which is one year or less, they are classified as current assets. In other cases, they are presented as non-current assets.

Trade and other receivables	12/31/2021	12/31/2020
	HUF million	HUF million
Trade receivables	241,008	147,885
Other receivables	143,534	39,828
Total	384,542	187,713

Trade receivables	12/31/2021	12/31/2020
	HUF million	HUF million
Trade receivables (gross)	242,090	149,323
Loss allowance for receivables	(1,082)	(1,438)
Total	241,008	147,885

	2021	2020
	HUF million	HUF million
Movements in the allowance for doubtful trade receivables		
At 1 January	1,438	1,085
Additions	325	740
Reversal	(369)	(215)
Amounts written off	(315)	(195)
Foreign exchange differences	3	23
At 31 December	1,082	1,438

	12/31/2021		12/31/2020	
	Gross book value	Net book value	Gross book value	Net book value
	HUF million	HUF million	HUF million	HUF million
Ageing analysis of trade receivables				
Not past due	238,553	238,126	143,194	142,689
Past due	3,537	2,882	6,129	5,196
Within 180 days	2,596	2,573	3,153	3,138
Over 180 days	941	309	2,976	2,058
Total	242,090	241,008	149,323	147,885

21. Cash and cash equivalents

Accounting policies

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

	12/31/2021	12/31/2020
	HUF million	HUF million
Short-term bank deposits	139,241	14,868
Demand deposit	42,931	61,898
Cash on hand	2,263	1,609
Total	184,435	78,375

Cash and cash equivalents pledged as security

The carrying amount of cash and cash equivalents pledged as security for liabilities is HUF 1,006 million as of 31 December 2021 (31 December 2020: HUF 141 million).

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.

22. Commitments and contingent liabilities

Accounting policies

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

a) Guarantees

The total value of guarantees undertaken to related parties is HUF 255,920 million in 2021 and HUF 212,306 million in 2020. The value of third-party guarantees, that is bank guarantees is HUF 4,722 million in 2021 and HUF 11,943 million in 2020.

b) Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2021 is HUF 13,426 million (31 December 2020: HUF 23,643 million).

The most significant amounts relate to increasing the efficiency of Desalters in plants of Danube Refinery (2,487 million), catalyst replacement in plants of Danube Refinery (HUF 2,448 million) and replacement of R21-24 reactors in REF4 Unit of Danube Refinery (HUF 1,382 million).

As part of corporate social responsibility MOL Plc. is committed to spending HUF 6,775 million via sponsorship agreements in the next 2 years.

MOL Plc. has a take-or-pay contract with JANAF in amount of HUF 5,775 million. Also, contingent liability exists from crude oil contract with INA in amount of HUF 19,543 million.

c) Unrecognised lease commitments

	12/31/2021 HUF million	12/31/2020 HUF million
Unrecognised lease commitments*		
Due within one year	9,724	7,888
Due later than one year but not later than five years	-	55
Due later than five years	-	9
Total	9,724	7,952

*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 separate financial statements except as explicitly noted. MOL Plc. is party to a number of civil actions arising in the ordinary course of business. Currently, no further litigation exists that could have a material adverse effect on the financial condition, assets, results or business of MOL Plc.

The value of litigation where MOL Plc. acts as defendant is HUF 1,103 million for which HUF 402 million provision has been made.

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 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 2009 agreements by the Government. 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. Award is expected for the first half of 2022.

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 was held in November 2021. The award for the liability phase of the arbitral procedure is expected Q1 2022. If liability is established, procedure will proceed to the quantum phase.

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 Plc.'s operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL Plc. is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL Plc. has established a provision of HUF 9,905 million for the estimated cost as at 31 December 2021 for probable and quantifiable costs of rectifying past environmental damage (see Note 13). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

In addition, some of MOL Plc.'s premises may be affected by contamination where the cost of rectification is currently not quantifiable or legal requirement to do so is not evident. The main case where such contingent liabilities may exist is the Tiszaújváros site, including both the facilities of MOL Petrochemicals and area of MOL's Tisza refinery, where MOL Plc. has identified significant underground water and subsurface soil contamination. In accordance with the resolutions of the regional environmental authorities, MOL Plc. 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 Plc. to perform this plan in order to manage the soil and underground water contamination. The total amount of liabilities originating from this plan can be estimated properly and MOL Plc. sets the required amount of environmental provision.

Furthermore, the technology applied in oil and gas exploration and development activities by the MOL Plc.'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 1.15 billion.

23. Notes to the statement 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.

	2021 HUF million	2020 Restated HUF million
Analysis of other items		
Realised and unrealised (gain) / loss of fair valuation of commodity derivatives	64,671	(39,106)
Share-based payments	1,528	946
Write-off of inventories, net	550	2,380
Write-off of receivables, net	354	515
Transferred "A" shares with put&call options	(2,252)	(40,682)
Other non-highlighted items*	826	6,972
Total	65,677	(68,975)

*Restated

	2020 balance HUF million	Cash flows used in financing activities HUF million	Realised and non- realised FX HUF million	FV change on derivatives HUF million	Accrued Interest HUF million	Liabilities to subsidiaries HUF million	New lease liabilities HUF million	2021 balance HUF million
Long-term debt	752,259	(114,305)	15,813	-	26,641	509,520	(7,870)	1,182,058
Short-term debt	60,592	12,836	(8,974)	-	3,006	-	(112)	67,348
Other current financial liabilities	211,483	(13,209)	20,046	449	-	-	-	218,769
Total Cash flows used in financing activities from financial liabilities		(114,678)						
Other items impacting Cash flows used in financing activities ¹		(63,213)						
Total Cash flows used in financing activities		(177,891)						

¹ The HUF 63,213 million Other items impacting Cash flows Used in financing activities is Dividends paid to owners.

The total cash outflow for leases in the period is HUF 11,455 million.

24. Related party transactions

a) Transactions with subsidiaries in the normal course of business

	12/31/2021 HUF million	12/31/2020 HUF million
Loans given	2,032	8,801
Loans received	453,572	25,990

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

	2021	2020
	Number of shares	Number of shares
Board of Directors	2,871,645	2,871,246
Chief Executives' and Management Committee (except Board of Directors members)	472,357	468,780
Senior Management (except Board of Directors, Chief Executives', Supervisory Board and Management Committee members)	121,341	124,702
Total	3,465,343	3,464,728

f) Transactions with Management, officers and other related parties

In 2021 entities controlled by the members of key management personnel purchased fuel and other retail services from MOL Plc. in the total value of HUF 4,244 million. MOL Plc. provided subsidies through sponsorship for sport organisations controlled by key management personnel in the total value of HUF 611 million. MOL Plc. purchased other services (business operations related services) from companies controlled by key management personnel in the total value of HUF 309 million.

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

g) Key management compensation

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

	2021	2020
	HUF million	HUF million
Salaries and wages	915	892
Other short-term benefits	658	675
Share-based payments	547	932
Total	2,120	2,499

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

No loans have been granted to key management personnel.

25. Events after the reporting period

a) Russia – Ukraine conflict

The economic consequences of Russia's invasion of Ukraine that commenced on 24 February 2022 may affect MOL Plc. Management is continuously investigating and assessing the possible effects of the current geopolitical situation, international sanctions and other possible limitations on the supply chain and business activities. MOL Plc. has made decisions in its credit policy to minimize the exposure.

MOL Plc. is exposed to Russia as an indirect, minority owner of BaiTex Llc. which is a joint venture. BaiTex Llc. is indirectly owned by MH Oil and Gas B.V., which is a MOL Plc. investment, with the investment value of HUF 31,328 million as 31 December 2021. MOL Plc. exposure to Ukraine is not material.

MOL Plc. is exposed to the physical flow of crude oil through the transportation system in Russia and Ukraine. To date, the physical flow of the crude oil has not been restricted. Management is taking actions to manage the risk of possible crude oil supply disruption, including consideration of using alternative supply routes of sufficient capacity. MOL Plc. has access to state reserves which enables it to supply its markets for more than 90 days even if all crude oil transportation is shut down.

b) Acquisition

MOL Plc. signed a set of agreements with Grupa Lotos SA and PKN Orlen acquiring 417 service stations in Poland that allows MOL to reach 3rd position in the local fuel retail market. The deal has an asset swap part, where MOL divests equipment of HUF 1,121 million related to the petrol stations to PKN Orlen. The deal is subject to PKN Orlen getting green light from the European Commission to close its merger with Lotos.

c) Put and call options transaction

MOL exercised its call options on 19 January 2022 in relation to 27,574,340 MOL Series "A" Ordinary shares ("Shares") under the share option agreement executed between UniCredit Bank AG and MOL on 14 June 2021, in relation to 9,844,626 Shares under the share option agreement executed between Commerzbank A.G. and MOL on 16 June 2021 and in relation to 36,719,933 Shares under the share option agreement executed between ING Bank N.V. and MOL on 14 June 2021. The options will be physically settled on 21 January 2022.

Under the share sale and purchase agreement concluded between MOL and ING Bank N.V. („ING") on 24 February 2022 MOL sells 36,127,167 Series "A" MOL ordinary shares ("Shares") to ING. Simultaneously, MOL and ING entered into a share option agreement under which MOL receives American call options and ING receives European put options in respect of 36,127,167 Shares on 28 February 2022. The strike price of both the put and call options is EUR 6.9417, their expiry is 23 June 2022.

Under the share sale and purchase agreement concluded between MOL and UniCredit Bank A.G. („UniCredit") on 28 February 2022 MOL sells 39,041,393 Series "A" MOL ordinary shares ("Shares") to UniCredit. Simultaneously, MOL and UniCredit entered into a share option agreement under which MOL receives American call options and UniCredit receives European put options in respect of 39,041,393 Shares on 2 March 2022. The strike price of both the put and call options is EUR 6.40346, the expiry is 23 June 2022.

d) Sold treasury shares to MOL Plc. SESOP Organisations

Based on the authorization of the Extraordinary General Meeting of the Company held on 22 December 2021 MOL have sold 3,304,712 pieces of „A" Series MOL Ordinary Shares ("MOL Shares") to MOL Plc. SESOP Organization 2021-1 and 3,304,712 pieces of MOL Shares to MOL Plc. SESOP Organization 2021-2 on 27 January 2022. MOL Plc. SESOP Organization 2021-1 and MOL Plc. SESOP Organization 2021-2 have indicated that they do not plan to purchase any further shares from MOL for the time being.

e) Retail fuel price cap

Hungarian Government introduced a retail fuel price cap in November 2021 which according to the current regulation remain in force until 15 May 2022. The price cap regulation was extended to the wholesale fuel prices on 28 February 2022. MOL Plc. management assessed the impact of the regulations and assuming the current market conditions the fuel sale activity of MOL Plc. will remain above break-even level.

26. Appendices

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

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

- ▶ IFRS 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023 and 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 IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from Single Transaction (effective for annual periods beginning on or after 1 January 2023 not yet endorsed by EU)
- ▶ Amendment to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 (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 and endorsed by EU)
- ▶ Amendment to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022 and endorsed by EU)
- ▶ Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022 and endorsed by EU)
- ▶ Amendment to Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022 and endorsed by EU)

The above-mentioned standard and amendments are not expected to significantly impact the Company's results, financial position or disclosures.

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

Company name	Registered address	Range of activity	Carrying value		Direct ownership	
			12/31/2021	12/31/2020	12/31/2021	12/31/2020
			HUF million	HUF million	%	%
MOL Group Finance Zrt. (formerly: OT Industries Vagyonkezelő Zrt.) ¹	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	492,709	195	100%	100%
MOL Crossroads B.V.	Amsterdam, Muiderstraat 1 Netherlands	Financial holding	446,148	393,325	100%	100%
INA d.d.	Zagreb, Avenija Veceslava Holjevca 10 Croatia	Integrated oil and gas company	423,096	423,096	49%	49%
MOL Petrolkémia Zrt.	Tiszaújváros, TVK Ipartelep, hrsz: 2119/3 Hungary	Petrochemical production and trading	405,175	130,093	100%	100%
Slovnaft a.s.	Bratislava, Včie hrdlo 1., 82107 Slovakia	Refinery and marketing of oil and petrochemical products	233,867	233,867	100%	100%
MOL Ingatlan Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	122,413	60,993	100%	100%
FGSZ Földgázszállító Zrt.	Siófok, Tanácssház u. 5. Hungary	Natural gas transmission	83,589	83,589	100%	100%
Pearl Petroleum Company Ltd.	Wickhams Cay, Road Town, Tortola British Virgin Islands	Oil and gas exploration, production and transportation	74,837	74,837	10%	10%
MOL Retail Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Real estate management	56,151	56,151	100%	100%
MOL Vagyonkezelő Kft.	Budapest, Krisztina krt. 99. Hungary	Investment management	56,083	32,814	100%	100%
Kalegran BV	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	54,237	0	100%	100%
MNS Oil&Gas B.V.	Amsterdam, 1097 JB, Prins Bernhardplein 200 Netherlands	Exploration financing	44,443	44,443	100%	100%
MOL Romania PP Srl	Cluj-Napoca, Dorobantilor st. 14-16. Romania	Retail and wholesale trade of fuels and lubricants	39,239	39,239	100%	100%
MOL Slovenia DS Investment BV	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Investment management	32,366	21,737	100%	100%
TIFON d.o.o.	Zagreb, Savska cesta 41. Croatia	Retail trade of fuels and lubricants	31,384	31,384	100%	100%
MH Oil and Gas B.V.	Amsterdam, Prins Bernhardplein 200, Netherlands	Investment management	31,328	12,617	100%	100%
MOL Serbia (Intermol) d.o.o.	Novi Beograd, Djordja Stanojevic 14 Serbia	Retail trade of fuels and lubricants	22,003	22,003	100%	100%
MOL (FED) Kazakhstan B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	17,896	7,131	100%	100%
Zväz pre skladovanie zásob, a.s.	Slovakia, Bratislava, Včie hrdlo 1, 824 12 Slovakia	Wholesale and retail trade, warehousing	16,668	16,668	90%	90%
MOL Reinsurance Co.	Dublin2, Adelaide Road 25-28, 4th Floor Ireland	Captive insurance	15,790	11,284	100%	100%
Leodium Investments Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	15,453	15,453	100%	100%
MOL Industrial Services Investment Kft. (formerly: MOL Solar Investments Kft.)	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	12,162	13,338	100%	100%
MOL Nordsjön B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration financing	11,935	21,955	100%	100%
MOL CVC Investment Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	11,723	11,723	100%	100%
MOL Solar Energy Holding Kft. (formerly: MOL Magyarország Szolgáltató Központ Kft.)	Budapest, Szent István u. 14 Hungary	Business services	9,514	9,549	100%	100%
MOL CZ Downstream Investment B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Investment management	6,971	6,971	15%	15%
MOL Austria GmbH.	Wien, Walcherstrasse 11a Austria	Wholesale trade of lubricants and oil products	5,365	5,365	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Százhalmabatta, Olajmunkás u. 2. Hungary	Fire service, ambulance service	3,178	978	100%	100%
Neptunus Investment Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Investment management	2,913	1,403	100%	100%
Fresh Corner Restaurant Holding Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Property management	2,802	-	100%	-
MOL Fleet Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	2,649	2,649	100%	100%
Tápió Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	2,640	2,640	100%	100%
MOL LUBKft.	Álmásfűzőt, Fő út 21. Hungary	Production and trade of lubricants	2,603	2,603	100%	100%
Csanád Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	2,280	2,280	100%	100%
Geofizikai Szolgáltató Kft. "va"	Budapest, Szentőföld u. 7-9. Hungary	Engineering activity, engineering consultancy	1,882	1,882	100%	100%
MOL E-mobilitás Vagyonkezelő Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Electrical traffic solutions	1,625	1,625	100%	100%
Dunai Vízmű Zrt.	Százhalmabatta, Erőmű utca 2. Hungary	Water production, -treatment, -supply	1,400	1,400	33%	33%
MOLTRADE-Mineralimpex Zrt.	Budapest, Október huszonharmadika u. 18 Hungary	Importing and exporting of energetical products	1,340	1,340	100%	100%

Company name	Registered address	Range of activity	Carrying value		Direct ownership	
			12/31/2021	12/31/2020	12/31/2021	12/31/2020
			HUF million	HUF million	%	%
MOL Aréna Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Investment management	1,298	1,198	100%	100%
Geoinform Kft.	Szolnok, Kőrösi út 43. Hungary	Hydrocarbon exploration	1,132	1,128	100%	100%
MOL Investment Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	840	20,117	100%	100%
MOL Somogyvámos Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	757	757	100%	100%
MOL Pakistan Oil and Gas Co B.V. (formerly: MOL Pakistan Ltd.)	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration financing	671	671	100%	100%
MOLTRANS Kft.	Budapest, Pétróleumkikötő u.5-7. Hungary	Transportation services	629	626	100%	100%
MOL Bucsá Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79 Hungary	Exploration and production activity	569	694	100%	100%
MOL Germany GmbH	München, Otto Strasse 5 Germany	Trading of oil products	556	556	100%	100%
MOL Bázakerettye Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	552	517	100%	100%
MOL IT Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial holding	538	538	100%	100%
Budapesti Értéktőzsde Zrt.	Budapest, Andrássy út 93. Hungary	Stock exchange	431	431	2%	2%
MOL Zala-Nyugat Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	431	431	100%	100%
MOL Nyírség-Észak Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	352	337	100%	100%
Rossi Biofuel Zrt.	Komárom, Kőolaj u. 2. Hungary	Biofuel production	350	350	25%	25%
Platounko Investments Ltd.	Nicosia, Acropolis Avenue 59-61 Cyprus	Exploration financing	329	329	100%	100%
MOL Nyírség-Dél Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	305	295	100%	100%
MOL Dráva Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Oil and gas production	295	404	100%	100%
MOL Okány-Nyugat Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	256	327	100%	100%
MOL GBS Magyarország Kft	Budapest, Szent István u. 14 Hungary	Accounting, bookkeeping and auditing activities, tax consultancy	248	-	100%	-
MOL SZMDK Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Oil and gas production	243	253	100%	100%
Panfora Oil&Gas S.r.l.	Cluj-Napoca, Calea Dorobantilor 14-16 Romania	Exploration and production activity	233	85	99%	99%
KMSZ Kelet-Magyarországi Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	185	180	100%	100%
MOL Group International Services B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Financial and accounting services	164	164	100%	100%
Petrolszolg Kft.	Százhalombatta, Olajmunkás út 2. Hungary	Repairs and maintenance services	159	151	100%	100%
MOL Vendéglátó Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Restaurants and mobile food service activities	150	-	100%	-
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Budapest, Október huszonharmadika u. 18 Hungary	Geothermal energy production	109	109	100%	100%
MOL-Russ Ooo	Moscow, Kosmodamianskaya nab. 52 str.3 Russia	Management services	87	87	100%	100%
MULTIPONT Program Zrt.	Budapest, Budafoki út 79. Hungary	Marketing agent activity	80	80	100%	100%
MOL Commodity Trading Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	60	60	100%	100%
MOL Racing Kft. (formerly: Hexán Kft.)	Százhalombatta, Ipartelep Hrsz: 2704/1 Hungary	Chemical material refining, filling, retail and wholesale trade	50	50	100%	100%
MOL IT & Digital GBS Kft	Budapest, Galvani u. 44. Hungary	Computer facilities management activities	45	-	100%	-
MOL Ukraine Llc.	Kijev, Moskovskiy Ave. 23, 7th floor, 04655 Ukraine	Wholesale and retail trade	41	41	100%	100%
MOL Trading&Shipping SA	24 route des Acacias, 1227 Les Acacias-Geneve Switzerland	Trading, shipping	28	28	100%	100%
MCT Slovakia s.r.o.	Pozsony, Vlcie hrdlo 1, 84212 Slovakia	Financial services	24	0	30%	30%
Terméktároló Zrt.	Százhalombatta, Olajmunkás u. 2. Hungary	Oil product storage	24	24	74%	74%
Alfagas Kft.	Záhony, Ady E út 17 I/1. Hungary	LPG gas transloading, chemical analysis of incoming gases, issuance of certifications	23	23	60%	60%
MOL-Aspect DNY-Magyarországi Közös Szénhidrogén Kutató és Termelő Kft.	Budapest, Pasaréti út 46. Hungary	Exploration and production activity	10	10	50%	50%
RMB Russ LLC	Moscow, Kosmodamianskaya nab. 52 str.3 Russia	Production, marketing and sale of synthetic rubber bitumen	7	0	51%	100%
MOL Biztonsági Szolgáltatások Kft	Budapest, Október huszonharmadika u. 18 Hungary	Private security activity	3	-	100%	-
MOL Magyarország Társasági Szolgáltatások Kft	Budapest, Október huszonharmadika u. 18. Hungary	Combined office administrative service activities	3	-	100%	-

Company name	Registered address	Range of activity	Carrying value		Direct ownership	
			12/31/2021	12/31/2020	12/31/2021	12/31/2020
			HUF million	HUF million	%	%
MOL Sustainable Future Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	3	3	100%	100%
OIL Insurance Limited	Hamilton HM08, 3 Bermudiana Road Bermuda	Financial services	3	3	1%	1%
EMSZ Első Magyar Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	0	1,076	100%	100%
MOL Somogybükkösd Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	0	590	100%	100%
MOL Jászárokszállás Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	0	434	100%	100%
MOL Kunststoff Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	0	191	100%	100%
Italiana Energia e Servizi S.p.A.	Mantova, Strada Cipata 79 Italy	Refinery and marketing of oil products	0	0	100%	100%
MOL Cameroon B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	0	0	100%	100%
MOL Central Asia B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration and production activity	0	31	100%	100%
MOL Limitless Mobility Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	0	0	100%	100%
MOL Mezőtúr Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	0	1,006	100%	100%
MOL Órség Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	0	406	100%	100%
MOL West Oman B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	0	0	100%	100%
MOL Group Finance SA ¹	Luxembourg, rue des Maraichers 102, Grand-Duchy of Luxembourg	Financial services	-	387,704	-	100%
OTP Bank Nyrt.	Budapest, Nádor u. 16. Hungary	Banking services	0	0	9%	9%
OVERDOSE Vagyongkezelő Kft. "Va"	Budapest, Acélcső u. 2-22. Hungary	Asset management	0	0	10%	10%
Total			2,810,130	2,221,115		

¹: Contribution in kind, please see Note 5.

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

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

Inventory holding gain/(loss)

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

Impairment on raw materials and own-produced inventory and goods

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

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

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

Derivative transactions

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

Non- recurring special items

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

	2021	2020
	HUF million	Restated HUF million
Clean CCS EBIT Reconciliation		
Reported EBIT total	145,415	43,878
inventory holding gain/(loss)	(68,989)	38,726
impairment on raw materials and own-produced inventory and goods	419	-
- thereof affects goods	253	-
- thereof affects own-produced inventory	166	-
cargo hedge	64,671	(32,743)
CCS EBIT	141,516	49,861
Impact of derivative transactions	-	-
GHG one-off items	(946)	1,940
special items	7,581	(11,604)
Clean CCS EBIT	148,151	40,197

	2021	2020
	HUF million	Restated HUF million
Special items		
Operating profit excluding special items	152,996	32,274
Upstream		
MOL US impairments	(10,288)	-
Total special items in Upstream	(10,288)	-
Corporate and Other		
Provision release for legal claims (Creditor GAMA, s.r.o.)	-	11,604
Creditor Beta legal case revenue	2,707	-
Total special items in Corporate and Other	2,707	11,604
Total impact of special items on operating profit	(7,581)	11,604
Operating profit	145,415	43,878

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

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

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

b) Person required to sign the statement of responsibility

Name: József Simola, Group Chief Financial Officer
Address: HU – 1112 Budapest, Ördögörom út 3/C A ép. 1.

Name: József Molnár, Group Chief Executive Officer
Address: HU – 1165 Budapest, Hunyadvár utca 42.

c) Person responsible for the electronic signature of the XHTML report is authorised by the Board of Directors

Name: Ervin Berki, Head of Group Tax and Reporting
Address: HU – 1071 Budapest, Peterdy utca 36. B ép. 2 em. 7.

Name: Zsuzsanna Ortutay, Group Business Solutions SVP
Address: HU – 1112 Budapest, Lappantyú utca 5.

d) Contacts

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

e) Presentation of company controls

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

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

f) 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. The fee charged by the audit firm (Ernst & Young Kft.) for the statutory audit of the 2021 consolidated and stand-alone financial statements of MOL Plc. is HUF 89 million. The auditor including its network charged HUF 305 million (out of which HUF 80 million was charged by the audit firm – Ernst & Young Kft.) to MOL Plc. and its subsidiaries for 2021 audit and non-audit services excluding fees for statutory audits of annual financial statements. Out of the above mentioned fees HUF 253 million was charged to MOL Plc.

g) Reconciliation of equity

Basis of preparation of equity reconciliation

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

The reconciliation of the equity per financial statement prepared in accordance with the basis of preparation and the equity per Hungarian Accounting Law contains the balances as of 31 December 2020 and 31 December 2021 for the following equity elements:

Equity

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

The equity reconciliation schedule also discloses:

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

	2021 HUF million	2020 Restated HUF million
Section 114 B (4) Equity under IFRS		
Share capital	80,992	80,972
Reserves	1,667,595	1,799,998
Profit/(loss) for the year	409,140	(69,640)
Total equity	2,157,727	1,811,330
Section 114 B (4) a) Equity		
Equity under IFRS	2,157,752	1,811,355
Supplementary payments as liabilities under IFRS (+)	-	-
Supplementary payments as assets under IFRS (-)	(25)	(25)
Sum of the deferred income from cash, assets that received and transferred to the capital reserve under legislation (+)	-	-
Sum of receivables from owners classified as equity instrument under capital contribution (-)	-	-
Total equity	2,157,727	1,811,330
Section 114 B (4) b) Share capital under IFRS		
Share capital according to the effective articles of association if classified as an equity instrument	102,429	102,429
Treasury shares at nominal value (-)	(21,437)	(21,457)
Total share capital	80,992	80,972
Section 114 B (4) c) Registered but unpaid capital		
Unpaid capital under IFRS	-	-
Total registered but unpaid capital		
Section 114 B (4) d) Capital reserve		
Sum of all equity components that are not considered as share capital, registered but unpaid capital, retained earnings, revaluation reserve, profit/(loss) for the period or tied-up reserve	223,865	223,866
Total capital reserve	223,865	223,866

	2021	2020
	HUF million	Restated HUF million
Section 114 B (4) e) Retained earnings		
Accumulated profit after taxation of previous years under IFRS that is not yet distributed among owners and not include other comprehensive income (±)	1,443,699	1,575,969
Supplementary payments as assets under IFRS (-)	(25)	(25)
Unused reserve for development purposes (-)	-	-
Unused reserve for development purposes net of deferred tax liabilities under IAS 12 (+)	-	-
Total retained earnings	1,443,674	1,575,944
Section 114 B (4) f) Revaluation reserve		
Accumulated other comprehensive income from statement of other comprehensive income (±)	56	188
Accumulated and current year other comprehensive income from statement of other comprehensive income (±)	-	-
Total revaluation reserve	56	188
Section 114 B (4) g) Profit after taxation		
Net profit/(loss) after tax from ongoing activities in the comprehensive income statement or in the statement of profit/(loss) (±)	409,140	(69,640)
Net profit/(loss) after tax from discontinued activities in the comprehensive income statement or in the statement of profit/(loss) (±)	-	-
Total profit/(loss) after taxation	409,140	(69,640)
Section 114 B (4) h) Tied-up reserve		
Supplementary payments as liabilities under IFRS (+)	-	-
Unused reserve for development purposes (+)	-	-
Unused reserve for development purposes net of deferred tax liabilities under IAS 12 (-)	-	-
Total tied-up reserve	-	-
Section 114 B (5) a) Reconciliation of registered capital with the share capital under IFRS		
Registered share capital	102,429	102,429
Share capital under IFRS	80,992	80,972
Difference (treasury shares at nominal value)	21,437	21,457
Section 114 B (5) b) Retained earnings available for distribution		
Retained earnings (include the net profit after tax for last financial year closed with annual financial statements)	1,852,814	1,506,304
Accumulated, unrealised profit from the increase of fair value of investment properties under IAS 40	-	-
Retained earnings available for distribution	1,852,814	1,506,304

h) Licensed electricity statements

Accounting policies

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

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

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

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

Principles of activity separation based on law:

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

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

Principles of activity separation on the basis of business rationality

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

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

Method of separation:

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

- ▶ Directly related Cost centres/Profit centres of the licensed electricity trading activity
Cost centres/Profit centres related directly to the licensed activity shall be recorded directly. In the course of separation the main goal is to account the significant part of assets, liabilities, incomes and costs/expenditures reported directly as licensed activity. The direct items shall be maximised with proper assignment of costs object and the indirect ones shall be minimised.
- ▶ Indirectly related Cost centres/Profit centres of the licensed electricity trading activity
Separation of indirect items is prepared by appropriate determined comparison method. Assets, liabilities, incomes and costs, expenditures not related directly to the licensed activity shall be separated on the basis of appropriate determined comparison method or itemised examination. If the internal service item is appropriate to licensed activity in connection of items separable, the procedure of that shall be applied.
- ▶ Non-related Cost centres/Profit centres of the licensed electricity trading activity
Based on the activity and organisation structure of the Company, there are some assets, liabilities, incomes and costs, expenditures not related to the licensed activity at all. These shall be left out of consideration during the separation process.

LICENSED ELECTRICITY STATEMENT OF PROFIT OR LOSS

	2021	2020
	HUF million	HUF million
Net sales	59,064	47,701
Other operating income	158	-
Total operating income	59,222	47,701
Raw materials and consumables used	59,851	46,953
Employee benefits expense	69	72
Depreciation, depletion, amortisation and impairment	448	1
Other operating expenses	51	42
Change in inventory of finished goods & work in progress	-	-
Work performed by the enterprise and capitalised	-	-
Total operating expenses	60,419	47,068
Profit / (loss) from operation	(1,197)	633
Finance income	(322)	(1,275)
Finance expense	1	(13)
Total finance income, net	(323)	(1,262)
Profit / (loss) before tax	(1,520)	(629)
Income tax expense (benefit)	-	-
PROFIT / (LOSS) FOR THE YEAR	(1,520)	(629)

LICENSED ELECTRICITY STATEMENT OF FINANCIAL POSITION

	12/31/2021	12/31/2020
	HUF million	HUF million
NON-CURRENT ASSETS		
Property, plant and equipment	1,280	-
Intangible assets	-	-
Investments	-	-
Other non-current financial assets	-	-
Deferred tax asset	-	-
Other non-current assets	-	-
Total non-current assets	1,280	-
CURRENT ASSETS		
Inventories	698	288
Trade and other receivables	10,621	7,902
Securities	-	-
Other current financial assets	-	-
Income tax receivable	-	-
Cash and cash equivalents	-	-
Other current assets	25	10
Total current assets	11,344	8,200
Total assets	12,624	8,200
EQUITY		
Share capital	270	256
Retained earnings and other reserves	227	1,319
Profit / (loss) for the year	(1,520)	(629)
Technical net income for the period	7,522	(1,999)
Total equity	6,499	(1,053)
NON-CURRENT LIABILITIES		
Long-term debt	-	-
Other non-current financial liabilities	-	-
Non-current provisions	-	-
Other non-current liabilities	-	-
Total non-current liabilities	-	-
CURRENT LIABILITIES		
Short-term debt	-	-
Trade and other payables	4,479	7,893
Other current financial liabilities	-	-
Current provisions	-	-
Other current liabilities	1,646	1,360
Total current liabilities	6,125	9,253
Total liabilities	6,125	9,253
Total equity and liabilities	12,624	8,200



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 2021 parent company financial statement, which has been prepared to the best of our knowledge based on Section 9/A of the Hungarian Accounting Act, in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS), and give a true and fair view of the assets, liabilities, financial position, and profit and loss of MOL Plc.

Budapest, 22 March 2022

József Molnár
Group Chief Executive Officer

József Simola
Group Chief Financial Officer