MOL Hungarian Oil and Gas Public Limited Company

Consolidated Annual Report

31 December 2021

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MOL HUNGARIAN OIL AND GAS PLC.

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

31 December 2021

Budapest, 22 March 2022

CONSOLIDATED FINANCIAL STATEMENTS

Introduction

General information

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991 in Hungary. MOL Plc. and its subsidiaries (hereinafter referred to as the Group or MOL Group) is an integrated, international oil and gas, petrochemicals and consumer retail company, active in over 30 countries with a dynamic international workforce of 24,000 people and a track record of more than 100 years in the industry with its legal predecessor. MOL Group has over 80 years of experience in exploration and production and its diverse portfolio includes active oil and gas presence in 12 countries, with production activity in 9 countries. MOL Group's Downstream division operates three refineries and two petrochemicals plants in Hungary, Slovakia and Croatia, and is made up of different business activities that are part of an integrated value chain and MOL Group's retail network is composed of around 2,000 service stations in 9 countries.

The registered office address of the Company is 1117 – Budapest, Október huszonharmadika u. 18, Hungary.

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

Authorisation and Statement of Compliance

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and all applicable IFRSs that have been adopted by the European Union (EU). IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee.

The Mol Group complies with the requirements of European Securities and Markets Authority (ESMA) and publishes its annual financial statements in XHTML format from 1 January 2021 and provide the consolidated financial statements prepared in accordance with IFRS with Inline XBRL to make the consolidated data machine-readable.

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INDEPENDENT AUDITOR'S REPORT

The Mol Group complies with the requirements of European Securities and Markets Authority (ESMA) and publishes its annual financial statements in XHTML format **from 1 January 2021** and provide the consolidated financial statements prepared in accordance with IFRS with Inline XBRL to make the consolidated data machine-readable. The independent auditor's report is a separate document.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2021 HUF million	2020 Restated HUF million
Net sales		5,959,307	4,011,022
Other operating income		32,771	55,687
Total operating income	3	**5,992,078**	**4,066,709**
Raw materials and consumables used		4,431,441	2,954,666
Employee benefits expense		300,006	275,522
Depreciation, depletion, amortisation and impairment		507,437	514,395
Other operating expenses		399,390	248,250
Change in inventory of finished goods and work in progress		(170,694)	80,800
Work performed by the enterprise and capitalised		(88,387)	(71,918)
Total operating expenses	4	**5,379,193**	**4,001,715**
Profit from operation		**612,885**	**64,994**
Finance income		106,998	168,825
Finance expense		149,268	280,161
Total finance expense, net	5	**(42,270)**	**(111,336)**
Share of after-tax results of associates and joint ventures	6	21,515	2,506
Profit/(Loss) before tax		**592,130**	**(43,836)**
Income tax expense	7	42,539	10,261
Profit/(Loss) for the year		**549,591**	**(54,097)**
Attributable to:			
Owners of parent		**526,135**	(18,323)
Non-controlling interest		**23,456**	(35,774)
Basic earnings per share (HUF)	27	731	(26)
Diluted earnings per share (HUF)	27	726	(26)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 HUF million	2020 Restated HUF million
Profit/(Loss) for the year		**549,591**	**(54,097)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations, net of tax	8	69,251	141,942
Net investment hedge, net of tax	8	(2,963)	(23,484)
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax	8	(166)	(483)
Changes in fair value of cash flow hedges, net of tax	8	994	(407)
Share of other comprehensive income of associates and joint ventures	8	9,950	(321)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**77,066**	**117,247**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax	8	18,563	2,310
Remeasurement of post-employment benefit obligations	8	(716)	(1,381)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**17,847**	**929**
Other comprehensive income for the year, net of tax		**94,913**	**118,176**
Total comprehensive income for the year		**644,504**	**64,079**
Attributable to:			
Owners of parent		613,446	78,019
Non-controlling interest		31,058	(13,940)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2021 HUF million	31 Dec 2020 Restated HUF million
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,380,744	3,232,577
Investment property	9	1,862	-
Intangible assets	9	437,839	397,871
Investments in associates and joint ventures	6	225,414	214,836
Other non-current financial assets	21	207,905	152,416
Deferred tax asset	7	175,797	149,052
Other non-current assets	13	76,845	86,649
Total non-current assets		**4,506,406**	**4,233,401**
CURRENT ASSETS			
Inventories	14	702,798	461,391
Trade and other receivables	23	754,019	523,278
Securities	21	845	14,511
Other current financial assets	21	61,079	24,136
Income tax receivable		7,551	13,244
Cash and cash equivalents	24	367,447	193,877
Other current assets	15	77,735	64,700
Assets classified as held for sale	19	16,379	1,463
Total current assets		**1,987,853**	**1,296,600**
Total assets		**6,494,259**	**5,530,001**
EQUITY	20		
Share capital		78,163	78,249
Retained earnings and other reserves		2,152,961	2,153,148
(Loss) / Profit for the year attr. to owners of parent		526,135	(18,323)
Equity attributable to owners of parent		**2,757,259**	**2,213,074**
Non-controlling interest		**301,285**	**271,014**
Total equity		**3,058,544**	**2,484,088**
NON-CURRENT LIABILITIES			
Long-term debt	21	866,492	820,998
Other non-current financial liabilities	21	36,913	49,367
Non-current provisions	16	707,368	637,406
Deferred tax liabilities	7	123,145	130,569
Other non-current liabilities	17	32,460	31,934
Total non-current liabilities		**1,766,378**	**1,670,274**
CURRENT LIABILITIES			
Short-term debt	21	185,616	321,790
Trade and other payables	21	848,241	549,642
Other current financial liabilities	21	252,810	229,378
Current provisions	16	70,084	49,690
Income tax payable		40,378	10,330
Liabilities classified as held for sale	19	3,420	-
Other current liabilities	18	268,788	214,809
Total current liabilities		**1,669,337**	**1,375,639**
Total liabilities		**3,435,715**	**3,045,913**
Total equity and liabilities		**6,494,259**	**5,530,001**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Fair valuation reserve	Reserve of exchange differences on translation	Retained earnings with profit for the year attr. to owners of parent	Total reserves	Equity attr. to owners of parent	Non-controlling interests	Total equity
		HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
		20								
Opening balance 1 Jan 2020		**79,408**	**219,389**	**6,354**	**289,723**	**1,556,511**	**2,071,977**	**2,151,385**	**299,984**	**2,451,369**
Profit / (loss) for the year Restated						(18,323)	**(18,323)**	**(18,323)**	(35,774)	**(54,097)**
Other comprehensive income / (loss) for the year Restated				1,851	86,952	7,539	**96,342**	**96,342**	21,834	**118,176**
Total comprehensive income / (loss) for the year Restated		-	-	1,851	86,952	(10,784)	**78,019**	**78,019**	(13,940)	**64,079**
Dividends	20	-	-	-	-	-	-	-	-	-
Dividends to non-controlling interests	20	-	-	-	-	-	-	-	(15,003)	**(15,003)**
Equity recorded for share-based payments	4	33	-	-	-	1,553	**1,553**	**1,586**	-	**1,586**
Treasury share transactions	20	(1,192)	-	-	-	(18,115)	**(18,115)**	**(19,307)**	-	**(19,307)**
Acquisition / divestment of subsidiaries		-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests		-	-	-	-	(37)	**(37)**	**(37)**	(27)	**(64)**
Other		-	-	-	-	1,428	**1,428**	**1,428**	-	**1,428**
Closing balance 31 Dec 2020 Restated		**78,249**	**219,389**	**8,205**	**376,675**	**1,530,556**	**2,134,825**	**2,213,074**	**271,014**	**2,484,088**
Opening balance 1 January, 2021 Restated		**78,249**	**219,389**	**8,205**	**376,675**	**1,530,556**	**2,134,825**	**2,213,074**	**271,014**	**2,484,088**
Profit / (loss) for the year		-	-	-	-	526,135	**526,135**	**526,135**	23,456	**549,591**
Other comprehensive income / (loss) for the year		-	-	17,370	69,614	327	**87,311**	**87,311**	7,602	**94,913**
Total comprehensive income / (loss) for the year		-	-	17,370	69,614	526,462	**613,446**	**613,446**	31,058	**644,504**
Dividends	20	-	-	-	-	(63,226)	**(63,226)**	**(63,226)**	-	**(63,226)**
Dividends to non-controlling interests	20	-	-	-	-	-	-	-	(293)	**(293)**
Equity recorded for share-based payments	4	20	-	-	-	1,507	**1,507**	**1,527**	-	**1,527**
Treasury share transactions	20	(106)	-	-	-	(1,579)	**(1,579)**	**(1,685)**	-	**(1,685)**
Acquisition / divestment of subsidiaries		-	-	-	-	-	-	-	(110)	**(110)**
Acquisition of non-controlling interests		-	-	-	-	199	**199**	**199**	(384)	**-185**
Other		-	-	-	-	(6,076)	**(6,076)**	**(6,076)**	-	**(6,076)**
Closing balance 31 Dec 2021		**78,163**	**219,389**	**25,575**	**446,289**	**1,987,843**	**2,679,096**	**2,757,259**	**301,285**	**3,058,544**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021 HUF million	2020 Restated HUF million
Profit/(Loss) before tax		**592,130**	**(43,836)**
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Depreciation, depletion, amortisation and impairment	4	507,437	514,395
Increase/(decrease) in provisions	16	25,309	(2,371)
Net (gain)/loss on asset disposal and divestments		(4,262)	(2,828)
Net interest expense/(income)	5	29,835	22,559
Other finance expense/(income)	5	12,435	87,749
Share of after-tax results of associates and joint ventures	6	(21,515)	(2,506)
Other items	26	96,110	(13,224)
Income taxes paid	7	(41,221)	(17,150)
Cash flows from operations before changes in working capital		**1,196,258**	**542,788**
Change in working capital		*(278,192)*	*29,481*
(Increase)/decrease in inventories	14	(244,335)	83,273
(Increase)/decrease in trade and other receivables	23	(275,229)	4,291
Increase/(decrease) in trade and other payables	21	266,673	(107,146)
(Increase)/decrease in other assets and liabilities	15, 18	(25,301)	49,063
Cash flows from operations		**918,066**	**572,269**
Capital expenditures	2	(499,838)	(442,145)
Proceeds from disposal of fixed assets		5,882	4,948
Acquisition of businesses (net of cash)	10	(2,411)	(473,591)
Proceeds from disposal of businesses (net of cash)	11	1,089	172
(Increase)/Decrease in other financial assets	21	(27,862)	97,271
Interest received and other finance income	5	4,595	9,191
Dividends received	5	36,976	12,515
Cash flows used in investing activities		**(481,569)**	**(791,639)**
Proceeds from issue of bonds, notes and debentures		132,271	269,105
Repayments of bonds, notes and debentures		-	-
Proceeds from borrowings		814,220	1,431,850
Repayments of borrowings		(1,118,156)	(1,640,915)
Interest paid and other finance expense	5	(21,715)	(18,420)
Dividends paid to owners of parent	20	(63,213)	(1)
Dividends paid to non-controlling interest	20	(13,545)	(2,079)
Transactions with non-controlling interest		(361)	(125)
Net issue / repurchase of treasury shares		(2,026)	(18,406)
Other changes in equity		-	1,428
Cash flows used in financing activities		**(272,525)**	**22,437**
Currency translation differences relating to cash and cash equivalents		10,426	68,983
Increase/(decrease) in cash and cash equivalents		**174,398**	**(127,950)**
Cash and cash equivalents at the beginning of the year		193,877	326,108
Cash and cash equivalents at the end of the year		367,447	193,877
Change in Cash and cash equivalents		**173,570**	**(132,231)**
Change in Overdraft		828	4,281
Increase/(decrease) in cash and cash equivalents		**174,398**	**(127,950)**

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

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

1. Accounting information, policies and significant estimates

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by IFRS Interpretations Committee as adopted by the EU and effective on 31 December 2021.

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

Principles of consolidation

The consolidated financial statements as of and for the twelve-month period ended 31 December 2021 comprise the accounts of the MOL Plc. and the subsidiaries that it controls together with the Group's attributable share of the results of associates and joint ventures. MOL Plc. and its subsidiaries are collectively referred to as the 'Group'.

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

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

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

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

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

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

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 January 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 Group's consolidated results, financial position or disclosures.

MOL Group is continuously following the market developments in relation to the IBOR reform because majority of its loan agreements include LIBOR and/or EURIBOR screen rates as reference rates. The effected agreements include fallback options to be used in case any of the screen rates are unavailable. In 2021, MOL Group 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 Group intends to implement the necessary changes to all loan documentation before relevant IBOR reform becomes effective. MOL Group 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 Group's hedging strategy.

The Group has applied the following amendments 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 Group's consolidated results, financial position or disclosures.

Issued but not yet effective International Financial Reporting Standards

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

Summary of significant accounting policies

Functional and presentation currency

Based on the economic substance of the underlying events and circumstances the functional currency of the parent company and the presentation currency of the Group have been determined to be the Hungarian Forint (HUF).

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

Foreign Currency Transactions

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

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

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

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

Significant accounting estimates and judgements

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the Notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. These are set out in detail in the respective notes.

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 Group has changed its accounting policy regarding purchased emission quotas. The Group 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 Group 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 Group measure all type of green rights/quotas at cost, subject to review for impairment.

Restatement

The measurement period for ACG purchase price allocation was closed in Q2 2021. At the end of the comparative financial year the management was seeking for more information on facts and circumstances related to certain judgemental areas and due to changes in estimations the fair value of oil and gas assets, liabilities, deferred tax, goodwill and consequently depreciation charge, finance expense and income tax expense have changed.

The comparative period in the consolidated statements have been restated as presented below. For restated amounts as of the acquisition date please refer to Note 10 a).

The tangible asset movement table was restated due to ACG and due to scrapping of a construction in progress. Please refer to Note 9 for detailed information.

CHANGE IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Dec 2020 Restated HUF million	31 Dec 2020 Restate HUF million	31 Dec 2020 Published HUF million
Property, plant and equipment	3,232,577	14,586	3,217,991
Intangible assets	397,871	8,103	389,768
Total non-current assets	**4,233,401**	**22,689**	**4,210,712**
Total assets	**5,530,001**	**22,689**	**5,507,312**
Retained earnings and other reserves	2,153,148	(127)	2,153,275
(Loss) / Profit for the year attr. to owners of parent	(18,323)	(2,384)	(15,939)
Equity attributable to owners of parent	**2,213,074**	**(2,511)**	**2,215,585**
Total equity	**2,484,088**	**(2,512)**	**2,486,600**
Non-current provisions	637,406	28,738	608,668
Deferred tax liabilities	130,569	(3,537)	134,106
Total non-current liabilities	**1,670,274**	**25,200**	**1,645,074**
Total equity and liabilities	**5,530,001**	**22,689**	**5,507,312**

CHANGE IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2020 Restated HUF million	2020 Restate HUF million	2020 Published HUF million
Depreciation, depletion, amortisation and impairment	514,395	2,372	512,023
Finance expense	280,161	807	279,353
(Loss)/Profit before tax	**(43,836)**	**(3,179)**	**(40,657)**
Income tax expense	10,261	(795)	11,056
(Loss)/Profit for the year	**(54,097)**	**(2,384)**	**(51,713)**
Attributable to:			
Owners of parent	(18,323)	(2,384)	**(15,939)**
Basic earnings per share	(26)	(4)	(22)
Diluted earnings per share	(26)	(4)	(22)

CHANGE IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 Restated	2020 Restate	2020 Published
	HUF million	HUF million	HUF million
(Loss)/Profit for the year	**(54,097)**	**(2,384)**	**(51,713)**
Exchange differences on translating foreign operations, net of tax	141,942	(128)	142,070
Total comprehensive income for the year	**64,079**	**(2,512)**	**66,591**
Attributable to:			
Owners of parent	78,019	(2,511)	80,530

CHANGE IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 Restated	2020 Restate	2020 Published
	HUF million	HUF million	HUF million
(Loss)/Profit before tax	**(43,836)**	**(3,179)**	**(40,657)**
Depreciation, depletion, amortisation and impairment	514,395	2,372	512,023
Net interest expense/(income)	22,559	807	21,752

RESULTS FOR THE YEAR

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

2. Segmental information

Accounting policies

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

2021	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Net Revenue							
External sales	264,399	3,638,277	1,934,647	103,796	18,188	-	**5,959,307**
Inter-segment transfers	412,251	1,618,032	9,492	4,290	223,759	(2,267,824)	-
Total revenue	**676,650**	**5,256,309**	**1,944,139**	**108,086**	**241,947**	**(2,267,824)**	**5,959,307**
Profit/(loss) from operation	202,091	348,901	143,404	24,534	(74,574)	(31,471)	**612,885**

2020	Upstream Restated HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Net Revenue							
External sales	175,367	2,267,669	1,446,870	89,241	31,875	-	**4,011,022**
Inter-segment transfers	222,769	1,112,108	6,056	4,766	213,517	(1,559,216)	-
Total revenue	**398,136**	**3,379,777**	**1,452,926**	**94,007**	**245,392**	**(1,559,216)**	**4,011,022**
Profit/(loss) from operation	(50,846)	7,682	114,437	45,474	(63,324)	11,571	**64,994**

2021	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Other segment information							
Capital expenditure:	132,352	289,296	48,209	21,070	79,390	-	**570,317**
Property, plant and equipment	119,991	210,989	42,132	20,397	69,360	-	**462,869**
Intangible assets	12,361	78,307	6,077	673	10,030	-	**107,448**
Depreciation, depletion, amortisation and impairment	267,243	151,840	39,129	16,640	33,577	(992)	**507,437**
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	71,497	4,122	1,351	256	2,857	(51)	**80,032**
From this: reversal of impairment recognised in statement of profit or loss	195	49	498	-	41	-	**783**
Provisions made and used during the year and revision of previous estimates	9,535	22,255	(89)	405	(2,033)	-	**30,074**

2020	Upstream Restated HUF million	Downstream HUF million	Consumer Services HUF million	Gas Midstream HUF million	Corporate and other HUF million	Inter-segment transfers HUF million	Total HUF million
Other segment information							
Capital expenditure:	92,096	275,920	39,014	11,065	66,147	-	**484,242**
Property, plant and equipment	75,459	222,386	35,101	10,515	53,345	-	**396,806**
Intangible assets	16,637	53,534	3,913	550	12,802	-	**87,436**
Depreciation, depletion, amortisation and impairment	261,091	159,475	41,783	16,493	35,245	308	**514,395**
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	42,325	15,780	703	541	7,391	2,019	**68,759**
From this: reversal of impairment recognised in statement of profit or loss	6,979	124	75	-	2	-	**7,180**
Provisions made and used during the year and revision of previous estimates	5,779	9,951	328	(254)	(12,330)	-	**3,474**

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

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

a) Assets by geographical areas

2021	Intangible assets (Note 9) HUF million	Property, plant and equipment (Note 9) HUF million	Investments in associates and joint ventures (Note 6) HUF million
Hungary	138,819	1,453,252	15,509
Croatia	61,363	614,756	12,057
Slovakia	8,821	544,319	6,459
Azerbaijan	182,871	439,068	1,394
Rest of European Union	31,944	193,247	19,678
Rest of Europe	1,678	82,221	-
Rest of the World	12,343	53,881	170,317
Total	**437,839**	**3,380,744**	**225,414**

2020 Restated	Intangible assets (Note 9) HUF million	Property, plant and equipment (Note 9) HUF million	Investments in associates and joint ventures (Note 6) HUF million
Hungary	91,722	1,287,922	19,776
Croatia	66,784	626,728	12,303
Slovakia	7,655	563,511	4,402
Azerbaijan	166,955	426,196	16,662
Rest of European Union	30,578	215,268	12,544
Rest of Europe	26,162	63,406	-
Rest of the World	8,015	49,546	149,149
Total	**397,871**	**3,232,577**	**214,836**

The restate affected the Azerbaijan line, only: The Intangible assets increased by HUF 8,103 million and the Property, plant and equipment increased by HUF 14,586 million.

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 the Group 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 Group 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 consolidated statement of financial position.

Other operating income

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

a) Sales by product lines

	2021 HUF million	2020 HUF million
Sales of crude oil and oil products	4,056,488	2,700,886
Sales of petrochemical products	1,075,344	641,133
Sales of natural gas and gas products	340,052	205,905
Sales of other products	167,710	131,351
Sales of retail shop products	165,952	150,929
Sales of services	153,761	180,818
Total	**5,959,307**	**4,011,022**

b) Sales by geographical area

	2021 HUF million	2020 HUF million
Hungary	1,631,987	1,015,997
Croatia	669,612	441,688
Czech Republic	479,873	335,929
Slovakia	479,563	411,336
Italy	425,030	273,692
Romania	423,554	276,921
Poland	290,673	142,748
Austria	260,661	213,173
Serbia	233,327	215,014
United Kingdom	165,915	119,789
Germany	143,341	95,260
Bosnia-Herzegovina	137,191	90,932
Switzerland	112,110	84,123
Slovenia	108,234	67,640
Azerbaijan	89,490	54,235
Rest of Central-Eastern Europe	50,938	32,142
Rest of Europe	148,698	77,365
Rest of the World	109,110	63,038
Total	**5,959,307**	**4,011,022**

The Group has no single major customer the revenue from which would exceed 10% of the total net sales revenues in 2021 (neither in 2020).

c) Other operating income

	2021 HUF million	2020 HUF million
Penalties, late payment interest, compensation received	7,276	3,836
Allowances and subsidies received	6,196	7,475
Reimbursement of legal costs	2,826	-
Gain from the sale of companies	2,327	-
Gain on sales of intangibles, property, plant and equipment	2,069	4,975
Net gain of non-hedge commodity price transactions*	-	28,796
Other	12,077	10,605
Total	**32,771**	**55,687**

* The net result of the non-hedge commodity price transactions was loss in current year (see Note 4)

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

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

	2021 HUF million	2020 Restated HUF million
Raw materials and consumables used	**4,431,441**	**2,954,666**
Crude oil purchased	1,909,135	1,221,421
Cost of goods purchased for resale	1,190,978	758,298
Non-hydrocarbon-based material	439,832	274,178
Value of material-type services used	267,294	254,410
Other raw materials	287,257	188,742
Purchased bio diesel component	168,446	111,542
Utility expenses	103,030	79,791
Value of inter-mediated services	65,469	66,284
Employee benefits expense	**300,006**	**275,522**
Wages and salaries	220,244	196,886
Social security	45,263	43,950
Other employee benefits expense	34,499	34,686
Depreciation, depletion, amortisation and impairment	**507,437**	**514,395**
Other operating expenses	**399,390**	**248,250**
Net loss of non-hedge commodity price transactions*	88,306	-
Mining royalties	55,210	30,119
Contribution in strategic inventory storage	40,296	38,419
Other services	37,289	37,594
Provision for greenhouse gas emission over quota allocated free of charge	24,381	10,427
Taxes and contributions	24,372	20,134
Rental cost	19,679	17,031
Consultancy fees	17,447	18,293
Advertising expenses	16,213	15,426
Insurance fees	11,196	9,900
Cleaning costs	7,976	8,028
Bank charges	6,693	5,954
Site security costs	6,673	6,918
Other	43,659	30,007
Change in inventory of finished goods and work in progress	**(170,694)**	**80,800**
Work performed by the enterprise and capitalised	**(88,387)**	**(71,918)**
Total operating expenses	**5,379,193**	**4,001,715**

* 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 row in 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.

Employee benefit expenses

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

Share-based payments

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

Equity-settled transactions

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

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

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

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using the binomial model. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is re-measured at each balance sheet date up to and including the settlement date to fair value with changes therein recognised in the statement of profit or loss.

	2021 HUF million	2020 HUF million
Absolute Share Value Based Remuneration	(8)	167
Relative Market Index Based Remuneration	(9)	6
Restricted Share Plan	153	-
Short-term Share Ownership Plan	1,223	-
Total cash-settled share-based payment expense	**1,359**	**173**
Absolute Share Value Based Remuneration	650	(645)
Relative Market Index Based Remuneration	52	(80)
Restricted Share Plan	1,039	-
Short-term Share Ownership Plan	(496)	1,233
Share Incentive scheme for the members of the Board of Directors	361	507
Total equity-settled share-based payment expense	**1,606**	**1,015**
Total expense of share-based payment transactions	**2,965**	**1,188**

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

Absolute Share Value Based Remuneration Incentive for management

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

- Covers a four-year period starting annually, where periods are split into a two-year vesting period (it is not possible to exercise Share Options) and a two-year redeeming period. If unexercised, the Share Option lapses after 31 December of the redeeming period.
- The grants are defined centrally in line with MOL job category.
- The allocation is linked to individual performance.
- Payout is either in form of providing of MOL shares (in Hungary) or in cash payment (outside Hungary).

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.

Equity-settled share-based payment:

	2021		2020	
	Number of shares in conversion option units number of shares	Weighted average exercise price HUF/share	Number of shares in conversion option units number of shares	Weighted average exercise price HUF/share
Outstanding at the beginning of the year	**7,494,523**	**3,023**	**5,970,656**	**2,960**
Granted during the year	227,992	2,918	2,802,431	2,922
Forfeited during the year	(296,376)	3,011	(317,232)	2,974
Exercised during the year	-	-	-	-
Expired during the year	(2,329,266)	3,107	(961,332)	2,352
Outstanding at the end of the year	**5,096,873**	**2,981**	**7,494,523**	**3,023**
Exercisable at the end of the year	2,394,100	3,052	2,416,317	3,107

Cash-settled share-based payment:

	2021		2020	
	Number of shares in conversion option units number of shares	Weighted average exercise price HUF/share	Number of shares in conversion option units number of shares	Weighted average exercise price HUF/share
Outstanding at the beginning of the year	**360,351**	**3,026**	**654,183**	**2,203**
Granted during the year	33,749	2,918	119,253	2,924
Forfeited during the year	(19,736)	2,918	(7,189)	3,052
Exercised during the year	-	-	(399,232)	1,669
Expired during the year	(110,786)	3,107	(6,664)	1,669
Outstanding at the end of the year	**263,578**	**2,987**	**360,351**	**3,026**
Exercisable at the end of the year	135,272	3,052	110,786	3,107

Liabilities in respect of share-based payment plans amount to HUF 68 million as at 31 December 2021 (31 December 2020: HUF 74 million), recorded in Other non-current liabilities and Other current liabilities.

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

	2021	2020
Weighted average exercise price (HUF/share)	2,987	3,026
Share price as of 31 December (HUF/share)	2,520	2,190
Expected volatility based on historical data	34.97%	31.05%
Expected dividend yield	4.36%	3.66%
Estimated maturity (years)	1.49	2.01
Risk free interest rate	5.14%	0.84%

Relative Market Index Based Remuneration Incentive for management

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

- Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and MSCI Emerging Markets Energy Index).
- Basis of the evaluation is the average difference in MOL's year-on-year (12 months) share price performance in comparison to the benchmark indices for three years.
- Payout rates are defined based on the over/underperformance of MOL share price.
- The rate of incentive is influenced by the individual short-term performance.
- Payout is either in form of providing of MOL shares (in Hungary) or in cash payment (outside Hungary).

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 either in form of providing of MOL shares (in Hungary) or in cash payment (outside Hungary).
- 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.

Share Incentive scheme for the members of the Board of Directors

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

According to IFRS 2 – Share-based payment, the incentive qualifies as an equity-settled share-based scheme; therefore, the fair value of the benefit should be expensed during the one-year investing period with a corresponding increase in the equity. The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant, which is the first trading day of the year.

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

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

Finance result	2021 HUF million	2020 Restated HUF million
Interest income	3,606	7,438
Dividend income	9,520	1,176
Foreign exchange gains	91,807	154,578
Other finance income	2,065	5,633
Total finance income	**106,998**	**168,825**
Interest expense	16,544	14,343
Unwinding of discount on provisions	16,897	15,655
Foreign exchange losses	106,227	241,154
Other finance expense	9,600	9,009
Total finance expense	**149,268**	**280,161**
Net finance expense	**42,270**	**111,336**

Interest expense on lease liabilities accounted for in the period is HUF 4,174 million (2020: HUF 3,830 million). Finance income on the net investment in the lease accounted for in the period is HUF 449 million (2020: HUF 456 million).

Dividend income relates to equity instruments which are designated upon initial recognition as at fair value through other comprehensive income.

6. Investments in associates and joint ventures

Accounting policies

Statement of financial position

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

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

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

Statement of profit or loss

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

			Ownership	Contribution to net income		Net book value of investments	
Company name	Country	Range of activity	2021 %	2021 HUF million	2020 HUF million	2021 HUF million	2020 HUF million
Investment in joint ventures							
BaiTex Llc. / MK Oil and Gas B.V.	Russia / Netherlands	Exploration and production activity / Exploration investment management	51%	5,361	126	19,678	12,544
Terra Mineralna Gnojiva d.o.o. / Petrokemija d.d	Croatia	Investment management	27%	(453)	4,417	12,057	12,303
JSR MOL Synthetic Rubber Plc.	Hungary	Production of synthetic rubber	49%	(6,924)	(2,806)	4,365	11,747
Rossi Biofuel Plc.	Hungary	Biofuel component production	25%	2,987	609	8,859	5,759
Dunai Vízmű Plc.	Hungary	Water production, supply	33%	-	(1)	1,401	1,402
Datapac Group	Slovakia	IT services	25%	52	19	641	582
ITK Holding Plc.	Hungary	Mobility and public transport service	74%	15	(421)	875	860
Other				1	1	9	9
Investment in associated companies							
Pearl Petroleum Ltd.	Kurdistan region/Iraq	Exploration of gas	10%	11,058	5,293	155,084	141,586
BTC	Cayman Islands	Oil transportation	9%	246	4,663	1,394	16,662
Ural Group Limited	Kazakhstan	Exploration and production activity	28%	6,969	(9,715)	15,233	7,563
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	25%	1,901	227	3,509	1,743
DAC ARENA a.s.	Slovakia	Facility management	28%	37	19	1,437	1,384
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	265	75	872	692
Total				**21,515**	**2,506**	**225,414**	**214,836**

Joint ventures

MK Oil and Gas B.V.

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

JSR MOL Synthetic Rubber Zrt.

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

Terra mineralna gnojiva d.o.o.

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

ITK Holding Zrt.

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

	BaiTex Llc. / MK Oil and Gas B.V.		JSR MOL Synthetic Rubber Zrt.		Terra Mineralna Gnojiva d.o.o. / Petrokemija d.d*	
	2021 HUF million	**2020** HUF million	**2021** HUF million	**2020** HUF million	**2021** HUF million	**2020** HUF million
The joint venture's statement of financial position:						
Non-current assets	57,247	45,528	113,427	119,286	30,240	28,484
Current assets	6,802	2,745	17,597	3,286	44,264	43,211
Non-current liabilities	21,687	22,842	96,287	76,984	5,660	9,945
Current liabilities	9,333	5,192	25,021	21,614	36,734	28,550
Net assets	**33,029**	**20,239**	**9,716**	**23,974**	**32,110**	**33,200**
Proportion of the Group's ownership at year end	51%	51%	49%	49%	27%	27%
Group's share of assets	**16,845**	**10,322**	**4,761**	**11,747**	**8,753**	**9,050**
Fair value adjustment	2,833	2,222	-	-	3,304	3,253
Inventory consolidation - margin elimination	-	-	(396)	-	-	-
Carrying amount of the investment	**19,678**	**12,544**	**4,365**	**11,747**	**12,057**	**12,303**
The joint venture's statement of profit or loss:						
Net revenue	52,324	31,882	11,354	516	72,421	66,290
Profit/(loss) from operations	15,203	4,958	(12,438)	(6,163)	825	15,349
Net income attributable to equity holders	10,740	519	(14,130)	(5,727)	(1,662)	16,203
Group's share of reported profit/(loss) for the year	**5,477**	**265**	**(6,924)**	**(2,806)**	**(453)**	**4,417**
Fair value adjustment P&L impact	457	(325)	-	-	-	-
Inventory consolidation P&L impact	(573)	186	-	-	-	-
Group's share of profit/(loss) for the year after consolidation	**5,361**	**126**	**(6,924)**	**(2,806)**	**(453)**	**4,417**

* based on data for 09.30

Associates

Pearl Petroleum Company Limited

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

Dividend received in 2021 is HUF 11,116 million.

Ural Group Limited

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

BTC

On 16 April 2020, MOL Group has successfully closed the previously announced deal with Chevron BTC Pipeline, Ltd regarding the acquisition of an effective 8.9% stake in the Baku-Tbilisi-Ceyhan ("BTC") pipeline that transports the crude to the Mediterranean port of Ceyhan. Ownership in BTC will cease in 2026.

Dividend received in 2021 is HUF 16,363 million.

	Pearl Petroleum Ltd.		Ural Group Limited		BTC	
	2021 HUF million	2020 HUF million	2021 HUF million	2020 HUF million	2021 HUF million	2020 HUF million
The associate's statement of financial position:						
Non-current assets	720,561	609,606	81,947	47,400	1,237,750	1,165,468
Current assets	115,526	78,183	1,668	1,044	58,622	30,449
Non-current liabilities	133,628	58,371	21,446	12,620	150,380	68,134
Current liabilities	37,108	26,454	6,777	6,820	94,830	40,456
Net assets	**665,351**	**602,965**	**55,392**	**29,004**	**1,051,162**	**1,087,327**
Proportion of the Group's ownership at year end	10%	10%	27.5%	27.5%	8.9%	8.9%
Group's share of assets	**66,535**	**60,296**	**15,233**	**7,976**	**93,553**	**96,772**
Fair value adjustment	91,908	83,909	-	-	(87,777)	(80,110)
Accumulated impairment	(442)	-	-	(413)	(4,382)	-
Dividend received over impairment	(2,917)	(2,619)	-	-	-	-
Carrying amount of the investment	**155,084**	**141,586**	**15,233**	**7,563**	**1,394**	**16,662**
The associate's statement of profit or loss:						
Net revenue	162,236	103,444	-	-	205,787	141,753
Profit/(loss) from operations	110,940	54,121	18,947	(39,314)	57,895	56,944
Net income attributable to equity holders	114,995	52,934	23,702	(33,770)	51,998	52,390
Group's share of reported profit/(loss) for the year	**11,500**	**5,293**	**6,518**	**(9,287)**	**4,628**	**4,663**
Movements on impairment	(442)	-	451	(428)	(4,382)	-
Group's share of consolidated profit/(loss) for the year	**11,058**	**5,293**	**6,969**	**(9,715)**	**246**	**4,663**

7. Income taxes

Accounting policies

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

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

Deferred tax assets are recognised where it is more likely than not that the assets will be realised in the future. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance.

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

Significant accounting estimates and judgements

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

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

a) Analysis of taxation charge for the year

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

	2021 HUF million	2020 Restated HUF million
Current corporate income tax and industry taxes	54,674	16,408
Local trade tax and innovation fee	21,144	14,786
Deferred taxes	(33,279)	(20,933)
Total income tax expense	**42,539**	**10,261**

b) Current income taxes

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

Industry taxes include tax on energy supply activities in Hungary with an effective tax rate of 18% (2020: 19%) on taxable statutory profit of MOL Plc. and with an effective tax rate of 13% (2020: 9%) on taxable statutory profit of MOL Commodity Trading Kft. Industry taxes also include tax on oil and gas companies in Norway where tax rates consist of corporate income tax of 22% (2020: 22%) and special petroleum tax of 56% (2020: 56%) both payable on net operating profits derived from extractive activities. Upstream companies in Norway are refunded for the tax loss of exploration activities incurred for the year.

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

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 impact of the change in tax law has HUF 22,706 million increase in deferred tax income at MOL Plc. in 2021.

Change in tax rates

There are no changes in income tax rates effective from 1 January 2021.

c) Deferred tax assets and liabilities

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

	31 Dec 2021 HUF million	31 Dec 2020 Restated HUF million
Property, plant and equipment and intangible assets	(169,571)	(172,296)
Statutory tax losses carried forward	66,343	65,114
Provisions	98,694	71,545
Elimination of intragroup transactions	18,459	15,598
Other temporary differences (1)	38,727	38,522
Net deferred tax asset	**52,652**	**18,483**
of which:		
Total deferred tax assets	175,797	149,052
Total deferred tax liabilities	(123,145)	(130,569)

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

As of 31 December 2021, deferred tax assets of HUF 175,797 million consist of deferred tax on tax losses carried forward of HUF 38,900 million at MOL Plc. and HUF 21,297 million at MOL GROWEST (I) Ltd. Besides, amount of HUF 52,982 million at MOL Plc. and HUF 9,349 million at INA Group relates to timing differences of provisions. Additionally, amount of HUF 28,893 million at INA Group relates to temporary differences on intangible and tangible assets.

As of 31 December 2021, deferred tax liabilities of HUF 123,145 million include temporary differences on intangible and tangible assets at MOL Azerbaijan Ltd. (HUF 62,114 million), Slovnaft a.s. (HUF 38,516 million) and FGSZ Zrt. (HUF 17,100 million). In case of Slovnaft a.s. deferred tax assets and liabilities are offset, decreasing the deferred tax liability by HUF 15,190 million arising mainly from differences in provisions and tax losses carried forward. Besides, amount of HUF 12,906 million at MOL Petrochemicals Zrt. relates to establishment of development reserves.

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

	2021 HUF million	2020 Restated HUF million
Net deferred tax asset as at 1 January	18,483	63,853
Acquisition of business	299	(84,831)
Recognised in statement of profit or loss	33,279	20,933
Recognised directly in equity (as other comprehensive income)	78	9,129
Exchange difference	513	9,399
Net deferred tax asset as at 31 December	**52,652**	**18,483**

The amount recognised in statement of profit or loss as an income is mainly driven by changes related to MOL Plc. (HUF 25,514 million income), MOL Petrochemicals Zrt. (HUF 11,679 million expense), MOL Azerbaijan Ltd. (HUF 10,594 million income) and MOL Norge a.s. (HUF 10,479 million income).

There are no changes in corporate income tax rates effective from 1 January 2022 taken into account in deferred tax calculation. Enacted and substantively enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

d) Reconciliation of taxation rate

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

	2021 HUF million	2020 Restated HUF million
Profit before tax per consolidated statement of profit or loss	**592,130**	**(43,836)**
Less: share of profit of joint ventures and associates	(21,515)	(2,506)
Income before taxation and share of profit of joint ventures and associates	**570,615**	**(46,342)**
Tax expense at the applicable tax rate (9%)	51,355	(4,171)
Change in recognition of prior year tax losses carried forward	(38,530)	18,542
Current year losses not recognised as deferred tax asset	4,234	9,281
Differences in tax rates at subsidiaries	18,747	(23,524)
Other tax expenses (local trade tax, industry tax)	20,808	11,106
Non-taxable income	(9,520)	(1,176)
Tax allowance available	(1,966)	(1,450)
Permanent differences (tax value - IFRS value)	(3,082)	1,315
Effect of tax audits	493	338
Total income tax expense for the year	**42,539**	**10,261**
Effective tax rate	**7%**	**-23%**

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

e) Income tax recognised in other comprehensive income

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

	2021 HUF million	2020 HUF million
Net gain/(loss) on hedge of a net investment	1,079	8,970
Revaluations of debt instruments at fair value through other comprehensive income	52	(72)
Revaluations of equity instruments at fair value through other comprehensive income	(874)	184
Revaluations of financial instruments treated as cash flow hedges	(98)	35
Equity recorded for actuarial gain/(loss) on provision for retirement benefit obligation	(81)	12
Total income tax recognised in other comprehensive income	**78**	**9,129**

f) Unrecognised deferred tax assets

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

	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Tax losses - indefinite expiry	100,077	105,208
Tax losses - expiry within 5 years	30,888	43,654
Tax losses - expiry after 5 years	260	492
Other temporary differences	67,570	60,287
Total unrecognised deferred tax asset	**198,795**	**209,641**

8. Components of other comprehensive income

Exchange differences on translating foreign operations

Accounting policies

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

	2021 HUF million	2020 Restated HUF million
Gains/(losses) arising during the year	71,120	144,884
Recycling reserves from OCI to profit or loss due to disposal	(1,869)	(2,942)
Income tax effect	-	-
Exchange differences on translating foreign operations, net of tax	**69,251**	**141,942**

Net investment hedge

Accounting policies

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

	2021 HUF million	2020 HUF million
Gains/(losses) arising during the year	(4,042)	(32,454)
Recycling reserves from OCI to profit or loss due to disposal	-	-
Income tax effect	1,079	8,970
Net investment hedge, net of tax	**(2,963)**	**(23,484)**

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.

	2021 HUF million	2020 HUF million
Gains/(losses) arising during the year	(218)	(411)
Recycling reserves from OCI to profit or loss due to disposal	-	-
Income tax effect	52	(72)
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax	**(166)**	**(483)**

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

Accounting policies

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

	2021 HUF million	2020 HUF million
Gains/(losses) arising during the year	19,437	2,126
Income tax effect	(874)	184
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax	**18,563**	**2,310**

Changes in fair value of cash flow hedges

Accounting policies

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

	2021 HUF million	2020 HUF million
Gains/(losses) arising during the year	1,092	(442)
Recycling reserves from OCI to profit or loss due to disposal	-	-
Reclassification adjustments to initial cost of hedged inventories	-	-
Income tax effect	(98)	35
Changes in fair value of cash flow hedges, net of tax	**994**	**(407)**

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
Gains/(losses) arising during the year	(635)	(1,393)
Recycling reserves from OCI to profit or loss due to disposal	-	-
Income tax effect	(81)	12
Remeasurement of post-employment benefit obligations	**(716)**	**(1,381)**

Share of other comprehensive income of associates and joint ventures

Accounting policies

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

	2021 HUF million	2020 HUF million
Gains/(losses) arising during the year	9,950	(321)
Recycling reserves from OCI to profit or loss due to disposal	-	-
Income tax effect	-	-
Share of other comprehensive income of associates and joint ventures	**9,950**	**(321)**

NON-FINANCIAL ASSETS AND LIABILITIES

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

9. Property, plant and equipment, investment property and intangible assets

a) Property, plant and equipment

Accounting policies

Property, plant and equipment are stated at cost (or the carrying value of the assets determined as of 1 October 1991) less accumulated depreciation, depletion and accumulated impairment loss. For investment properties, the cost model is applied by MOL Group.

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

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

	Land and buildings HUF million	Machinery and equipment HUF million	Other machinery and equipment HUF million	Construction in progress HUF million	**Total HUF million**
At 1 Jan 2020					
Gross book value	4,140,100	3,009,326	289,394	529,001	**7,967,821**
Accumulated depreciation and impairment	(2,812,369)	(2,233,377)	(188,959)	(47,147)	**(5,281,852)**
Net book value	**1,327,731**	**775,949**	**100,435**	**481,854**	**2,685,969**
Year ended 31 Dec 2020					-
Additions and capitalisations - Restated	156,886	130,156	31,456	118,461	**436,959**
Acquisition of subsidiaries - Restated	480,195	-	318	31,618	**512,131**
Depreciation for the year - Restated	(231,965)	(173,182)	(26,048)	-	**(431,195)**
Impairment	(25,191)	(30,964)	(414)	(6,000)	**(62,569)**
Reversal of impairment	5,640	1,266	37	52	**6,995**
Disposals	(761)	(176)	(2,739)	(273)	**(3,949)**
Disposal of subsidiaries	-	-	-	-	-
Exchange adjustment - Restated	28,023	38,459	4,477	8,838	**79,797**
Transfers and other movements	12,085	(1,081)	207	(2,772)	**8,439**
Closing net book value - Restated	**1,752,643**	**740,427**	**107,729**	**631,778**	**3,232,577**
At 31 Dec 2020					-
Gross book value - Restated	5,003,333	3,317,218	332,687	649,204	**9,302,442**
Accumulated depreciation and impairment - Restated	(3,250,690)	(2,576,791)	(224,958)	(17,426)	**(6,069,865)**
Net book value - Restated	**1,752,643**	**740,427**	**107,729**	**631,778**	**3,232,577**
Year ended 31 Dec 2021					
Additions and capitalisations	219,694	119,424	35,996	171,822	**546,936**
Acquisition of subsidiaries	5,113	1,886	206	9	**7,214**
Depreciation for the year	(228,645)	(160,739)	(28,986)	-	**(418,370)**
Impairment	(10,965)	(11,371)	(222)	(6,348)	**(28,906)**
Reversal of impairment	521	228	21	13	**783**
Disposals	(1,232)	(664)	(897)	(46)	**(2,839)**
Disposal of subsidiaries	-	-	(3)	-	**(3)**
Exchange adjustment	44,432	10,267	665	8,279	**63,643**
Transfers and other movements	(20,143)	2,351	(451)	(2,048)	**(20,291)**
Closing net book value	**1,761,418**	**701,809**	**114,058**	**803,459**	**3,380,744**
At 31 Dec 2021					
Gross book value	5,107,446	3,698,431	362,718	819,662	**9,988,257**
Accumulated depreciation and impairment	(3,346,028)	(2,996,622)	(248,660)	(16,203)	**(6,607,513)**
Net book value	**1,761,418**	**701,809**	**114,058**	**803,459**	**3,380,744**

2020 year-end balances were restated due to the closing of the measurement period of ACG acquisition. The Net book value of Land and buildings increased by HUF 14,586 million, the Gross book value increased by HUF 16,958 million and the Accumulated amortisation increased by HUF 2,372 million. The gross book value and the Accumulated amortisation of Land and building and Other machinery and equipment decreased by HUF 918,308-918,308 million and HUF 124-124 million respectively due to netting of historical accumulated depreciation originally presented gross. The net book value was unchanged.

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.

From 2021, the Tangible assets movement table does not include the real estates which are held as investment property.

Leased assets

Accounting policies

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

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

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

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

Significant accounting estimates and judgements

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

	Rights HUF million	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	**28**	**53,518**	**18,566**	**34,846**	**106,958**
Period ended 31 Dec 2021					
Additions and capitalisations	6	35,003	12,189	15,277	62,475
Depreciation for the period	(6)	(6,795)	(10,008)	(19,252)	(36,061)
Impairment, termination	-	(1,278)	(173)	(170)	(1,621)
Closing net book value	**28**	**80,448**	**20,574**	**30,701**	**131,751**

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

Borrowing costs

Accounting policies

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

Property, plant and equipment include borrowing costs incurred in connection with the construction of qualifying assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 9,503 million in 2021 (2020: HUF 8,625 million). In 2021 the applicable capitalisation rate (including the impact of foreign exchange differences) has been 2.3% (2020: 2.75%).

Government grants

Accounting policies

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

In 2021 property, plant and equipment includes assets with a value of HUF 19,788 million (2020: HUF 19,637 million) financed from government grants. The total amount reflects mainly the government grant received for the construction of the new polyol plant in MOL Petrochemicals which is HUF 10,536 million as of 31 December 2021 (31 December 2020: HUF 9,509 million). Further significant amounts are the assets of FGSZ Zrt. partly financed via a European Union grant for the construction of the Hungarian-Romanian and the Hungarian-Croatian natural gas interconnector and transformation of nodes, and the assets of Slovnaft a.s. financed by the grant received from Slovakian government in order to serve State Authorities in case of state emergencies.

	2021 HUF million	2020 HUF million
At 1 January	**19,637**	**13,171**
Asset related government grants received	1,479	7,558
Release of deferred grants	(1,370)	(1,467)
Foreign exchange differences	42	375
At 31 December (see Note 17 and 18)	**19,788**	**19,637**

Non-current assets pledged as security

The carrying amount of non-currents assets pledged as security for liabilities is HUF 14,288 million as of 31 December 2021 which related to the MOL Fleet Solution Flottakezelő Kft.

b) Investment property

Accounting policies

Investment property is a property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of business.

For investment properties, the cost model is applied by MOL Group. Transfer to, or from, investment property shall be examined when there is an evident change in use.

During 2020 financial year Group finalised the construction of real estates which are held as investment property and are leased on a long-term basis. Net book value as at 31 December 2021 is HUF 1,862 million which equals to the fair value of the assets. Rental income recognised during the period is HUF 297 million.

Cost model is applied for accounting for investment property. Group accounts for depreciation assuming 20 years useful life and applying straight-line method.

c) Intangible assets

Accounting policies

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

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

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

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

Free granted quotas are not recorded in the financial statements, while purchased quotas are initially 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	Goodwill HUF million	**Total HUF million**
At 1 Jan 2020					
Gross book value	185,369	71,021	189,330	102,471	**548,191**
Accumulated amortisation and impairment	(123,690)	(47,174)	(114,241)	(55,122)	**(340,227)**
Net book value	**61,679**	**23,847**	**75,089**	**47,349**	**207,964**
Year ended 31 Dec 2020					
Additions	54,698	14,175	18,576	-	**87,449**
Acquisition of subsidiary - Restated	-	5,053	69,879	114,593	**189,525**
Amortisation for the year	(9,296)	(4,615)	(7,710)	-	**(21,621)**
Write-offs	(178)	(90)	(5,922)	-	**(6,190)**
Reversal of impairment	-	-	185	-	**185**
Disposals	(45,039)	-	-	-	**(45,039)**
Revaluation of emission quotas	(450)	-	-	-	**(450)**
Disposal of subsidiaries	-	-	-	-	**-**
Exchange adjustment - Restated	1,440	852	(2,554)	(7,137)	**(7,399)**
Transfers and other movements	5,623	(2,841)	(9,348)	13	**(6,553)**
Closing net book value - Restated	**68,477**	**36,381**	**138,195**	**154,818**	**397,871**
At 31 Dec 2020					
Gross book value - Restated	205,386	91,495	264,812	218,043	**779,736**
Accumulated amortisation and impairment - Restated	(136,909)	(55,114)	(126,617)	(63,225)	**(381,865)**
Net book value - Restated	**68,477**	**36,381**	**138,195**	**154,818**	**397,871**
Year ended 31 Dec 2021					
Additions	82,064	12,703	12,684	-	**107,451**
Acquisition of subsidiary	27	-	-	-	**27**
Amortisation for the year	(9,137)	(6,166)	5,586	-	**(9,717)**
Write-offs	(3,034)	(168)	(46,445)	(1,479)	**(51,126)**
Reversal of impairment	-	-	-	-	**-**
Disposals	(28,339)	-	-	-	**(28,339)**
Revaluation of emission quotas	(374)	-	-	-	**(374)**
Disposal of subsidiaries	-	-	-	-	**-**
Exchange adjustment	4,485	104	9,382	12,898	**26,869**
Transfers and other movements	10,825	(6,749)	(8,410)	(489)	**(4,823)**
Closing net book value	**124,994**	**36,105**	**110,992**	**165,748**	**437,839**
At 31 Dec 2021					
Gross book value	271,955	96,775	271,798	231,135	**871,663**
Accumulated amortisation and impairment	(146,961)	(60,670)	(160,806)	(65,387)	**(433,824)**
Net book value	**124,994**	**36,105**	**110,992**	**165,748**	**437,839**

2020 year-end balances were restated due to the closing of the measurement period of ACG acquisition. The Gross book value and the Net book value of Goodwill increased by HUF 8,103 million. The Gross book value and the Accumulated amortisation of Rights decreased by HUF 31-31 million due to netting of historical accumulated depreciation originally presented gross. The net book value was unchanged. The carrying amount of the Goodwill at 31 Dec 2020 and 31 Dec 2021 were HUF 103,617 million and HUF 113,495 million respectively. The carrying amount of the Rights at 31 Dec 2020 and 31 Dec 2021 were HUF 63,338 million and HUF 69,376 million respectively. Amortisation of the Rights has not started yet.

Goodwill

Accounting policies

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

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

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

Goodwill (net book value)	31 Dec 2021 HUF million	31 Dec 2020 Restated HUF million
Upstream	**113,495**	**103,617**
ACG field (please refer to note 10)	113,495	103,617
Consumer services	**39,888**	**37,500**
Croatian retail network	18,267	17,989
Hungarian retail network	7,972	6,406
Czech retail network	8,753	8,181
Romanian retail network	4,896	4,924
Downstream	**11,434**	**11,319**
Austrian wholesale and logistic	9,390	9,292
German plastic compounder	1,567	1,550
MOL Petrochemicals	477	477
Corporate	**931**	**2,382**
Croatian oil field services	931	2,382
Total goodwill	**165,748**	**154,818**

Oil and natural gas exploration and development expenditures

Accounting policies

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

License and property acquisition costs

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

Exploration expenditure

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

Development expenditure

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

Significant accounting estimates and judgements

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

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

Exploration and evaluation assets

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

Within exploration and evaluation assets, exploration expenses incurred in 2021 is HUF 5,449 million (2020: HUF 4,748 million), which were not eligible for capitalisation. Consistent with the Successful Efforts method of accounting they were charged to various operating cost captions of the consolidated statement of profit or loss as incurred.

Other research and development costs are less significant compared to exploration expenses. These research and development costs are HUF 792 million in 2021 (2020: HUF 398 million).

Write-offs of dry-holes

Dry-holes	2021 HUF million	2020 HUF million
Norway	35,982	-
Hungary	3,196	3,971
Croatia	5,512	-
Pakistan	894	721
Romania	-	159
Total	**45,584**	**4,851**

Exploration well located in the license PL617 and PL820 in Norwegian offshore was drilled in 2021. Wells did not achieve the objectives and has been classified as dry.

d) Depreciation, depletion and amortisation

Accounting policies

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

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

In Upstream segment depletion and depreciation of production installations and transport systems for oil and gas is calculated for each individual field or field-dedicated transport system using the unit of production method, based on proved and developed commercially recoverable reserves. Recoverable reserves are reviewed on an annual basis prospectively. Transport systems used by several fields and other assets are calculated on the basis of the expected useful life, using the straight-line method. Amortisation of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less. Periodic maintenance costs are depreciated until the next similar maintenance takes place.

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

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

Significant accounting estimates and judgements

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

e) Impairment of assets

Accounting policies

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

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

Significant accounting estimates and judgements

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units. Value in use is usually determined on the basis of discounted estimated future net cash flows. In determination of cash flows the most significant variables are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products. As approved by the year-end RRC, MOL Group has upgraded its reserve estimates of matured oil and gas fields in CEE. By this all reserves are determined at 2P basis consistently with industry best practice.

Impairments

In 2021, the following significant impairment losses and impairment reversals were recognised:

Impairments and write-offs (without dry-holes) - 2021*	**Upstream** HUF million	**Downstream** HUF million	**Consumer services** HUF million	**Corporate and other** HUF million	**Midstream** HUF million	**Total** HUF million
Hungary	12,097	3,206	651	540	256	16,749
Croatia	6,801	25	578	2,265	-	9,669
United Kingdom	6,777	-	-	-	-	6,777
Slovakia	-	846	(423)	2	-	425
Other	-	(4)	47	0	-	43
Total	**25,675**	**4,073**	**853**	**2,808**	**256**	**33,665**

*Including the intersegment impact

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

*Including the intersegment impact

In 2021 and 2020 impairment was accounted in:

- Upstream segment for production fields and for assets under construction.
  - In Hungary in 2021 impairment was recorded due to decrease in the value in use related mainly to Zala and Füzesgyarmat hubs.
  - In the United Kingdom 2020 impairment was recorded due to the revision of decommissioning estimates, 2021 impairment relates mainly to Scolty-Crathes, Scott and Telford fields and was due to the lower value in use compared to the net book value.
  - In Croatia in 2020 impairment was recognised due to the sink of Ivana-D platform, while in 2021 impairment was due to reserve decrease in Žutica field.
- Downstream segment mainly for unutilised refinery assets.
  - In Hungary impairment was recorded on the catalysts and assets under construction in 2021.
  - In Sisak, Croatia impairment was calculated on an asset by asset basis and was accounted for the termination of the crude oil processing operations in 2020. The Sisak site will be converted into an industrial site with various new viable alternative industrial activities.
- Consumer services mainly for machineries and equipment in filling stations.
  - In Slovakia impairment reversal was accounted for service stations reclassified to asset held for sale due to the future disposal to PKN Orlen Group.
- Corporate and other segment for innovative businesses and IT equipment.
  - In Croatia 2020 impairment related to drilling rigs located in Albania and Egypt reclassified to assets held for sale.
  - In Croatia 2021 impairment was recognised for the Crosco rig in Libya.

Impairment test of Upstream assets

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

- Recoverable amount is calculated with the assumption of using the assets in long-term in the future.
- The recoverable amount of the asset (cash-generating unit) is the value in use.
- Discount rates: the value in use calculations take into account the time value of money, the risks specific to the asset and the rate of return that would be expected by market for an investment with similar risk, cash flow and timing profile. It is

estimated from current market transactions for similar assets or from the 'weighted average cost of capital' (WACC) of a listed entity that has a single asset or portfolio of assets that are similar in terms of service potential and risks to the asset under review.

- Exploration and Production segment pre-tax discount factors were calculated using the WACC premise plus country risk premium of the related country. Based on the above, the pre-tax discount factors used for the impairment tests in 2021 were in the range from 5.4% 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.

f) Impairment of goodwill

Accounting policies

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

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

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

Upstream

Pre-tax discount factor calculated using the weighted average cost of capital (WACC) rates and country risk premium (CRP) applied to discount the forecast cash flows reflecting risks specific to the segment for goodwill impairment calculation is 6.6%.

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

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

In the Upstream segment ACG is the only cash-generating unit for which goodwill is allocated.

Impairment assessment of the assets of ACG:

- The recoverable amount of the asset (cash-generating unit) is the value in use.
- The value in use of the Azerbaijan assets is HUF 669,749 million.
- The book value of assets including goodwill is HUF 581,359 million.
- Sensitivity analysis of the key assumptions used in impairment test shows the following effects:
  - 1 percentage point increase in the discount factor indicates HUF 52,897 million decrease, 1 percentage point decrease results in HUF 60,545 million increase in the NPV.
  - 5 USD growth in oil price indicates HUF 72,769 million increase, 5 USD drop in oil price indicates HUF 72,769 million decrease in NPV.
  - +/- 1 percentage point alteration in production indicates HUF 8,814 million difference in NPV.

Consumer Services and Downstream

Pre-tax discount factors calculated using weighted average cost of capital (WACC) rates and country risk premium (CRP) applied to discount the forecast cash flows reflecting risks specific to the segment and specific to the certain countries vary between 5.7% and 9.4% in Consumer services while 6.2% and 9.9% in Downstream in current year.

The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets of Consumer services segment approved by management for financial years 2022-2024 and extrapolates cash flows for the following years based on an estimated growth rates varying between 2% and 9%.

Corporate and other

Impairment test for the Croatian oil field services related goodwill is performed applying the Upstream segment assumptions, and HUF 1,488 million impairment was recognised.

In MOL Group as the overall result of impairment tests performed at the end of 2021 impairment on goodwill is only recognised for the Croatian oil field services.

10. Business combinations, transactions with non-controlling interests

Accounting policies

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

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

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

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

Acquisitions

a) Update on the Acquisition of MOL Azerbaijan (formerly: Chevron Khazar, Ltd.)

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

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

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

The purchase price allocation was closed only in 2021 causing a restatement in 2020 year-end figures. Please refer to Note 1 Restatements for more information.

MOL Azerbaijan Final Purchase Price Allocation

	16 April 2020
	HUF million
Non-current assets	**578,743**
Intangible assets	69,879
Property, plant and equipment	508,864
Current assets	**36,604**
Inventories	9,128
Trade and other receivables	8,784
Cash and cash equivalents	18,686
Other current assets	6
Non-current liabilities	**(208,785)**
Non-current provisions	(62,019)
Other non-current financial liabilities	(64,914)
Deferred tax liability	(81,852)
Current liabilities	**(45,859)**
Trade and other payables	(37,699)
Income tax payable	(8,160)
Net assets	**360,703**
MOL Group's share of net assets	**360,703**
Goodwill on acquisition	
Fair value of consideration transferred	475,021
Less: fair value of identifiable net assets acquired	(360,703)
Goodwill on acquisition	**114,318**
From this technical goodwill	50,846
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	475,021
Less: cash and cash equivalent balances acquired	(18,686)
Net cash outflow	**456,335**

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

Acquired Joint Operation 16 April 2020 - 31 Dec 2020	Net revenue	FINAL Profit/(loss) for the period
	HUF million	HUF million
MOL Azerbaijan	54,201	(10,750)

If the business combination had taken place on 1 January 2020, it is estimated that the acquired activities would have generated net revenue of HUF 93,483 million and profit/(loss) for the period of HUF 10,071 million.

b) Other acquisitions closed in 2021

On 9 March 2021 MOL concluded a deal with Marché International AG to buy 100% of the company that operates 9 restaurants in Hungary under the Marché brand.

On 30 March 2021 MOL acquired 100% of Dalby a.s a transhipment facility located in the Port of Bratislava. The acquisition has been recorded as an asset deal.

MOL Group acquired mineral water operation and real estates located in Csány producing private label mineral water in 2021 November.

All the transactions were immaterial for the Group.

c) Other ongoing acquisitions

MOL Group reached an agreement with OMV to acquire OMV’s 92.25% stake in OMV Slovenija d.o.o. from OMV Downstream GmbH as direct shareholder. The agreed purchase price is EUR 301 million (100% share of OMV Slovenija). The transaction includes 120 service stations across Slovenia. MOL paid a deposit of EUR 34,8 million. The transaction is subject to merger clearance.

MOL Group acquired the 100% of Normbenz Slovakia s.r.o. by Slovnaft that includes 16 service stations in Slovakia operated under the Lukoil brand. The transaction is subject to competition clearance by the Antimonopoly Office of the Slovak Republic.

d) Update on acquisition of Aurora Kunststoffe GmbH and its subsidiaries

On 31 October 2019, MOL Group has acquired 100% shareholding of Aurora Kunststoffe GmbH. As of 31 December 2021, the fair value of contingent consideration is HUF 11,070 million, which equals to the maximum amount of the earn-out payable according to the sale and purchase agreement.

e) Change in ownership of subsidiaries – without change of control

MOL Group has increased its interest in Nelsa S.r.l. by acquiring shares from non-controlling interest. By these transactions MOL Group has become 100% owner of Nelsa S.r.l. on 21 October 2021.

Change in ownership of subsidiaries - without change of control	HUF million
Cash consideration paid to non-controlling shareholders	(361)
Carrying value of related non-controlling interest	(560)
Difference recognised in retained earnings	199

11. Disposals

In 2021, MOL Group has sold its shareholding interest in MOL Group Italy L&G S.r.l. with insignificant net book value. The result of the transaction was also insignificant.

12. Material non-controlling interest

Accounting policies

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

INA-Industrija nafte d.d.

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

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

	Proportion of non-controlling interest	
Name	**31 Dec 2021**	**31 Dec 2020**
INA-Industrija nafte d.d.	51%	51%

	31 Dec 2021 HUF million	**31 Dec 2020** HUF million
Accumulated balances of material non-controlling interest	300,297	269,427
Profit/(Loss) allocated to material non-controlling interest	30,870	(14,164)

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

Summarised statement of profit or loss	**2021** HUF million	**2020** HUF million
Total operating income	1,080,719	696,828
Total operating expenses	(1,029,499)	(774,781)
Finance income/(expense), net	3,194	(4,212)
Profit/(loss) before income tax	**54,414**	**(82,165)**
Income tax (expense)/income	(9,143)	11,330
Profit/(loss) for the year	**45,271**	**(70,835)**
Total comprehensive income	**60,627**	**(27,818)**
Attributable to non-controlling interests	30,870	(14,164)
Dividends paid to non-controlling interests	-	(14,824)

Summarised statement of financial position	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Current assets	346,437	174,939
Non-current assets	835,292	863,729
Total assets	**1,181,729**	**1,038,668**
Current liabilities	(255,711)	(270,141)
Non-current liabilities	(336,252)	(239,388)
Total liabilities	**(591,963)**	**(509,529)**
Total equity	**589,766**	**529,139**
Attributable to owners of parent	289,469	259,712
Attributable to non-controlling interest	300,297	269,427

Summarised cash flow information	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Cash flows from operations	153,074	104,861
Cash flows used in investing activities	(121,195)	(57,762)
Cash flows used in financing activities	16,679	(55,367)
Increase/(decrease) in cash and cash equivalents	**48,558**	**(8,268)**

13. Other non-current assets

	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Obligatory level of inventory required by state legislations	50,594	44,432
Advance payments for assets under construction	24,265	40,376
Advance payments for intangible assets	468	860
Prepaid fees of long-term rental fees	391	427
Other	1,127	554
Total	**76,845**	**86,649**

14. Inventories

Accounting policies

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

	31 Dec 2021		31 Dec 2020	
	At cost HUF million	Lower of cost or net realisable value HUF million	Restated* At cost HUF million	Lower of cost or net realisable value HUF million
Work in progress and finished goods	410,813	409,683	232,953*	231,847
Purchased crude oil	122,998	122,737	97,693*	97,580
Other raw materials	102,513	87,076	88,794*	74,430
Other goods for resale	80,929	79,622	56,770*	56,457
Purchased natural gas	3,680	3,680	1,077	1,077
Total	**720,933**	**702,798**	**477,287***	**461,391**

* Restated due to administrative error (at cost Work in progress and finished goods decreased by HUF 10,276 million, Purchased crude oil decreased by HUF 12,802 million, Other raw materials decreased by HUF 14,539 million, Other goods for resale decreased by HUF 2,141 million)

During the year 2021 HUF 3,825,064 million of inventories have been recognised as an expense, of which impairment of HUF 10,726 million has been recorded (2020: HUF 4,296 million), mainly on raw materials. In 2021 HUF 4,944 million impairment was accounted for Downstream operation.

15. Other current assets

	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	56,972	43,399
Prepaid expenses	12,204	13,201
Advance payments	7,545	7,346
Other	1,014	754
Total	**77,735**	**64,700**

Other item contains mainly revenue accruals and receivables regarding employees.

16. Provisions

Accounting policies

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

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

Provision for Environmental expenditures

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

Provision for Field abandonment

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

Provision for Redundancy

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

Provision for Long-term employee benefits

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

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

Provision for Legal claims

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

Provision for Emission quotas

The Group recognises provision for the estimated CO_2 emissions costs when actual emission exceeds the emission rights granted and still held. When actual emission exceeds the amount of emission rights granted, provision is recognised for the exceeding emission rights based on 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, the Group recognises provision for estimated costs of Upstream emission reduction quotas (UER) intended to be used to fulfil obligations stipulated by EU Fuel Quality Directive.

Significant accounting estimates and judgements

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

Scope, quantification and timing of environmental and field abandonment provision

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

Actuarial estimates applied for calculation of retirement benefit obligations

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

Outcome of certain litigations

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

	Environ-mental HUF million	Field abandon-ment HUF million	Redundancy HUF million	Long-term employee benefits HUF million	Legal claims HUF million	Emission quotas and other HUF million	**Total HUF million**
Balance as of 1 Jan 2020	**97,770**	**391,398**	**2,565**	**22,237**	**24,578**	**42,780**	**581,328**
Acquisition / (sale) of subsidiaries	-	62,019	-	-	-	-	**62,019**
Additions and revision of previous estimates	986	5,002	6,996	3,442	(11,576)	30,050	**34,900**
Unwinding of the discount	2,256	12,555	-	203	-	641	**15,655**
Currency differences	7,385	13,577	301	1,098	1,165	1,094	**24,620**
Provision used during the year	(3,253)	(30)	(6,068)	(2,340)	(1,732)	(18,003)	**(31,426)**
Balance as of 31 Dec 2020 - Restated	**105,144**	**484,521**	**3,794**	**24,640**	**12,435**	**56,562**	**687,096**
Acquisition / (sale) of subsidiaries	-	4	(77)	-	(9)	(1)	**(83)**
Additions and revision of previous estimates	4,047	32,075	863	3,060	550	59,993	**100,588**
Unwinding of the discount	2,052	14,362	-	240	-	243	**16,897**
Currency differences	1,159	17,621	49	534	71	(2,843)	**16,591**
Provision used during the year	(3,649)	(408)	(2,594)	(2,322)	(4,940)	(29,724)	**(43,637)**
Balance as of 31 Dec 2021	**108,753**	**548,175**	**2,035**	**26,152**	**8,107**	**84,230**	**777,452**
Current portion 31 Dec 2020	3,772	2,786	2,409	2,271	2,810	35,642	**49,690**
Non-current portion 31 Dec 2020	101,372	481,735	1,385	22,369	9,625	20,920	**637,406**
Current portion 31 Dec 2021	3,823	233	965	2,678	3,953	58,432	**70,084**
Non-current portion 31 Dec 2021	104,930	547,942	1,070	23,474	4,154	25,798	**707,368**

Provision for Environmental expenditures

As of 31 December 2021, provision of HUF 108,753 million has been made for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar, in Hungary, Croatia, Slovakia and Italy. The provision is made on the basis of assessments prepared by MOL Group's internal environmental expert team. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates. The amount reported as at 31 December 2021 also includes a contingent liability of HUF 34,041 million recognised upon acquiring INA Group, representing its present environmental obligations and a further HUF 18,641 million environmental contingent liability regarding the acquisition of IES S.p.A. (see Note 25).

Provision for Field abandonment

As of 31 December 2021, provision of HUF 548,175 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 19% of these costs are expected to be incurred between 2022 and 2026 and the remaining 81% between 2027 and 2075. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgement of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalised as a component of the underlying fields.

Provision for Redundancy

As part of continuing efficiency improvement projects, MOL Plc., INA d.d., IES S.p.A. and other Group members decided to further optimise workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, the Group recognised a provision for the net present value of future redundancy payments and related tax and contribution. Relating to the restructuring of activities in Mantova, a provision for redundancy of HUF 9,145 million was recognised at IES S.p.A. in 2013 out of which HUF 549 million remained as of 31 December 2021. In 2015, a provision of HUF 9,804 million, and in 2020, of HUF 6,269 million was made for redundancy programme at INA d.d. out of which HUF 554 million still remained as of 31 December

2021. The closing balance of provision for redundancy is HUF 2,035 million as of 31 December 2021 (31 December 2020: HUF 3,794 million).

Provision for Long-term employee benefits

As of 31 December 2021, the Group has recognised a provision of HUF 26,152 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from Group entities. These entities operate benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service, while MOL Petrochemicals and Slovnaft, a.s. provide a maximum of 2 and 7 months of final salary respectively, depending on the length of service period. In addition to the above-mentioned benefits, in Hungary the retiring employees are entitled to the absence fee for their notice period – which lasts for 1-3 months depending on the length of the past service – which is determined by the Hungarian Labour Code. None of these plans have separately administered funds; therefore, there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data which are in line with those incorporated in the business plan of the Group.

	2021 HUF million	2020 HUF million
Present value of total long-term employee benefit obligation at the beginning of the year	**24,640**	**22,237**
Past service cost	137	5
Current service cost	2,464	1,450
Interest costs	240	203
Provision used during the year	(2,322)	(2,340)
Net actuarial (gain) / loss	459	1,987
from which:		
Retirement benefit (See Note 8)	206	1,281
Jubilee benefit	253	706
Exchange adjustment	534	1,098
Present value of total long-term employee benefit obligation at year end	**26,152**	**24,640**

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

	2021 HUF million	2020 HUF million
Current service cost	2,464	1,450
Net actuarial (gain)/loss	253	706
Past service cost	137	5
Balance as at year end	**2,854**	**2,161**

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 %	(0.59) - 4.80	0.0 - 3.1
Average wage increase in %	0.6 - 3.0	0.6 - 3.0
Mortality index (male)	0.03 - 3.01	0.03 - 7.16
Mortality index (female)	0.02 - 1.33	0.01 - 7.16

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 demographic assumptions	843	1,726	(76)	267
Actuarial (gains)/losses arising from changes in financial assumptions	(1,540)	(1,264)	(428)	0
Actuarial (gains)/losses arising from experience adjustments	903	819	757	439
Total actuarial (gains)/losses	206	**1,281**	253	**706**

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

	Retirement benefits		Jubilee benefits	
	2021	2020	2021	2020
	HUF million	HUF million	HUF million	HUF million
Discount rate:				
0.5% decrease	856	937	206	203
0.5% increase	(789)	(866)	(194)	(191)
Termination rate:				
50% decrease	5,289	5,770	1,128	1,536
50% increase	(3,544)	(3,743)	(828)	(1,077)

Provision for legal claims

As of 31 December 2021, provision of HUF 8,107 million (31 December 2020: HUF 12,435 million) has been made for estimated total future losses from litigations.

Provision for emission quotas

As of 31 December 2021, the Group has recognised a provision of HUF 50,849 million for the shortage of emission quotas (31 December 2020: 27,098 million). The amount reported as at 31 December 2021 also includes provision for estimated costs of UER quotas in amount of HUF 4,682 million (31 December 2020: HUF 4,844 million).

As of 31 December 2021, the Group had available 3,865,641 (31 December 2020: 4,110,080) free emission quotas granted by the Hungarian, Croatian and Slovakian authorities. The total emissions during 2021 amounted to equivalent of 6,063,036 tons of emission quotas (2020: 6,187,417 tons).

17. Other non-current liabilities

	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Government grants received (see Note 9)	18,603	17,641
Received and deferred other subsidies	7,423	7,047
Deferred compensation for property, plant and equipment	3,806	3,837
Deferred income for apartments sold	1,343	1,362
Liabilities to government for sold apartments	499	726
Other	786	1,321
Total	**32,460**	**31,934**

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

18. Other current liabilities

	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Taxes, contributions payable (excluding corporate tax)	181,291	129,818
Amounts due to employees	49,707	35,748
Advances from customers	13,354	10,928
Custom fees payable	10,724	9,814
Fee payable for strategic inventory storage	5,116	6,089
Other accrued incomes	4,266	3,997
Government subsidies received and accrued (see Note 9)	1,185	1,996
Dividend payable	619	14,097
Other	2,526	2,322
Total	**268,788**	**214,809**

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

19. Asset held for sale

Accounting policies

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

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

As of 31 December 2021, assets held for sale contains mainly service stations located in Hungary and Slovakia at carrying amount of HUF 14,619 million. These assets classified as held for sale are reported in Consumer Services segment. Please also refer to Note 29.

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

Assets and liabilities held for sale	**31 Dec 2021** HUF million	**31 Dec 2020** HUF million
Assets		
Property, plant and equipment	15,237	1,463
Intangible assets	951	-
Trade and other receivables	191	-
Assets classified as held for sale	**16,379**	**1,463**
Liabilities		
Deferred tax liabilities	3,409	-
Trade and other payables	11	-
Liabilities related to assets classified as held for sale	**3,420**	**-**

FINANCIAL INSTRUMENTS, CAPITAL AND FINANCIAL RISK MANAGEMENT

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

Accounting policies

Initial recognition

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

<u>Amortised cost</u>

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

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

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

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

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

Financial liabilities – Classification

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

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

Subsequent measurement

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

<u>Amortised cost</u>

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

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

The asset is measured at fair value. Interest revenue, impairment gains and losses, and a portion of foreign exchange gains and losses, are recognised in profit and loss on the same basis as for amortised cost assets. Changes in fair value are recognised in other comprehensive income. When the asset is derecognised or reclassified, changes in fair value previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss on a basis that always results in an asset measured at fair value through other comprehensive income having the same effect on profit and loss as if it were measured at amortised cost.

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

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

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

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

Fair value measurement

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

Derecognition of Financial Instruments

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

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

Hedging

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

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

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

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

Cash flow hedges

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

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

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

Hedges of a net investment

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

Impairment of Financial Assets

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

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

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

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

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

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

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

Independently of the two approaches mentioned above, impairment losses recognised where there is an objective evidence on impairment due to a loss event and this loss event significantly impacts the estimated future cash flows of the financial asset or group of financial assets. These are required to be assessed on a case-by-case basis. The maximum amount of impairment accounted for by the Group is 100% of unsecured part of the financial asset. The amount of loss is recognised in the statement of profit or loss.

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

Significant accounting estimates and judgements

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

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

20. Financial risk and capital management

Financial risk management

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

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

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

Management of Covenants

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

The Group is currently in low net gearing status, the credit metrics decreased in 2021. As of 31 December 2021, the net debt/EBITDA is at 0.6 level (2020: 1.6) while the net gearing is 18% (2020: 27%).

Capital management

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

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

a) Key exposures

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

Commodity price risk

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

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

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

Foreign currency risk

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

Interest rate risk

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

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

Credit risk

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

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

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

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

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

The existing bank facilities ensure both sufficient level of liquidity and financial flexibility for the Group.

The amount of undrawn major committed credit facilities	**31 Dec 2021** HUF million	**31 Dec 2020** HUF million
Long-term loan facilities available	1,079,285	975,549
Short-term facilities available	156,814	87,770
Total loan facilities available	**1,236,099**	**1,063,319**

EUR 575 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 revolving credit facility agreement concluded by MOL Plc. on 29 June 2016.

At the same time, the maturity of the EUR 555 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 will mature on 9 July 2025, while EUR 50 million on 9 July 2024 and EUR 35 million on 9 July 2023.

Maturity profile of financial liabilities based on contractual undiscounted payments 2021	**Due within 1 month** HUF million	**Due between 1 and 12 months** HUF million	**Due between 1 and 5 years** HUF million	**Due after 5 years** HUF million	**Total** HUF million
Borrowings	46,176	145,524	497,597	413,368	**1,102,665**
Transferred "A" shares with put&call options	-	182,419	-	-	**182,419**
Trade and other payables	460,549	387,703	-	-	**848,252**
Other financial liabilities	994	8,124	32,116	877	**42,111**
Non-derivative financial instruments	**507,719**	**723,770**	**529,713**	**414,245**	**2,175,447**
Derivatives	51,659	10,727	3,920	-	**66,306**

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

b) Sensitivity analysis

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

Effect on Clean CCS-based* (Current Cost of Supply) profit/(loss) from operation	2021 HUF billion	2020 HUF billion
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads and petrochemical margin)		
Upstream	+55.7/-55.7	+59.1/-59.1
Downstream	-5.4/+5.4	-4.7/+4.7
Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)		
Upstream	+21.8/-21.8	+13.9/-13.9
Downstream	+6.4/-6.4	+4.4/-4.4
Gas Midstream	+0.4/-0.4	+0.4/-0.4
Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads/petrochemical margin)		
Upstream	+6.8/-6.8	+2.3/-2.3
Downstream	+33.3/-33.3	+19.3/-19.3
Refinery margin (change by +/- 1 USD/bbl)		
Downstream	+34.9/-34.9	+35.6/-35.6
Integrated petrochemical margin (change by +/- 100 EUR/t)		
Downstream	+50.4/-50.4	+48.3/-48.3

*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.

	31 Dec 2021 HUF million	31 Dec 2020 Restated HUF million
Long-term debt		
Eurobond €750 million due 2023	275,654	272,287
Eurobond €650 million due 2027	237,046	234,179
HUF bond HUF 28,400 million due 2029	28,599	28,622
HUF bond HUF 36,600 million due 2030	34,758	34,579
HUF bond HUF 35,500 million due 2031	35,404	-
HRK bond HRK 2,000 million due 2026	97,385	-
Schuldschein €130 million due between 2020-2027	18,409	39,162
Bank loans	11,764	110,240
Finance lease liabilities	127,137	101,297
Other	336	632
Total long-term debt	**866,492**	**820,998**
Short-term debt		
Eurobond €750 million due 2023	5,286	5,200
Eurobond €650 million due 2027	930	925
HUF bond HUF 28,400 million due 2029	146	146
HUF bond HUF 36,600 million due 2030	170	162
HUF bond HUF 35,500 million due 2031	486	-
HRK bond HRK 2,000 million due 2026	72	-
Schuldschein €130 million due between 2020-2027	21,434	4,071
Bank loans	121,604	278,479
Finance lease liabilities	34,809	32,160
Other	679	647
Total short-term debt	**185,616**	**321,790**
Gross debt (long-term and short-term)	**1,052,108**	**1,142,788**
Cash and cash equivalents	367,447	193,877
Current debt securities	845	14,511
Net Debt*	**683,816**	**934,400**
Total equity	**3,058,544**	**2,484,088**
Capital and net debt	**3,742,360**	**3,418,488**
Gearing ratio (%)**	**18%**	**27%**
Profit from operation	612,885	64,994
Depreciation, depletion, amortisation and impairment	507,437	514,395
Reported EBITDA	1,120,322	579,389
Net Debt/Reported EBITDA	**0.61**	**1.61**

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

- total face value: HUF 35,500 million
- maturity: 10 years
- Yield: 1.926% (coupon: 1.9%)

In December 2021 the Group issued HRK 2,000 million fixed rate notes. The notes are due in December 2026 and pay a semi-annual coupon of 0.875%.

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

Gross debt by currency	31 Dec 2021 HUF million	31 Dec 2020 HUF million
EUR	731,611	832,052
USD	65,365	182,130
HUF	133,480	92,408
HRK	110,851	26,265
CZK	10,411	9,650
Other	390	283
Gross debt	**1,052,108**	**1,142,788**

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

	Ccy	Amount Issued (orig ccy, million)	Coupon	Type	Cpn Freq	Issue date	Maturity	Issuer
Eurobond	EUR	750	2.6%	Fixed	Annual	28.04.2016	28.04.2023	MOL Plc.
Eurobond	EUR	650	1.5%	Fixed	Annual	08.10.2020	08.10.2027	MOL Plc.
HRK bond	HRK	2,000	0.875%	Fixed	Semi-annual	06.12.2021	06.12.2026	INA d.d.
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 Group's total of future minimum finance lease payments as a lessee and their present value is the following:

	31 Dec 2021		31 Dec 2020	
Finance leases as a lessee	Minimum lease payments HUF million	Lease liability HUF million	Minimum lease payments HUF million	Lease liability HUF million
Due within one year	36,294	34,809	33,335	32,155
Due later than one year but not later than five years	73,818	67,007	74,139	67,919
Due later than five years	79,133	60,130	42,667	33,383
Total	**189,245**	**161,946**	**150,141**	**133,457**
Future finance charges	27,299	n/a	16,684	n/a
Lease liability	**161,946**	**161,946**	**133,457**	**133,457**

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

	31 Dec 2021		31 Dec 2020	
Finance leases as a lessor	Minimum lease payments receivable HUF million	Lease receivable HUF million	Minimum lease payments receivable HUF million	Lease receivable HUF million
Due within one year	894	608	894	581
Due later than one year but not later than five years	3,889	2,902	3,716	2,736
Due later than five years	3,661	2,842	4,555	3,526
Residual value	n/a	1,554	n/a	1,889
Total	**8,444**	**7,906**	**9,165**	**8,732**
Future finance income	538	n/a	433	n/a
Lease receivable	**7,906**	**7,906**	**8,732**	**8,732**

d) Equity

Accounting policies

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

Reserves of exchange differences on translation

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

Fair valuation reserves

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

Equity component of debt and difference in buy-back prices

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

Treasury Shares

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

Share capital

There was no change in the number of issued shares in 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 78,163 million and HUF 78,249 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
1 Jan 2020	**819,424,825**	**(66,371,763)**	**(117,790,023)**	**-**	**635,263,039**	**1,059,424,825**
Share distribution for the members of the Board of Directors and participants of MRP	-	264,444	-	-	264,444	-
Settlement of share option agreement with MUFG Securities EMEA Plc.	-	(10,951,702)	10,951,702	-	-	-
Settlement of share option agreement with Commerzbank A.G.	-	10,732,876	(10,732,876)	-	-	-
Treasury share purchase by MOL Vagyonkezelő Kft.	-	(9,537,994)	-	-	(9,537,994)	-
31 Dec 2020	**819,424,825**	**(75,864,139)**	**(117,571,197)**	**-**	**625,989,489**	**1,059,424,825**
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 A.G.	-	(888,250)	888,250	-	-	-
Settlement of share option agreement with ING Bank N.V.	-	(2,460,040)	2,460,040	-	-	-
Treasury share purchase by MOL Vagyonkezelő Kft.	-	(850,000)	-	-	(850,000)	-
Capital contribution to MOL New Europe Foundation	-	42,977,996	-	(42,977,996)	-	-
31 Dec 2021	**819,424,825**	**(36,920,309)**	**(114,222,907)**	**(42,977,996)**	**625,303,613**	**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 MOL Plc.'s reconciliation of equity 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 consolidated to the Group.

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 fulfiling 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 Group transferred 42,977,996 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 Group 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.

21. Financial instruments

31 Dec 2021 Carrying amount of financial instruments		Fair value through profit or loss HUF million	Derivatives used for hedging hedge acc.* HUF million	Amortised cost HUF million	Fair value through other comprehensive income HUF million	Total carrying amount HUF million
Financial assets						-
Other non-current financial assets	Equity instruments	8,360	-	-	85,982	94,342
	Loans given	-	-	53,141	-	53,141
	Deposit	-	-	361	-	361
	Finance lease receivables	-	-	7,298	-	7,298
	Debt securities	-	-	-	19,393	19,393
	Commodity derivatives	2,418	-	-	-	2,418
	Other	-	-	30,952	-	30,952
Total non-current financial assets		**10,778**		**91,752**	**105,375**	**207,905**
Trade and other receivables		-	-	753,850	-	753,850
Finance lease receivables		-	-	169	-	169
Cash and cash equivalents		-	-	367,447	-	367,447
Debt securities		-	-	-	845	845
Other current financial assets	Commodity derivatives	43,199	-	-	-	43,199
	Loans given	-	-	848	-	848
	Deposit	-	-	67	-	67
	Finance lease receivables	-	-	608	-	608
	Foreign exchange derivatives	277	-	-	-	277
	Other derivatives	-	-	-	-	-
	Other	-	-	16,080	-	16,080
Total current financial assets		**43,476**		**1,139,069**	**845**	**1,183,390**
Total financial assets		**54,254**		**1,230,821**	**106,220**	**1,391,295**
						-
Financial liabilities						-
Borrowings (long-term debt)		-	-	739,349	-	739,349
Finance lease liabilities		-	-	127,143	-	127,143
Other non-current financial liabilities	Foreign exchange derivatives	-	-	-	-	-
	Other derivatives	3,895	-	-	-	3,895
	Other	-	-	32,994	-	32,994
	Interest rate derivatives	-	24	-	-	24
Total non-current financial liabilities		**3,895**	**24**	**899,486**	**n/a.**	**903,405**
Trade and other payables		-	-	848,241	-	848,241
Borrowings (short-term debt)		-	-	150,807	-	150,807
Finance lease liabilities		-	-	34,809	-	34,809
Other current financial liabilities	Transferred "A" shares with put&call options	-	-	181,669	-	181,669
	Commodity derivatives	51,820	-	-	-	51,820
	Foreign exchange derivatives	30	-	-	-	30
	Other derivatives	10,170	-	-	-	10,170
	Other	-	-	9,117	-	9,117
	Interest rate derivatives	-	4	-	-	4
Total current financial liabilities		**62,020**	**4**	**1,224,643**	**n/a.**	**1,286,667**
Total financial liabilities		**65,915**	**28**	**2,124,129**	**n/a.**	**2,190,072**

*hedge acc: under hedge accounting

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

*hedge acc: under hedge accounting

The Group does not have any instrument where the Group chose the fair value option to designate an instrument upon initial recognition at fair value through profit or loss in order to reduce a measurement or recognition inconsistency. The Group does not have any financial instrument whose classification has changed as a result of amendments in business model categori sation.

The Group elected upon initial recognition to measure investments in equity instruments at fair value through other comprehensive income. The managements' intention regarding these instruments which are measured as at fair value through other comprehensive income did not change, these instruments are not held for trading, so the Group elected the fair value through other comprehensive income measurement at recognition for these equity instruments. Investments in venture funds where the Group has significant influence are measured as at fair value through profit or loss. The most significant equity instrument is JANAF interest hold by INA d.d., the company that owns and operates the Adria pipeline system. The market value of the shares as of 31 December 2021 amounted to HUF 29,762 million (31 December 2020: HUF 24,711 million).

The fair values of financial instruments measured at amortised cost approximate their carrying amounts except for the issued bonds. The fair value of the issued bonds is HUF 708,965 million, while their carrying amount is HUF 715,936 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 173,823 million is categorised as Level 2.

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

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

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

Carrying amounts of hedging instrument			**2021** HUF million	**2020** HUF million
Net investment hedge	Liabilities	Borrowings	562,100	665,450
Cash flow hedge	Liabilities	Interest rate derivatives	28	-
		Foreign exchange derivatives	-	1,121

Hedge of net investments in foreign operations

The Group has EUR and USD denominated net investments in foreign operations and EUR and USD denominated borrowings. These borrowings are being used to hedge the Group's exposure to EUR and USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is an economic relationship between the hedged items and the hedging instruments as the net investments creates a translation risk that will match the foreign exchange risk on the borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the borrowing.

The notional amount of the EUR denominated and USD denominated borrowings are EUR 1,530 million and USD 9 million respectively (31 December 2020: EUR 1,530 million and USD 367 million). The weighted average hedged rates for the year are 358 HUF/EUR and 298 HUF/USD (31 December 2020: 356 HUF/EUR and 307 HUF/USD).

Net investment in foreign operation	**Notes**	**2021** HUF million	**2020** HUF million
Change in value of hedged item used to determine hedge effectiveness		4,042	32,454
Change in carrying amount of borrowings as a result of foreign currency movements recognised in other comprehensive income	8	(4,042)	(32,454)
Change in foreign currency translation reserve due to hedging, net of tax	8	(2,963)	(23,484)
Balances in the foreign currency translation reserve due to hedging, net of tax		**150,420**	**147,457**

The hedging gain recognised in other comprehensive income before tax is equal to the change in fair value used for measuring effectiveness. There was no ineffectiveness to be recorded from net investments in foreign entity hedges.

22. Fair value measurement of financial instruments

	31 Dec 2021			31 Dec 2020		
Fair value hierarchy	**Level 1** Unadjusted quoted prices in active markets HUF million	**Level 2** Valuation techniques based on observable market input HUF million	**Total fair value** HUF million	**Level 1** Unadjusted quoted prices in active markets HUF million	**Level 2** Valuation techniques based on observable market input HUF million	**Total fair value** HUF million
Financial assets						
Equity instruments	29,762	64,580	**94,342**	24,711	49,518	**74,229**
Debt securities	-	20,238	**20,238**	3,826	10,685	**14,511**
Commodity derivatives	-	45,617	**45,617**	-	18,486	**18,486**
Foreign exchange derivatives	-	277	**277**	-	-	-
Total financial assets	**29,762**	**130,712**	**160,474**	**28,537**	**78,689**	**107,226**
Financial liabilities						
Commodity derivatives	-	51,820	**51,820**	-	23,936	**23,936**
Foreign exchange derivatives	-	30	**30**	-	1,323	**1,323**
Other derivatives	-	14,065	**14,065**	-	9,644	**9,644**
Interest rate derivatives	-	28	**28**	-	-	-
Total financial liabilities	**-**	**65,943**	**65,943**	**-**	**34,903**	**34,903**

Nor in 2021 and 2020 were there any instruments with fair value categorised as Level 3 (valuation techniques based on significant unobservable market input).

23. Trade and other receivables

Accounting policies

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

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

Trade and other receivables	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Trade receivables	563,964	451,757
Other receivables	190,055	71,521
Total	**754,019**	**523,278**

Trade receivables	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Trade receivables (gross)	580,131	473,963
Loss allowance for receivables	(16,167)	(22,206)
Total	**563,964**	**451,757**

Movements in the loss allowance for receivables	2021 HUF million	2020 HUF million
At 1 January	**22,206**	**19,498**
Additions	3,773	6,043
Reversal	(9,046)	(6,566)
Amounts written off	(765)	(154)
Foreign exchange differences	(1)	3,385
At 31 December	**16,167**	**22,206**

The total additions in loss allowance for receivables as of 31 December 2021 is HUF 3,773 million. The total reversal in loss allowance for receivables as of 31 December 2021 is HUF 9,046 million, of which HUF 2,917 million relates to receivables in Egypt.

	31 Dec 2021		31 Dec 2020	
Ageing analysis of trade receivables	Gross book value HUF million	Net book value HUF million	Gross book value HUF million	Net book value HUF million
Not past due	**526,528**	**525,974**	**425,748**	**425,152**
Past due	**53,603**	**37,990**	**48,215**	**26,605**
Within 180 days	35,392	34,519	21,610	21,194
Over 180 days	18,211	3,471	26,605	5,411
Total	**580,131**	**563,964**	**473,963**	**451,757**

Current assets pledged as security

There are no current assets pledged as security as of 31 December 2021.

24. Cash and cash equivalents

Accounting policies

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

	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Short-term bank deposits	166,065	46,521
Demand deposit	188,222	137,109
Cash on hand	13,160	10,247
Total	**367,447**	**193,877**

Cash and cash equivalents pledged as security

The carrying amount of cash and cash equivalents pledged as security for liabilities is HUF 11,667 million as of 31 December 2021.

OTHER FINANCIAL INFORMATION

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

25. Commitments and contingent liabilities

Accounting policies

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

a) Guarantees

The total value of bank guarantees, letter of credits, standby letter of credits undertaken to parties outside the Group is contractually HUF 149,373 million.

b) Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2021 is HUF 157,802 million (31 December 2020: HUF 246,568 million), of which HUF 114,094 million relates to Hungarian operation, HUF 22,223 million to operation in Slovakia and HUF 199 million to associated company.

The most significant amounts relate to a polyol project in MOL Petrochemicals (HUF 61,942 million) which intends to become a significant producer of polyether polyols, high-value intermediates for products applied in the automotive, packaging and furniture industry. Under the project a new polyol plant will be constructed to which significant part of capital expenditures relate both in the current and comparative period. Additional significant amounts of capital commitments in Hungary relate to the MOL Campus project (HUF 22,335 million) and to olefin reconstruction projects (HUF 7,240 million).

MOL has a commitment in Romania for a minimum work-program on license EX-6 as per concession agreement in the amount of HUF 8,326 million.

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

MOL Group has a take-or-pay contract with JANAF in amount of HUF 5,775 million.

c) Unrecognised lease commitments

Unrecognised lease commitments*	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Due within one year	1,867	1,774
Due later than one year but not later than five years	2,026	2,892
Due later than five years	274	275
Total	**4,167**	**4,941**

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

d) Authority procedures, litigation

General

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

The value of litigation where members of the MOL Group act as defendant is HUF 33,833 million for which HUF 8,107 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.

CONCESSIONS (INA Group)

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

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

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

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

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

On 12 July 2018, INA received decision of the High Administrative Court cancelling previous decision of the Administrative Court and Ministry of Economy decision regarding "Sava" exploration license and has returned a case in its initial state. In reassessment proceedings Administrative Court reached a decision and rejected INA's claim. INA has filed an appeal against the first instance verdict which was rejected by the High Administrative Court. In November 2021 INA filed lawsuit before Constitutional Court of Republic of Croatia.

BELVEDERE

In July 2017 INA received a lawsuit from Belvedere d.d. Dubrovnik with a claim amounting HRK 220 million. The claim relates to a loan provided by INA in 2005 to Belvedere d.d. (hotel "Belvedere" in Dubrovnik served as security for the loan). Since Belvedere d.d. has not returned the loan, enforcement procedure was initiated in 2012, and the hotel was sold to a highest bidder on a public auction. Belvedere d.d. now claims that the hotel was sold below its market value and also claims damage to its reputation and loss of profit. Although the outcome of this procedure is uncertain it is more likely in favour of INA than not. Notwithstanding the possible outcome, request for the damage is deemed to set too high considering three independent court experts already discussed the market price issue. Case is interrupted until resolution of case INA No. 018-11/17 which represents preliminary issue for resolving this case. In case INA No. 018-11/17 final decision was reached in favour of INA. Currently this case is before Supreme Court of the Republic of Croatia since Belvedere filled proposal for permission to file a revision.

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 hold 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 days hearing has been fixed for 28 March – 1 April 2022.

e) Environmental liabilities

MOL Group's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL Group is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL Group has established a provision of HUF 101,143 million for the estimated cost as at 31 December 2021 for probable and quantifiable costs of rectifying past environmental damage (see Note 16). In addition, a provision of HUF 7,610 million was recorded to cover an expected intervention where the timing, cost and nature of the intervention is still uncertain. Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

Some of the Group's premises may be affected by contamination where the cost of rectification is currently not quantifiable or legal requirement to do so is not evident. The main case where such contingent liabilities may exist is the Tiszaújváros site, including both the facilities of MOL Petrochemicals and area of MOL's Tisza refinery, where the Group has identified significant underground water and subsurface soil contamination. In accordance with the resolutions of the regional environmental authorities combined for MOL Petrochemicals and MOL Group, the Group completed a detailed investigation and submit the results and technical specifications to the authorities in July of 2021. Based on these documents the authorities brought a resolution on 7 September 2021 requiring MOL Petrochemicals and MOL Group to jointly perform this plan in order to manage the soil and underground water contamination. The total amount of liabilities originating from this plan can be estimated properly and MOL Petrochemicals and MOL Group set the required amount of environmental provision.

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

The technology applied in oil and gas exploration and development activities by the Group's Hungarian predecessor before 1995 may give rise to future remediation of drilling mud produced (in 1995 there was modification in the drilling technology). In accordance with legal requirements the treatment (extraction and disposal) of the resulting pollutant is required. The existence of such obligation, and consequently the potential expenditure associated with it is dependent on the extent, volume and composition of drilling mud left behind at the numerous production sites. According to current estimates the amount of the environmental liability is HUF 1.13 billion.

Further to more detailed site investigations to be conducted in the future and the advancement of national legislation or authority practice, additional contingent liabilities may arise at the industrial park around Mantova refinery and the Croatian refineries, depots and retail sites which have been acquired in previous business combinations. As at 31 December 2021, on Group level the aggregate amount of environmental liabilities for the above-mentioned areas, recorded on the statement of financial position was HUF 52.7 billion (31 December 2020: HUF 50.8 billion).

26. Notes to the consolidated statements of cash flows

Accounting policies

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

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

Analysis of net cash outflow on acquisition of subsidiaries, joint operations as business combinations	2021 HUF million	2020 HUF million
Cash consideration	(2,795)	(475,798)
Cash at bank or on hand acquired	384	18,686
Net cash outflow on acquisition of subsidiaries, joint operations	**(2,411)**	**(457,112)**

Analysis of net cash flow related to sale of subsidiaries, joint operations as business combinations	2021 HUF million	2020 HUF million
Cash consideration	1,101	-
Cash at bank or on hand disposed	(13)	-
Net cash inflow/(outflow) related to sale of subsidiaries, joint operations	**1,089**	**-**

Analysis of cash flow related to joint ventures and associates	2021 HUF million	2020 Restated HUF million
Cash consideration of acquisition and capital increase	-	(16,479)
Cash consideration of sale and capital decrease	-	172
Dividend from joint ventures and associates	27,755	11,223
Net movements of loans*	(9,368)	(19,780)
Total	**18,387**	**(24,864)**

* Net movements of loans for 2020 are restated due to administrative error. It was decreased by HUF 21,988 million.

Analysis of other items	2021 HUF million	2020 HUF million
Write-off of inventories, net	10,726	4,296
Write-off of receivables, net	(11,475)	6,052
Other non-highlighted items	96,859	(23,572)
Total	**96,110**	**(13,224)**

	2020 balance	Cash flows used in financing activities	Non-cash changes					Non-financing CF related movements	2021 balance
			Acquisitions/ Disposals	Realised and non-realised FX	FV change on derivatives	Accrued Interest	New lease liabilities		
	HUF million	**HUF million**	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Long-term debt	820,998	**(27,400)**	1,419	3,204	-	14,582	53,689	-	866,492
Other non-current financial liabilities	49,367	**(4,452)**	-	303	-	-	-	(8,305)	36,913
Short-term debt	321,790	**(155,467)**	-	16,674	-	3,447	-	(828)	185,616
Other current financial liabilities	229,378	**(8,715)**	-	43	2,646	-	-	29,458	252,810
Total Cash flows used in financing activities from financial liabilities		**(196,034)**							
Other items impacting Cash flows used in financing activities		**(76,491)**							
Total Cash flows used in financing activities		**(272,525)**							

The total cash outflow for leases in the period is HUF 23,506 million.

27. Earnings per share

Accounting policies

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

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

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

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

	Income HUF million	Weighted average number of shares	Earnings/(Loss) per share HUF
Basic Earnings Per Share 2020 (Restated)	(18,323)	711,992,681	(26)
Diluted Earnings Per Share 2020* (Restated)	(18,323)	711,992,681	(26)
Basic Earnings Per Share 2021	526,135	719,486,566	731
Diluted Earnings Per Share 2021	526,135	724,847,017	726

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

28. Related party transactions

a) Transactions with associated companies and joint ventures

	31 Dec 2021 HUF million	31 Dec 2020 HUF million
Trade and other receivables due from related parties	21,081	6,672
Long-term loans given to related parties	42,388	28,600
Long-term receivables from related parties due to finance lease	7,053	7,665
Short-term loans given to related parties	293	3,834
Short-term receivables from related parties due to finance lease	618	612
Trade and other payables due to related parties	14,139	7,654
Long-term liabilities to related parties due to finance lease	3,652	4,034
Short-term liabilities to related parties due to finance lease	497	479
Net sales to related parties	50,149	20,191

The Group purchased and sold goods and services with associated companies and joint ventures during the ordinary course of business in 2021 and 2020. All of the transactions were conducted under market prices and conditions.

b) Remuneration of the members of the Board of Directors

Directors' total remuneration approximated HUF 147 million in 2021 (2020: HUF 146 million). In addition, the directors participate in a long-term incentive scheme details of which are given in Note 4.

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

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

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

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

	2021 Number of shares	2020 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**

d) 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 Group in the total value of HUF 4,282 million. MOL Group provided subsidies through sponsorship for sport organisations controlled by key management personnel in the total value of HUF 611 million. MOL Group purchased other services (including PR, media, business operations related services) from companies controlled by key management personnel in the total value of HUF 315 million.

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

e) Key management compensation

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

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

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

No loans have been granted to key management personnel.

29. Events after the reporting period

a) Russia – Ukraine conflict

The economic consequences of Russia's invasion of Ukraine that commenced on 24 February 2022 may affect MOL Group. 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 Group has made decisions in its credit policy to minimize the exposure.

MOL Group is exposed to Russia mainly through BaiTex Llc, a joint venture, with an investment value of HUF 19,678 million and receivables of HUF 4,613 million as 31 December 2021. MOL Group exposure to Ukraine is not material.

MOL Group 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 Group 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) Acquisitions

MOL Group 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. Subject to the final approval of the Polish assets acquisition would MOL divest 185 service stations of its portfolio 144 located in Hungary and 41 in Slovakia to PKN Orlen. The deal is subject to PKN Orlen getting green light from the European Commission to close its merger with Lotos. MOL Group signed an agreement to acquire the 100% share capital of Normbenz Magyarország Kft on 11 January 2022 consisting 79 service stations with the aim to resell to PKN Orlen Group.

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 Organizations

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

The 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.

The government of Croatia decided on 7 March 2022 to lock margins on petroleum product transactions and to temporarily reduce excise duties on diesel and gasoline in order to lower fuel prices.

The Serbian Government introduced a retail fuel price cap on 12 February 2022 for a maximum of 30 days period.

The Bosnian Government introduced a fuel margin cap in 2021 April which is still in force in 2022.

MOL Group management assessed the impact of the regulations and assuming the current market conditions the fuel sale activity of MOL Group will remain above break-even level.

30. Appendices

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

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

- IFRS 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023 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 Group's consolidated results, financial position or disclosures.

b) Appendix II.: Subsidiaries

Company name	Country (Incorporation/Branch)	Range of activity	Ownership 2021	Ownership 2020
Integrated subsidiaries				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	49%	49%
Upstream				
Adriagas S.r.l.	Italy	Pipeline project company	49%	49%
Croplin, d.o.o.	Croatia	Natural gas trading	49%	49%
Csanád Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
EMSZ Első Magyar Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
Kalegran B.V.	Netherlands	Exploration financing	100%	100%
Kalegran B.V Erbil Branch Office	Iraq	Exploration and production activity	100%	100%
KMSZ Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MH Oil and Gas BV.	Netherlands	Investment management	100%	100%
MNS Oil and Gas B.V.	Netherlands	Exploration financing	100%	100%
MOL Energy UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGrowest (I) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGrowest (II) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL Operations UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL UK Facilities Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL Bázakerettye Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Bucsa Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Crossroads B.V.	Netherlands	Exploration financing	100%	100%
MOL Azerbaijan Ltd.	Bermuda	Exploration and production activity	100%	100%
MOL Denmark B.V. [3]	Netherlands	Exploration financing	-	100%
MOL Dráva Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL (FED) Kazakhstan B. V. - Head office	Netherlands	Exploration financing	100%	100%
MOL (FED) Kazakhstan B.V. - Branch office	Kazakhstan	Investment management	100%	100%
MOL Jászárokszállás Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Mezőtúr Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Nordsjön B.V.	Netherlands	Exploration financing	100%	100%
MOL Norge AS	Norway	Exploration activity	100%	100%
MOL Nyírség-Dél Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Nyírség-Észak Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Okány-Nyugat Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Őrség Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Pakistan Oil and Gas Co. B.V. - Head Office	Netherlands	Exploration financing	100%	100%
MOL Pakistan Oil and Gas Co. B.V. - Branch Office	Pakistan	Exploration and production activity	100%	100%
MOL-RUSS Ooo.	Russia	Management services	100%	100%
MOL Somogybükkösd Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL Somogyvámos Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL SZMDK Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
MOL West Oman B.V. - Head Office	Netherlands	Exploration financing	100%	100%
MOL West Oman B.V. - Oman Branch Office [5]	Oman	Exploration activity	-	100%
MOL Zala-Nyugat Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
Panfora Oil and Gas S.r.l.	Romania	Exploration and production activity	100%	100%
Tápió Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
Gas-Midstream				
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%
Downstream				
IES S.p.A.	Italy	Refinery and marketing of oil products	100%	100%
Nelsa S.r.l.	Italy	Trading of oil products	100%	74%
MOL Group Italy L&G S.r.l. [4]	Italy	Energy services	-	70%
Panta Distribuzione S.r.l.	Italy	Trading of oil products	100%	100%
INA d.o.o.	Serbia	Trading of oil products	49%	49%
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA Kosovo d.o.o.	Kosovo	Trading of oil products	49%	49%
INA Maziva Ltd.	Croatia	Lubricants production and trading	49%	49%
Leodium Investment Kft.	Hungary	Financial services	100%	100%
MOL Austria GmbH	Austria	Wholesale trade of lubricants and oil products	100%	100%
Roth Heizöle GmbH	Austria	Trading of oil products	100%	100%
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o.	Slovakia	Financial services	100%	100%
MOL Germany GmbH	Germany	Trading of oil products	100%	100%
Aurora Kunststoffe GmbH	Germany	Plastic compounding	100%	100%
Aurora Kunststoffe Walldürn GmbH	Germany	Plastic compounding	100%	100%
Aurora Kunststoffe VS GmbH	Germany	Plastic compounding	100%	100%
MOL Kunststoff Kft.	Hungary	Investment management	100%	100%
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL-LUB Russ LLC	Russia	Production and trade of lubricants	100%	100%
MOL Petrolkémia Zrt.	Hungary	Petrochemical production and trading	100%	100%
Tisza-WTP Kft. [1]	Hungary	Feed water and raw water supply	0%	0%
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	100%	100%
MOL Slovenia Downstream Investment B.V.	Netherlands	Investment management	100%	100%
Moltrans Kft.	Hungary	Transportation services	100%	100%
MOLTRADE-Mineralimpex Zrt.	Hungary	Importing and exporting of energetical products	100%	100%
MOL CZ Downstream Investment B.V.	Netherlands	Investment management	100%	100%
MOL Ukraine LLC	Ukraine	Wholesale and retail trade	100%	100%
OT Industries Fővállalkozó Zrt.	Hungary	Technical consultancy	100%	100%
OT Industries Tervező Zrt.	Hungary	Engineering activity	100%	100%
SLOVNAFT a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	100%	100%
Dalby a.s. [2]	Slovakia	Wholesale and retail trade	100%	-
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	100%	100%
Slovnaft Trans a.s.	Slovakia	Transportation services	100%	100%
SWS s.r.o.	Slovakia	Transport support services	51%	51%
Vúrup a.s.	Slovakia	Research and development	100%	100%

Company name	Country (Incorporation/Branch)	Range of activity	Ownership 2021	Ownership 2020
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Zväz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	100%	100%
Consumer Services				
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	44%	44%
Fresh Corner Restaurants Holding Kft. [2]	Hungary	Investment management	100%	-
Fresh Corner Restaurants Kft. [2]	Hungary	Catering services	100%	-
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA Crna Gora d.o.o.	Montenegro	Trading of oil products	49%	49%
INA Maloprodajni servisi d.o.o.	Croatia	Trade agency in the domestic and foreign market	49%	49%
INA Slovenija d.o.o.	Slovenia	Trading of oil products	49%	49%
MOL Česká republika s.r.o.	Czech Republic	Wholesale and retail trade	100%	100%
MOL E-mobilitás Vagyonkezelő Kft.	Hungary	Investment management	100%	100%
MOL Fleet Holding Kft.	Hungary	Investment management	100%	100%
MOL Fleet Solution Flottakezelő Kft.	Hungary	Fleet management	100%	100%
MOL Limitless Mobility Holding Kft.	Hungary	Investment management	100%	100%
MOL Limitless Mobility Kft.	Hungary	Car sharing	100%	100%
MOL Retail Holding Kft.	Hungary	Real estate management	100%	100%
MOL Kiskereskedelmi Ingatlan Kft.	Hungary	Real estate management	100%	100%
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Serbia d.o.o.	Serbia	Retail trade of fuels and lubricants	100%	100%
Port SPV d.o.o. [7]	Serbia	Water transportation services	-	100%
MOL Slovenia d.o.o.	Slovenia	Retail trade of fuels and lubricants	100%	100%
MOL Vendéglátó Kft. [2]	Hungary	Hospitality, operating café houses	100%	-
Petrol d.d. [8]	Croatia	Trading of oil products	-	49%
Slovnaft Mobility Services, s.r.o.	Slovakia	Rental services	100%	100%
Tifon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
Corporate and other				
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Hungary	Geothermal energy production	100%	100%
CEGE Geothermikus Koncessziós Kft.	Hungary	Geothermal energy production	100%	100%
FER Tűzoltó és Szolgáltató Kft. [2]	Hungary	Fire services	100%	-
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
Hostin d.o.o.	Croatia	Tourism	49%	49%
INA Industrijski servisi d.o.o.	Croatia	Investment management	49%	49%
Crosco Naftni Servisi d.o.o.	Croatia	Oilfield services	49%	49%
Crosco B.V.	Netherlands	Oilfield services	49%	49%
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	49%	49%
Crosco S.A. DE C.V	Mexico	Maintaining services	49%	49%
Crosco Ukraine Llc.	Ukraine	Oilfield services	49%	49%
Rotary Zrt.	Hungary	Oilfield services	49%	49%
Rotary D&WS SRL	Romania	Oilfield services	49%	49%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	49%
Plavi Tim d.o.o.	Croatia	IT services	49%	49%
STSI integrirani tehnički servisi d.o.o.	Croatia	Repairs and maintenance services	49%	49%
INA Vatrogasni Servisi d.o.o.	Croatia	Firefighting services	49%	49%
MOL Aréna Kft.	Hungary	Investment management	100%	100%
MOL CVC Investment Kft.	Hungary	Investment management	100%	100%
MOL GBS Magyarország Kft.	Hungary	Accounting services	100%	100%
MOL GBS Slovensko s.r.o.	Slovakia	Accounting services	100%	100%
MOL Group Finance S.A. - Head Office [9]	Luxembourg	Financial services	-	100%
MOL Group Finance S.A. - Branch Office [9]	Switzerland	Financial services	-	100%
MOL Group Finance Zrt. (former: OT Industries Vagyonkezelő Zrt.)	Hungary	Investment management	100%	100%
MOL Group International Services B.V.	Netherlands	Financial and accounting services	100%	100%
MOL Ingatlan Holding Kft.	Hungary	Investment management	100%	100%
MOL C.F. Kft.	Hungary	Real estate management	100%	100%
MOL Ingatlankezelő Kft.	Hungary	Real estate management	100%	100%
MOL Investment Kft.	Hungary	Financial services	100%	100%
MOL IT & Digital GBS Magyarország Kft.	Hungary	IT services	100%	100%
MOL IT & Digital GBS Slovensko, s.r.o.	Slovakia	IT services	100%	100%
MOL IT Holding Kft.	Hungary	Investment management	100%	100%
MOL Magyarország Társasági Szolgáltató Kft.	Hungary	Company services	100%	100%
MOL Reinsurance Co. DAC	Ireland	Captive insurance	100%	100%
MOL Solar Energy Holding Kft. (former: MOL Magyarország Szolgáltató Központ Kft.)	Hungary	Business services	100%	100%
MOL Solar Operator Kft.	Hungary	Power production	100%	100%
Tisza Solar Energy Kft. [6]	Hungary	Power production	-	100%
White Solar Energy Kft. [6]	Hungary	Power production	-	100%
MOL Vagyonkezelő Kft.	Hungary	Investment management	100%	100%
Multipont Program Zrt.	Hungary	Marketing agent activity	100%	100%
Neptunus Investment Kft.	Hungary	Investment management	100%	100%
Fonte Viva Kft.	Hungary	Mineral water production and distribution	100%	100%
Petrolszolg Kft.	Hungary	Repairs and maintenance services	100%	100%
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance services	100%	100%
MOL Industrial Services Investment Kft. (former: MOL Solar Investment Kft.)	Hungary	Investment management	100%	100%
ISO-SZER Kft.	Hungary	Construction services	100%	100%
OT Industries-DKG Gépgyártó Zrt.	Hungary	Manufacturing of machinery and equipment	100%	100%
OT Industries Eszközhasznosító Kft.	Hungary	Leasing activity	100%	100%
OT Industries-KVV Kivitelező Zrt.	Hungary	Pipeline construction	100%	100%
Top Računovodstvo Servisi d.o.o.	Croatia	Accounting services	49%	49%
TVK Ingatlankezelő Kft.	Hungary	Real estate management	100%	100%

1) Fully consolidated because MOL Petrolkémia Zrt. and TVK Erőmű Kft. is the only costumer of Tisza-WTP Kft.; 2) Fully consolidated from 2021; 3) Liquidated in 2021; 4) Sold in 2021; 5) Closed in 2021; 6) Merged to MOL Solar Operator Kft.; 7) Merged to MOL Serbia d.o.o.; 8) Merged to INA-Industrija nafte d.d.; 9) Merged to MOL Group Finance Zrt.

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

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

Inventory holding gain/loss

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

Impairment on inventory

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

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

In case of finished products, impairment should be recognised if the closing value of the inventory at the end of period is above the future sales price of the product minus cost to sell. In case of raw materials and semi-finished products that will be used further in production, it has to be examined whether, following their use in production; their value can be recovered in the selling pri ce 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 effe ct of commodity derivative transactions would lead to unnecessary duplication, the P&L effect of all commodity derivatives are eliminated.

CO2 adjustment

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

Non-recurring special items

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

Clean CCS profit/(loss) from operation reconciliation	2021 HUF million	2020 Restated HUF million
Profit from operation	**612,885**	**64,994**
Inventory holding gain/(loss)	(139,733)	90,720
Impairment on raw materials and own-produced inventory	746	(2,781)
- thereof affects raw materials	(11)	(151)
- thereof affects own-produced inventory	454	(2,630)
- thereof affects purchased goods/products inventory	303	-
Cargo commodity derivatives	80,261	(33,938)
CO2 adjustment	637	3,231
CCS profit from operation	**554,796**	**122,226**
Impact of derivative transactions	8,045	4,702
Special items	24,943	33,132
Clean CCS profit from operation	**587,784**	**160,060**

Special items	2021 HUF million	2020 Restated HUF million
Profit from operation excluding special items	**637,828**	**98,126**
Upstream		
Impairment on Upstream assets in the Group	(23,355)	(25,771)
Environmental provision in INA Group	(4,295)	-
Total special items in Upstream	**(27,650)**	**(25,771)**
Downstream		
Sisak impairment	-	(13,717)
Total special items in Downstream	**-**	**(13,717)**
Corporate and Other		
Provision release for legal claims (Creditor Beta)	2,707	-
Provision release for legal claims (Creditor Gamma)	-	11,606
Crosco impairment	-	(5,250)
Total special items in Corporate and Other	**2,707**	**6,356**
Total impact of special items on profit from operation	**(24,943)**	**(33,132)**
Profit from operation	**612,885**	**64,994**

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

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

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

Person required to sign the statement of responsibility

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

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

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.

Contacts

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

Presentation of company controls

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

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

Audit fees

In accordance with paragraph 133 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 consolidated 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.

e) Appendix V.: Presentation of licensed activities

Act LXXXVI of 2007 on Electricity (hereafter "Vet.") stipulates that an integrated electricity enterprise and an enterprise holding several licenses shall present its various licensed activities independently in the notes of its consolidated financial statements. Separate presentation of licensed activities - in the case of several licensed activities of the same type - means accumulated separate statement of financial position and accumulated statement of profit or loss.

Government Decree No. 273/2007 (X.19.) provide for the implementation of the Act.

Act XL of 2008 on Natural Gas (hereafter "Get.") stipulates that an integrated natural gas enterprise and an enterprise holding several licenses shall present its various licensed activities independently in the notes of its consolidated financial statements. Separate presentation of licensed activities - in the case of several licensed activities of the same type - means accumulated separate statement of financial position and accumulated statement of profit or loss.

Government Decree No. 19/2009 (I.30.) provide for the implementation of the Act.

Separation method

The separation method is described in the relevant internal policies of the companies. Short description of the policies presented in the below tables.

Companies prepares the activity separation annually.

In case of the separation of the statement of financial position, the individual activity statements of financial position are not closed on their own at certain companies. Any differences are presented on the "Technical income/(expense) for the period" line in conformance with official guidelines.

STATEMENT OF PROFIT OR LOSS

	2021						
	Electricity				Natural gas		
	Trading	Manufacturing			Transportation	Trading	
	MOL Plc.	TVK-Erőmű Kft.	MOL Solar Operátor Kft.	Total	FGSZ Földgázszállító Zrt.	MOL Commodity Trading Kft.	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Net sales	59,064	5,963	1,390	66,417	105,439	61,147	166,586
Other operating income	158	3	-	161	2,857	-	2,857
Total operating income	**59,222**	**5,965**	**1,390**	**66,577**	**108,296**	**61,147**	**169,443**
Raw materials and consumables used	59,851	4,297	105	64,253	61,672	55,085	116,757
Employee benefits expense	69	-	-	69	7,907	-	7,907
Depreciation, depletion, amortisation and impairment	448	231	606	1,285	19,790	-	19,790
Other operating expenses	51	1,094	117	1,262	3,545	55	3,600
Change in inventory of finished goods and work in progress	-	-	-	-	-	-	-
Work performed by the enterprise and capitalised	-	-	-	-	(4,256)	-	(4,256)
Total operating expenses	**60,419**	**5,622**	**828**	**66,869**	**88,657**	**55,140**	**143,797**
Profit/(Loss) from operation	**(1,197)**	**343**	**562**	**(292)**	**19,640**	**6,007**	**25,647**
Finance income	(322)	5	9	(308)	31	1	32
Finance expense	1	62	76	139	4,687	103	4,790
Total finance income/(expense)	**(323)**	**(57)**	**(67)**	**(447)**	**(4,656)**	**(102)**	**(4,758)**
Profit/(Loss) before tax	**(1,520)**	**286**	**495**	**(739)**	**14,983**	**5,905**	**20,888**
Income tax income/(expense)	-	(375)	(114)	(489)	(1,926)	-	(1,926)
Profit/(Loss) for the year	**(1,520)**	**(89)**	**381**	**(1,228)**	**13,058**	**5,905**	**18,963**

STATEMENT OF FINANCIAL POSITION

	31 Dec 2021						
		Electricity			Natural gas		
	Trading	Manufacturing			Transportation	Trading	
	MOL Plc.	TVK-Erőmű Kft.	MOL Solar Operátor Kft.	Total	FGSZ Földgázszállító Zrt.	MOL Commodity Trading Kft.	Total
	HUF million	HUF million		HUF million	HUF million	HUF million	HUF million
NON-CURRENT ASSETS							
Property, plant and equipment	1,280	2,136	8,044	11,460	287,519	-	287,519
Investment property	-	-	-	-	-	-	-
Intangible assets	-	194	-	194	4,328	-	4,328
Investments	-	-	-	-	-	-	-
Other non-current financial assets	-	67	1,401	1,468	4,877	-	4,877
Deferred tax asset	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	-
Total non-current assets	**1,280**	**2,398**	**9,445**	**13,123**	**296,724**	**-**	**296,724**
CURRENT ASSETS							
Inventories	698	30	32	760	10,007	2,264	12,271
Trade and other receivables	10,621	828	143	11,592	4,834	10,159	14,993
Securities	-	-	-	-	-	-	-
Other current financial assets	-	-	-	-	2	-	2
Income tax receivable	-	-	-	-	255	-	255
Cash and cash equivalents	-	-	35	35	6,320	5,711	12,031
Other current assets	25	60	13	98	1,445	7,658	9,103
Assets classified as held for sale	-	-	-	-	-	-	-
Total current assets	**11,344**	**918**	**223**	**12,485**	**22,864**	**25,792**	**48,656**
Total assets	**12,624**	**3,316**	**9,668**	**25,608**	**319,587**	**25,792**	**345,379**
EQUITY							
Share capital	270	530	105	905	17,397	32	17,429
Retained earnings and other reserves	227	82	8,560	8,869	61,380	-	61,380
Profit/(Loss) for the year	(1,520)	(89)	381	(1,228)	13,058	5,905	18,963
Technical income/(expense) for the period	7,522	(651)	(2)	6,869	6,448	481	6,929
Total equity	**6,499**	**(127)**	**9,044**	**15,416**	**98,283**	**6,418**	**104,701**
NON-CURRENT LIABILITIES							
Long-term debt	-	-	310	310	147,490	-	147,490
Other non-current financial liabilities	-	-	-	-	-	-	-
Non-current provisions	-	-	-	-	1,022	-	1,022
Deferred tax liabilities	-	-	91	91	16,595	-	16,595
Other non-current liabilities	-	-	-	-	12,428	-	12,428
Total non-current liabilities	**-**	**-**	**401**	**401**	**177,535**	**-**	**177,535**
CURRENT LIABILITIES							
Short-term debt	-	-	17	17	20,990	-	20,990
Trade and other payables	4,479	1,764	154	6,397	10,035	19,374	29,409
Other current financial liabilities	-	-	-	-	5,399	-	5,399
Current provisions	-	1,161	-	1,161	3,364	-	3,364
Income tax payable	-	188	16	204	129	-	129
Liabilities classified as held for sale	-	-	-	-	-	-	-
Other current liabilities	1,646	330	36	2,012	3,853	-	3,853
Total current liabilities	**6,125**	**3,443**	**223**	**9,791**	**43,770**	**19,374**	**63,144**
Total liabilities	**6,125**	**3,443**	**624**	**10,192**	**221,304**	**19,374**	**240,678**
Total equity and liabilities	**12,624**	**3,315**	**9,668**	**25,607**	**319,588**	**25,792**	**345,380**

	Method of activity separation in the statement of profit or loss				
	MOL Plc.	**TVK-Erőmű Kft.**	**MOL Solar Operátor Kft.**	**FGSZ Földgázszállító Zrt.**	**MOL Commodity Trading Kft.**
Net sales	Can be allocated directly to the activities.	Can be allocated directly to the activities.	Can be allocated directly to the activities.	Can be allocated directly to activities.	Can be allocated directly to the activities.
Other operating income	Can be allocated directly to the activities and adding company level other incomes attributed in proportion of the net sales revenue.	Distributed in proportion to net sales revenue.	-	Can be allocated directly to activities or in proportion to the direct asset.	-
Raw materials and consumables used	Can be allocated directly to the activities and adding company level cost of raw materials in proportion of the net sales revenue.	Distributed in proportion to net sales revenue, except of the contracted services, which are distributed in proportion of fixed assets.	Can be allocated directly to the activities.	Can be allocated directly to activities.	Can be allocated directly to the activities.
Employee benefits expense	Directly attributable employee benefits expenses in proportion of the headcount.	-	-	Distributed based on cost-centre classification of people.	-
Depreciation, depletion, amortisation and impairment	Directly attributable depreciation in proportion of the headcount allocated to the activity.	Can be allocated directly to the activities.	Can be allocated directly to the activities.	Distributed based on cost-centre classification of assets or in proportion to the direct asset.	-
Other operating expenses	Directly attributable other operating expenses and adding company level other operating expenses in proportion of the headcount and the net sales revenue.	Distributed in proportion to net sales revenue, except of the directly attributable authority fees and the insurance fees, which are distributed in proportion of fixed assets.	Can be allocated directly to the activities.	Can be allocated directly to activities.	Can be allocated directly to the activities.
Change in inventory of finished goods and work in progress	-	-	-	Can be allocated directly to activities.	-
Work performed by the enterprise and capitalised	-	-	-	Can be allocated directly to activities.	-
Finance income	Distributed in proportion to net sales revenue.	Distributed in proportion to net sales revenue.	Can be allocated directly to the activities.	Can be allocated directly to activities or in proportion to the direct asset.	Can be allocated directly to the activities.

	Method of activity separation in the statement of financial position				
	MOL Plc.	TVK-Erőmű Kft.	MOL Solar Operátor Kft.	FGSZ Földgázszállító Zrt.	MOL Commodity Trading Kft.
Property, plant and equipment	Can be allocated directly to the activities.	Can be allocated directly to the activities.	Can be allocated directly to the activities.	Distributed based on cost-centre classification of assets or in proportion to the direct asset.	-
Investment property	-	-	-	Distributed based on cost-centre classification of assets or in proportion to the direct asset.	-
Intangible assets	-	Can be allocated directly to the activities.	-	Distributed based on cost-centre classification of assets or in proportion to the direct asset.	-
Investments	-	-	-	Based on item-by-item inspection.	-
Other non-current financial assets	-	Distributed in proportion of fixed assets.	-	Based on item-by-item inspection.	-
Deferred tax asset	-	-	-	Based on item-by-item inspection.	-
Other non-current assets	-	-	Can be allocated directly to the activities.	Based on item-by-item inspection.	-
Inventories	Can be allocated directly to the activities.	Distributed in proportion of fixed assets.	-	It is divided in proportion to the direct asset.	Can be allocated directly to the activities.
Trade and other receivables	Can be allocated directly to the activities.	Can be allocated directly to the activities.	-	Can be allocated directly to activities.	Can be allocated directly to the activities.
Securities	-	-	-	Based on item-by-item inspection.	-
Other current financial assets	-	-	-	It is divided in proportion to the direct asset.	-
Income tax receivable	-	-	-	Distributed in proportion to profit before tax.	-
Cash and cash equivalents	-	Distributed in proportion of fixed assets.	Can be allocated directly to the activities.	It is divided in proportion to the direct asset.	Can be allocated directly to the activities.
Other current assets	Directly attributable other current assets and adding company level other current assets in proportion of the employee benefit expenses.	Distributed in proportion to net sales revenue, except of the directly attributable industrial tax and environmental fee.	Can be allocated directly to the activities.	It is divided in proportion to the direct asset.	In general, can be allocated directly to the activities, exceptions are allocated in proportion of the net sales revenue.
Assets classified as held for sale	-	-	-	Distributed based on cost-centre classification of assets or in proportion to the direct asset.	-

	Method of activity separation in the statement of financial position				
	MOL Plc.	**TVK-Erőmű Kft.**	**MOL Solar Operátor Kft.**	**FGSZ Földgázszállító Zrt.**	**MOL Commodity Trading Kft.**
Share capital	Distributed in proportion of related assets.	Distributed in proportion of fixed assets.	Can be allocated directly to the activities.	Opening balance sheet in proportion to fixed assets.	Distributed in proportion of related assets.
Retained earnings and other reserves	Distributed in proportion of related assets.	Distributed in proportion to net sales revenue.	Can be allocated directly to the activities.	Based on item-by-item inspection.	-
(Loss) / Profit for the year attr. to owners of parent	Can be allocated directly to the activities.	Can be allocated directly to the activities.	Can be allocated directly to the activities.	Activity breakdown of profit and loss account.	Can be allocated directly to the activities.
Technical income/(expense) for the period	Value ensuring equality between allocated assets and liabilities and shareholder's equity.	Value ensuring equality between allocated assets and liabilities and shareholder's equity.	Can be allocated directly to the activities.	Provides accounting equation.	Value ensuring equality between allocated assets and liabilities and shareholder's equity.
Long-term debt	-	-	-	It is divided in proportion to the direct asset.	-
Other non-current financial liabilities	-	-	-	It is divided in proportion to the direct asset.	-
Non-current provisions	-	Distributed in proportion to net sales revenue.	-	It is divided in proportion to the direct asset.	-
Deferred tax liabilities	-	-	Can be allocated directly to the activities.	It is divided in proportion to the direct asset.	-
Other non-current liabilities	-	Distributed in proportion of fixed assets.	-	It is divided in proportion to the direct asset.	-
Short-term debt	-	-	Can be allocated directly to the activities.	It is divided in proportion to the direct asset.	-
Trade and other payables	Can be allocated directly to the activities.	Distributed in proportion to net sales revenue.	Can be allocated directly to the activities.	It is divided in proportion to the direct asset.	Can be allocated directly to the activities.
Other current financial liabilities	-	Distributed in proportion of the net sales revenue, except of the directly attributable industrial tax and VAT liability.	-	It is divided in proportion to the direct asset.	-
Current provisions	-	Distributed in proportion to net sales revenue.	-	It is divided in proportion to the direct asset.	-
Income tax payable	-	Distributed in proportion to net sales revenue, except of the directly attributable industrial tax liability.	Can be allocated directly to the activities.	Distributed in proportion to profit before tax.	-
Liabilities classified as held for sale	-	-	-	It is divided in proportion to the direct asset.	-
Other current liabilities	Directly attributable other current liabilities and adding company level liabilities in proportion of the raw material cost and the employee benefit expenses.	-	Can be allocated directly to the activities.	It is divided in proportion to the direct asset.	-

MANAGEMENT DISCUSSION AND ANALYSIS OF 2021 BUSINESS OPERATIONS

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1. OVERVIEW OF THE MACROECONOMIC AND INDUSTRY ENVIRONMENT

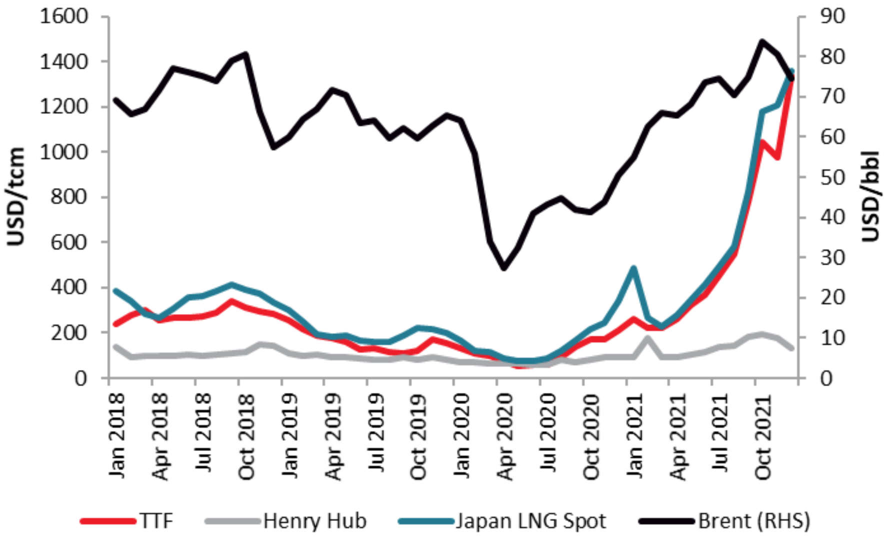
Macroeconomic environment

In 2021, the global economy rebounded from the greatest recession since World War II. Global economic output rose by 5.9%.[1] Nevertheless, the recovery of advanced and developing countries has been uneven due to the stronger fiscal and monetary suppo rt and higher vaccine deployment in developed economies.

Post-COVID reopenings enabled a strong economic rebound in EU economies too, GDP growth was 5,2%[2] in 2021 bringing output above pre-pandemic levels. Massive policy support, tight labour markets and improved consumer sentiment supported private consumption. Nevertheless, prolonged supply chain bottlenecks, rising energy costs and the year-end resurgence in COVID cases constrained the pace of the economic recovery. In the Central European region, GDP growth surpassed the EU average with the exception of Czechia a nd Slovakia. Higher exposure to global supply chain disturbances in the manufacturing industry, in particular in car production and stricter COVID-19 restrictions were the major causes of weaker than average economic performance in those two countries.

The Hungarian economy grew robustly with GDP growth being 7.1%[3] in 2021. The above average economic growth was due to expansive fiscal policy, boosting household consumption and investment. Easing lockdowns helped the services sector recoverin g; however, stress in global supply chains took its toll on the performance of the Hungarian industrial segment.

Figure 1 Brent and gas prices dtd (Bloomberg source)



Oil and natural gas market developments

Brent price rose from the 2020 annual average of 42 to 71 USD/bbl in 2021 characterized by still higher than historic market volatility. Global oil demand rose by 5.5 mb/d (6.1%) in 2021 and by the end of the last year it neared pre -COVID levels as a result of improving vaccine deployment – especially in the developed world – and rising social adaptivity to the pandemic.[4] Measures taken by governments to contain the coronavirus were less severe than during earlier waves and their impact on economic activity and oil demand re mained relatively subdued compared to 2020 despite the emergence of two new variants of concern, Delta and Omicr on. In contrast, OPEC+ managed its supply conservatively and the U.S. shale industry also recovered slower than expected, resulting in a roughly 1 M mbpd supply shortage on the market throughout 2021 supporting prices.

European natural gas prices reached a historic high in 2021. After years of record low prices due to the global oversupply, both demand and supply-side factors pushed prices to new heights. Strong economic performance, longer than average cold winter weather, increasing competitiveness of gas compared to coal and lignite – due to skyrocketing CO_2 quota prices – all lead to strong natural gas demand in the first part of the year. Later the below-than-normal alternative renewable power generation increased the demand need. In contrast, supply became more and more scarce. Strong Asian demand diverted LNG from Europe. Early summer, heavy maintenances on Norwegian and Russian fields made stock replenishment for the winter season more difficult. Similarly, to the oil market, Hurricane Ida cau sed outages in the U.S. gas production, affecting global balances as well. In the last months of the year, geopolitical disputes linked to revealed differences in Russian and U.S. geopolitical interests in Europe exaggerated supply fears.

Downstream

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[1] IMF World Economic Outlook, January update, 1 February, 2022

[2] Eurostat, 15 February, 2022.

[3] Hungarian Central Statistical Office, 15 February, 2022.

[4] IEA Oil Market Report – January 2022, 24 January, 2022

MOL refinery margin improved considerably in 2021 driven by the strong demand uptick for refined products due to the reopenings and a weaker Urals as the global supply of heavier, more sour grades gradually expanded. Still, increased refinery runs globally put a cap on margins. While gasoline cracks strengthened continuously over 2021, joined by diesel cracks in the second half of the year, naphtha and fuel oils being also stronger than the historic average, an underperforming jet and increased operational costs due to skyrocketing natural gas and carbon prices weighed on profitability.

MOL petrochemical margin reached unprecedented highs in 2021. In the beginning of the year unexpected supply disruptions – peaking in February during the Texas Deep Freeze – and continued strong demand supported margins. However, disturbances in global supply chains had an even bigger impact in 2021. Skyrocketing cost of transportation and trade limited the arbitrage between the key producer regions, sustaining European premiums compared to Asian prices.

Macro figures (average)	FY 2021	FY 2020	Ch %
Brent dated (USD/bbl)	70.9	41.7	70
Ural Blend (USD/bbl)[11]	68.8	41.9	64
Urals-Brent spread (USD/bbl)	(1.8)	(0.4)	306
CEGH gas price (EUR/MWh)	47.0	10.1	368
Premium unleaded gasoline 10 ppm (USD/t)[12]	678	384	77
Gas oil – ULSD 10 ppm (USD/t)[12]	584	367	59
Naphtha (USD/t)[13]	615	332	85
Fuel oil 3.5 (USD/t)[13]	381	216	77
Crack spread – premium unleaded (USD/t)[12]	142	67	111
Crack spread – gas oil (USD/t)[12]	48	51	(6)
Crack spread – naphtha (USD/t)[13]	79	16	402
Crack spread – fuel oil 3.5 (USD/t)[13]	(155)	(101)	54
Crack spread – premium unleaded (USD/bbl)[12]	10.5	4.2	149
Crack spread – gas oil (USD/bbl)[12]	7.5	7.5	0
Crack spread – naphtha (USD/bbl)[13]	(1.8)	(4.6)	(61)
Crack spread – fuel oil 3.5 (USD/bbl)[13]	(10.7)	(7.8)	37
MOL Group refinery margin UPDATED (USD/bbl)*	2.9	n.a.	n.a.
Complex refinery margin UPDATED (MOL + Slovnaft) (USD/bbl)*	3.5	n.a.	n.a.
MOL Group refinery margin (USD/bbl)	4.1	2.8	47
Complex refinery margin (MOL + Slovnaft) (USD/bbl)	4.6	3.2	43
Ethylene (EUR/t)	1,098	797	38
Butadiene-naphtha spread (EUR/t)	487	223	118
MOL Group petrochemicals margin (EUR/t)	720	384	87
HUF/USD average	303.3	307.9	(2)
HUF/EUR average	358.5	351.2	2
HUF/HRK average	47.6	46.6	2
HRK/USD average	6.4	6.6	(4)
3m USD LIBOR (%)	0.16	0.65	(75)
3m EURIBOR (%)	(0.55)	(0.43)	28
3m BUBOR (%)	1.5	0.7	111

Macro figures (closing)	FY 2021	FY 2020	Ch %
Brent dated closing (USD/bbl)	77.0	50.5	53
HUF/USD closing	325.7	297.4	10
HUF/EUR closing	369.0	365.1	1
HUF/HRK closing	49.1	48.4	2
HRK/USD closing	6.6	6.2	8
MOL share price closing (HUF)	2,520	2,190	25

*Updated methodology includes purchased energy (enhanced fit to natural gas) and CO_2
Notes and special items are listed in Appendix I and II.
Historical macro figures are available in the annual Data Library on the company's website.

2. INTEGRATED CORPORATE RISK MANAGEMENT

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

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

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

Regular risk reporting to top management bodies, including the Board of Directors with its committees provides oversight on overall the risk profile and the largest risks as well as assurance that updated responses, controls, and appropriate mitigation actions are set and followed.

Risks are assessed on three time horizons: defined financial risks on short term (1 year), all types of risks on mid-term (1-3 years) in the context of the Group's 3-years business plan in the frame of the bottom-up mid-term risk review process and on long-term (above 3 years, up to 10 years) in the context of the Group's long term2030+ strategy in the frame of a top-down risk review.

The main risk drivers of the Group

Risks/processes	Risk description	Risk mitigation methods
Market and financial risks		
Commodity price risk	The Group is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from its long positions in crude oil, refinery margin and petrochemical margin.	• Integrated business model • Continuous monitoring • When necessary, commodity hedging instruments to mitigate other than 'business as usual' risks or general market price volatility
Foreign exchange (FX) risk	The Group has FX exposure due to mismatch of currency composition of cash inflows and outflows, investments, debts.	• Monitoring FX risk and balancing the FX exposures of the operating & investment cash flow with the financing cash flow exposures when necessary and optimal
Interest rate (IR) risk	MOL Group has a mixture of floating and fixed interest rate debts. Floating rate debt are subject to interest rate changes.	• Continuous monitoring • Adequate mix of funding portfolio • When necessary, interest rate swap hedging instruments to mitigate risks
Credit risk	MOL Group provides products and services with deferred payment terms to eligible customers which exposes it to credit risk.	• Diversified customer portfolio • Customer evaluation model, continuous monitoring • Group-wide credit insurance program
Financing/Refinancing risk	MOL Group has significant debt outstanding. Inability to refinance those or inability to draw down funds could cause liquidity problems.	• Diversified funding sources/instruments • Diversified, balanced, and decently long maturity profile • Investment grade rating (BBB-) of the Group affirmed by Fitch and S&P with a stable outlook supports smooth debt capital markets access
Operational Risks		
Physical asset safety and equipment breakdown risk	Process Safety Event (Major Industrial accident) due to loss of mechanical integrity, technical, technological or operational issues, process maintenance difficulties, lack of competent human resources.	• Comprehensive HSE activities, a group-wide Process Safety Management system including asset related operational risk management process • Preventive & Predictive maintenance (Uptime program) • Group-wide insurance management program
Crude oil supply risk	Crude supply disruption (insufficient quantity or quality) can disrupt refineries and petchem sites continuous operation.	• Crude oil-supply diversification strategy implemented; regular crude cargo deliveries from the Adriatic Sea via pipeline to the Group's land-locked refineries

Risks/processes	Risk description	Risk mitigation methods
Exploration & Production reserve replacement	Higher than expected decline in production of Exploration & Production and failure to replace reserves.	• Optimization programs and reserve replacement are both focus areas of Exploration & Production operations
Cyber risk	Global trends showing steadily growing frequency and intensity of Cyber-attacks / incidents as well as more specified Cyber Crime Groups targeting Industrial Control System's weaknesses, which may have increasing economic impact and relevance on MOL Group.	• Continuous improvement of cyber security capabilities • Continuous supervision of cyber security risks (Group and opco level) ensuring the protection of the confidentiality, integrity and availability of data • Cyber security is built into all the MOL Group products and services • Continuous education of employees and partners.
Human Capital	The Group's ability to implement its 2030+ Strategy is dependent on the capabilities and performance of its people, management, experts and technical personnel.	• HR framework to attract, develop, reward and retain employees • Capability development for all employee levels to ensure future-proof skillset • Intergenerational collaboration to enhance internal knowledge transfer • Focus on digital transformation, and employee experience • Developing innovative and collaborative culture flexible working arrangements and mobility frameworks to attract diverse talent
Pandemic Risk	Pandemics may significantly adversely affect the Group's business environment, including price and demand on the Group's products and services, availability of contractors, subcontractors as well as raw materials, creditworthiness of credit customers, availability of the Group's key personnel.	• Crisis Management plans in place • Group Crisis Management Team: continuous monitoring and implementing measures in line with the current situation
Strategic risks		
Regulatory risk	MOL has significant exposure to a wide range of laws, regulations and policies on the global, the European and the individual country level, that may change significantly over time and may even require the Group to adjust its core business operation.	• Continuous monitoring new regulations • Participation in legislative processes, consultations • Adopting MOL strategy in response to changes
Country risk	The international presence of MOL Group contributes to diversification but also exposure to country specific risk at the same time. Government actions may be affected by the elevated risk of economic and, in some regions, political crisis, increasing their impact on MOL's operations.	• Continuous monitoring of the political risk, compliance with local regulations and international sanctions. • Investment opportunities are valuated with quantifying of country risk in discount rate
Reputation risk	MOL, as a major market player and employer in the region with a sizeable operational footprint, operates under special attention from a considerable number of external stakeholders.	• Stakeholder governance processes introduced to monitor and adjust to any reputational risks
Climate change risk	Transition and physical risks associated with climate change have the potential to negatively impact MOL's current and future revenue streams, expenditures, assets and financing.	• MOL Group's transformational strategy • Several operational steps taken to mitigate physical risks emanating from climate change For more detailed information on Climate change risk, see TCFD disclosure section below
Capex Project Execution Risk	Projects are delayed or less profitable than expected or unsuccessful for numerous reasons, including cost overruns, higher raw material or energy prices, longer lead time in equipment deliveries, limited availability of contractors and execution difficulties.	• Disciplined stage gate process across Capex project pipeline • Dedicated team to identify risks at earlier stages, plan for mitigation or avoidance by linking potential risks with schedule and budget to build realistic estimates and following it up through the project lifecycle • Supplier selection criteria, audits

Risk Review Process in 2021

Risk owners in the Group identified, analyzed and evaluated their major risks in 2021 – both on medium-term and long-term time horizon - and defined and/or updated the relevant mitigation plans where it has been necessary. Risk reports have been discussed by the Finance and Risk Management Committee of the Board of Directors.

Main risk management tools

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

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

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

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

TCFD disclosure on Risk Management

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

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

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

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

Climate -related aspects are also part of project planning and decision process: MOL Group includes CO_2 emission estimates in project planning and approval documents. In parallel, a monitoring system has been operated to register and forecast project-related CO_2 emissions. For more on our governance around climate see Chapter 7.

Identified climate change related risks

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

  MOL Group operates Risk Engineering program, where the potential impacts of water related events analyzed in main Downstream sites. Below is presented a high-level overview of water related risks.

Water risks	Water related risk description & mitigation	
Flood risk	Major Downstream sites are located near to rivers, sea. Flood risk level is considered as low, as the sites' parameters/design provides enough mitigation capacities (which is supported by risk engineering reports)	
	Danube Refinery	The refinery site borders the River Danube, but the site process is far above the river level, and the site is located outside of a river flood hazard area.
	MOL Petrochemicals Tiszaújváros	The site is located about 1 km west of the River Tisza, and the site is far above sea level.
	Bratislava Refinery	The site's western perimeter is approximately 0.8 km from the River Danube.
	Rijeka Refinery	The site is located on the Adriatic Sea, with the minimum elevation being 4m above mean sea level. In addition, there are no rivers or creeks in the area.
Drought risk/fluctuating water level	In case of drought event low level of Duna/Tisza rivers may hinder barge transport. Taking into account that railroad transportation can be applied as an alternative transport and planned upgrade of rail unloading capacities, the risk level is considered as low.	
Extreme rainfall	Water collecting pits may overflow in extreme rainfalls which may lead to contamination of receiving water body. Site reviews and mitigation actions are in progress.	

3. FINANCIAL AND OPERATIONAL OVERVIEW OF 2021

	HUF billion			USD million		
Summary of results	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Net sales revenues	5,959.3	4,011.0	49	19,612	13,071	50
EBITDA	1,120.3	579.4	93	3,690	1,891	95
EBITDA excl. special items[1]	**1,121.9**	**567.8**	**98**	**3,695**	**1,853**	**99**
Clean CCS-based EBITDA [1] [2]	**1,071.9**	**629.7**	**70**	**3,531**	**2,048**	**72**
Profit from operation	612.9	65.0	843	2,020	214	845
Profit from operation excl. special items[1]	**637.8**	**98.1**	**550**	**2,096**	**323**	**550**
Clean CCS-based operating profit [1] [2]	**587.8**	**160.1**	**267**	**1,932**	**518**	**273**
Net financial gain / (expenses)	(42.3)	(111.3)	(62)	(133)	(370)	(64)
Net profit attributable to equity holders of the parent	**526.1**	**(18.3)**	**n.a.**	**1,747**	**(63)**	**n.a.**
Operating cash flow before ch. in working capital	1,196.3	542.8	120	3,938	1,791	120
Operating cash flow	918.1	572.3	60	3,037	1,857	64
EARNINGS PER SHARE						
Basic EPS	731.3	(25.7)	n.a.	2.4	(0.1)	n.a.
Basic EPS excl. special items	762.7	22.9	n.a.	2.5	0.1	n.a.
INDEBTEDNESS						
Simplified Net debt*/EBITDA	0.61	1.61	-	0.61	1.61	-
Net gearing**[4]	18%	27%	-	18%	27%	-

*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.

KEY FINANCIAL DATA BY BUSINESS SEGMENTS

	HUF billion			USD million		
Net Sales Revenues [3] [6]	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Upstream	676.7	398.1	70	2,221	1,303	70
Downstream	5,256.3	3,379.8	56	17,297	11,012	57
Gas Midstream	108.1	94.0	15	353	306	15
Consumer Services	1,944.1	1,452.9	34	6,409	4,737	35
Corporate and other	241.9	245.4	(1)	794	800	-1
Total Net Sales Revenues	**8,227.1**	**5,570.2**	**48**	**27,074**	**18,158**	**49**
Intersegment transfers [7]	(2,267.8)	(1,559.2)	45	(7,462)	(5,087)	47
Total External Net Sales Revenues [6]	**5,959.3**	**4,011.0**	**49**	**19,612**	**13,071**	**50**

EBITDA	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Upstream	469.3	210.2	123	1,540	689	124
Downstream	500.7	167.2	199	1,653	545	203
Gas Midstream	41.2	62.0	(34)	136	201	(32)
Consumer Services	182.5	156.2	17	605	510	19
Corporate and other	(41.0)	(28.1)	46	(135)	(91)	48
Intersegment transfers[7]	(32.4)	11.9	n.a.	(109)	37	n.a.
Total EBITDA	**1,120.3**	**579.4**	**93**	**3,690**	**1,891**	**95**

EBITDA Excluding Special Items [1]	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Upstream	473.6	210.2	125	1,554	689	126
Downstream	500.7	167.2	199	1,653	545	203
Downstream - clean CCS-based[2]	450.7	229.1	97	1,489	740	101
Gas Midstream	41.2	62.0	(34)	136	201	(32)
Consumer Services	182.5	156.2	17	605	510	19
Corporate and other	(43.7)	(39.7)	10	(144)	(129)	12
Intersegment transfers[7]	(32.5)	11.9	n.a.	(109)	37.0	n.a.
Total - clean CCS-based[1] [2]	**1,071.9**	**629.7**	**70**	**3,531**	**2,048**	**72**
Total EBITDA Excluding Special Items	**1,121.9**	**567.8**	**98**	**3,695**	**1,853**	**99**

	HUF billion			USD million		
Depreciation	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Upstream	267.2	261.1	2	880	852	3
Downstream	151.8	159.5	(5)	500	519	(4)
Gas Midstream	16.6	16.5	1	55	54	2
Consumer Services	39.1	41.8	(6)	129	136	(5)
Corporate and other	33.6	35.2	(5)	110	116	(5)
Intersegment transfers(7)	(0.9)	0.3	n.a.	(4)	-	n.a.
Total Depreciation	**507.4**	**514.4**	**(1)**	**1,670**	**1,677**	**0**

Operating Profit	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Upstream	202.1	(50.8)	n.a.	661	(163)	n.a.
Downstream	348.9	7.7	n.a.	1,153	26	n.a.
Gas Midstream	24.5	45.5	(46)	81	147	(45)
Consumer Services	143.4	114.4	25	477	374	28
Corporate and other	(74.6)	(63.3)	18	(245)	(206)	19
Intersegment transfers(7)	(31.4)	11.5	n.a.	-107	36	n.a.
Total Operating Profit	**612.9**	**65.0**	**843**	**2,020**	**214**	**844**

Operating Profit Excluding Special Items (1)	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Upstream	229.7	(25.1)	n.a.	746	(78)	n.a.
Downstream	348.9	21.4	n.a.	1,153	71	n.a.
Gas Midstream	24.5	45.5	(46)	81	147	(45)
Consumer Services	143.4	114.4	25	477	374	28
Corporate and other	(77.3)	(69.7)	11	(254)	(226)	12
Intersegment transfers(7)	(31.4)	11.6	n.a.	(107)	35	n.a.
Total Operating Profit Excluding Special Items	**637.8**	**98.1**	**550**	**2,096**	**323**	**549**

Capital Expenditures	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
Upstream	132.4	605.9	(78)	434	1,824	(76)
Downstream	206.6	220.2	(6)	675	715	(6)
Gas Midstream	22.4	11.6	93	74	38	95
Consumer Services	49.9	40.9	22	162	132	23
Corporate and other	78.8	63.0	25	256	209	22
Intersegment transfers(7)	(1.0)	(1.1)	(9)	(3)	(4)	(25)
Total	**489.1**	**940.5**	**(48)**	**1,598**	**2,914**	**(45)**

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

3.1 KEY ACHIEVEMENTS AND SUMMARY OF 2021 RESULTS

In 2021 MOL Group delivered a record Clean CCS EBITDA of HUF 1,071.9bn (USD 3.53bn), 70% higher in HUF terms (72% higher in USD terms) than in the previous year and significantly exceeded the original capital market guidance of around USD 2.3bn. Accordingly simplified free cash-flow (Clean CCS EBITDA minus organic CAPEX) generation amounted to HUF 599.9bn (USD 1.98bn) reaching an all-time high amount.

Key Financial Highlights

- Upstream segment's EBITDA, excluding special items, reached HUF 473.6bn (USD 1,554 mn) in 2021, representing a 125% increase compared to 2020 on the back of rising oil and gas prices.
- In 2021 Downstream generated HUF 450.7bn (USD 1,489mn) Clean CCS EBITDA, which is 97% higher than the previous year's performance. The increasing result was attributable to exceptional petrochemical and normalizing refinery margins.
- Consumer Services EBITDA increased by 17% in 2021, reaching HUF 182.5bn (USD 605mn) resulting in another year-on-year double-digit-growth. The favorable external conditions as a result of easing lockdowns and travel restrictions led to an increase in fuel sales volumes and non-fuel margin improvement. However, the increase was somewhat offset by the fuel price cap introduced in Hungary and Croatia in Q4 2021.
- Corporate and other segment delivered an EBITDA (Excluding Special Items) loss of HUF 43.7bn (USD 144mn) in 2021, slightly increasing year-on-year.

- Gas Midstream reached HUF 41.2bn (USD 136mn) EBITDA in 2021, 34% less than in 2020, mainly driven by stopped transmission towards Serbia and BiH resulting in diminishing non-regulated transit revenues and OPEX pressure due to rising natural gas prices.
- Net financial expenses decreased significantly to HUF 42.3bn (USD 133mn) in 2021 compared to HUF 111.3bn (USD 370mn) in the previous year, primarily due to negative FX impact.
- Total CAPEX spending reached HUF 489.1bn (USD 1,598 mn) in 2021, decreasing 48% year-on-year on, due to the acquisition of ACG calendar effect.
- Organic capex spending reached HUF 471.8bn (USD 1,542mn) in 2021, increased year-on-year. HUF 88.7bn (USD 291mn) transformational project spend of 2021 relates to the Polyol project and Rijeka Refinery upgrade while sustain capex reached HUF 383.1bn (USD 1,252mn) in 2021 influenced by the Danube Refinery turnaround, ACG development and the implementation of smaller Downstream projects.
- Operating Cash Flow before Working Capital increased by 120% year-on-year in 2021 to HUF 1,196.3bn (USD 3.94bn).
- Net debt decreased to HUF 683.8bn (USD 2,099mn) in 2021 from HUF 934.4bn (USD 3,142mn) a year ago. Net Debt/EBITDA declined to 0.61 from 1.61, and net gearing also decreased to 18% from 27%, therefore the available liquidity remained strong, and sto od at around USD 4.4bn at the end of 2021.
- Total headcount decreased to 24,291 in 2021 from 24,948 in 2020.

Key Operational Highlights

- Annual oil and gas production remained above 110 mboepd in 2021 in line with the annual guidance, 2P reserves stood at 335 Mmboe at year-end representing a reserves to production ratio of around 9 years.
- MOL made a significant progress in the development of the polyol complex, which continued further and reached a completion ratio of 94% by the end of 2021.
- Consumer Services continued the expansion of its non-fuel concept by completing a total 1,069 Fresh corner revamps by 2021 year-end.
- Consumer Services took inorganic steps to expand its portfolio in 2021:
    - MOL announced to acquire of OMV Slovenia, including 120 service stations and wholesale operations, currently it is subject to competition approval.
    - MOL concluded a deal with the subsidiary of Marché International AG to buy the company that operates 9 restaurants connected to fuel stations in Hungary under the Marché brand.
- MOL achieved the followings on the ESG front:
    - Top 3% percentile rank achieved at Sustainalytics ESG rating against an oil and gas industry peer group.
    - MOL improved its CDP scores by two notched to a B rating, which puts MOL amongst the best rated oil and gas companies in the CEE.
- Key group financial and operational figures and historical financial statements are available in the annual Data Library on t he company's website.

3.2 CORPORATE STRATEGY

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

Since the announcement of the 2030 "Enter Tomorrow" strategy, MOL Group reached a number of interim goals. Furthermore, between the initial publication in 2016 and 2020, the Group launched an additional range of new products and services that would not only strengthen the Group's ability to navigate the disruption caused by the transition to a low-carbon world, but would cement the ambition of building a business model that would remain competitive in a carbon-constrained, circular economy. These new products and services include a) expanding the Group's activities towards the circular economy through an organic investment in rubber bitumen (tire recycling), whilst accessing new markets in plastics recycling and compounding through partnerships with APK and Meraxis and the acquisition of Aurora, b) investing in renewable energy (solar), c) providing additional mobility solutions (fleet management and car sharing). In addition, MOL took a significant step in 2020 to further support the integrated nature of its business model by strengthening the Exploration & Production business through the ACG acquisition. This acquisition allowed MOL to substantially increase the reserve life of the Exploration & Production business, whilst adding low-cost high margin barrels capable of funding the transition in line with the roadmap set forth by the 2030 "Enter Tomorrow" strategy.

The fundamental idea behind the 2030 strategy and direction traced in 2016 remains valid. However, MOL Group recognized the acceleration in the speed towards the low-carbon transition. As a result, MOL Group presented in Q1 2021 an updated strategy, labeled as 2030+ "Shape Tomorrow" which seeks to further accelerate the pace and scale of the fundamental shift away from fuels initiated in 2016.

Today, the speed of the low-carbon transition represents one of the most important risk factors for the Group given the European Union's "Net-Zero 2050" initiative. MOL Group needs to transform itself at a faster pace than what was originally envisaged in 2016, with the added constraint that it may have less cash than expected from its operations to fund the transformation. Besides speed, a key aspect for the successful transformation will be to generate sufficient cash flow from existing hydrocarbon-based activities to finance the non-fossil fuel related transformational projects, especially in Downstream. MOL Group faces the scenario of fossil fuel losing its monopolistic dominance in the fuel transportation market on the long run. Furthermore, MOL Group faces several longer-term structural challenges that would potentially lead to unfavorable market conditions. These include shifting consumer preferences, increasing decarbonization (electrification) of transportation and the spread of alternative fuels, tightening regulations, increasing import pressure and rising carbon prices. The combination of these factors could lead to a permanent decline in demand for refined products and by the extension lower refinery throughput, which combined with fixed operating costs, could possibly result in permanently lower Downstream earnings by mid 2030s.

As a result, the main priority of the updated strategy is to accelerate the pace of the initial "fuel to chemicals" transformation of Downstream that began in 2016. In 2016 the focus was on the extension of the chemical value chain towards non-commodity specialty chemicals (petrochemical product diversification), with plans including synthetic rubber, polyol and propylene glycol. However, the new focus will be placed on the shift in refining activities, as the Group seeks to gradually withdraw from the production of motor fuels, and instead focus on converting hydrocarbon molecules to become feedstock for the petrochemical and chemical value chains. For the 2022-26 period, at least USD 3.5bn capex (around USD 700mn annually) will be available and earmarked to fund the fuel-to-petchem transformation and the low-carbon, green transition. Furthermore, in order to decarbonize operations, partly to mitigate the risk of rising carbon costs, MOL Group targets a 20% reduction in Scope 1 and 2 emissions in Downstream by 2030 (2019 as base), as a step on the road towards net-zero economy envisioned in the EU's Green Deal.

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

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

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

Despite the fact that the updated 2030+ "Shape Tomorrow" strategy was announced in early 2021, MOL Group already made early progress on a number of fronts. In Downstream preparations are underway for site as well as technology selection for the first cycle fuel to chemicals project and MOL Group took further steps to strengthen the recycling portfolio in petrochemicals. As far as Consumer Services is concerned the roll-out of the Fresh Corner concept continued, whilst digital capabilities were further advanced allowing for stronger margin generation. In addition, Consumer Services took a significant step by announcing the acquisition of 120 stations in Slovenia which also paves to way for the business to achieve its growth ambitions not only from organic sources but also to be supported by inorganic expansion. Meanwhile Upstream remained a major cash contributor and a strong pillar capable of funding the transition ambitions of MOL Group. According to the mid-term financial framework covering the 2022-26 period MOL would be able to fully fund the strategic and sustain investments along with stable dividends even in an oil price environment of 50-70 USD/bbl and substantially normalizing Downstream conditions.

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

3.2.1 USE OF SCENARIOS

In 2021 for the preparation of the long-term strategy, MOL Group applied scenario analysis as a means of assessing the potential implications of transition related risks and opportunities. A number of scenarios were constructed, all of which were based on the assumption that the energy transition will occur, especially in the European Union where the Green Deal has accelerated the EU's energy and climate policy. The difference between the different scenarios was the speed of the transition. Each scenario outlined a number of legal, economic and technological constraints that would potentially affect the speed of the transition towards a low-carbon, net zero economy. From the several scenarios created, three scenarios were chosen by Executive Management (and approved by the Board of Directors) for the creation of the strategy. These three scenarios were: "slow transition", "steady transition" and "net zero emission". These scenarios helped senior management to frame and assess a wide range of plausible business, strategic and financial impacts associated with the transition to a low-carbon world, including capital allocation, costs, revenues and earnings. The three scenarios were largely based on quantitative modelling, including but not limited to technological and legal developments, macro assumptions and future demand projections for a number of petroleum products that today form part of the core product portfolio of MOL Group. MOL Group considers the 'Steady transition' scenario as the most probable, with both of the two other scenarios having more than a marginal probability of realization. Nevertheless, MOL Group ran a number of simulations to assess the viability and resilience of the strategy against an extreme net zero scenario in order to identify potential vulnerabilities. MOL Group did not use existing external scenarios and models provided by third-party vendors or agencies, as the scenario analysis was built in-house.

MOL Group created a "Premises Committee" made up from representatives of the main divisions and functional areas. The committee is tasked with monitoring the main indicators and assumptions used in the different scenarios and carrying out updates following changes to the external environment. This system can provide early notice that the external environment is moving to a different stage along the chosen scenario path, or potentially moving towards a different scenario altogether, providing senior management the opportunity to reassess and adjust its plans accordingly. Changes to the premises – partially or fully- automatically triggers a notification to the Executive Management and the Board of Directors, and as a result it may cause a modification of the strategy. Any changes to the strategy would need approval from the Board of Directors. Next scenario analysis in line with updating the long-term premises can be expected in 2022.

3.3 UPSTREAM

Segment IFRS results (HUF bn)	FY 2021	FY 2020 Restated	Ch %
EBITDA	469.3	210.2	123
EBITDA excl. spec. items(1)	**473.6**	**210.2**	**125**
Operating profit/(loss)	202.1	(50.8)	n.a.
Operating profit/(loss) excl. spec. items(1)	**229.7**	**(25.1)**	**n.a.**
Organic CAPEX and investments	**132.4**	**100.5**	**32**
o/w exploration CAPEX	20.7	18.9	10

Hydrocarbon Production (mboepd)	FY 2021	FY 2020 Restated	Ch %
Crude oil production	**56.6**	**61.7**	**(8)**
Hungary	9.3	9.4	(2)
Croatia	10.4	10.8	(4)
Kurdistan Region of Iraq	4.4	3.7	19
United Kingdom	12.6	16.9	(25)
Pakistan	0.6	0.7	(13)
Azerbaijan	17.0	17.8	(4)*
Other International	2.3	2.4	(4)
Natural gas production	**39.6**	**44.0**	**(10)**
Hungary	20.4	22.5	(9)
Croatia	13.5	15.3	(12)
o/w. Croatia offshore	3.2	4.7	(31)
United Kingdom	0.6	0.8	(25)
Pakistan	5.1	5.4	(5)
Condensate	**4.9**	**5.5**	**(11)**
Hungary	2.7	3.2	(14)
Croatia	1.0	1.1	(8)
Pakistan	1.2	1.2	(7)
Average hydrocarbon production of fully consolidated companies	**101.1**	**111.2**	**(9)**
Russia (Baitex)	4.0	4.4	(8)
Kurdistan Region of Iraq (Pearl Petroleum)**	5.1	4.5	12
Average hydrocarbon production of joint ventures and associated companies	**9.1**	**8.9**	**2**
Group level average hydrocarbon production	**110.3**	**120.1**	**(8)**

Main external macro factors	FY 2021	FY 2020 Restated	Ch %
Brent dated (USD/bbl)	70.9	41.7	70.2
HUF/USD average	303.3	308.0	(1.5)
CEGH gas price (EUR/MWh)	47.0	10.1	368

Average realised hydrocarbon price	FY 2021	FY 2020 Restated	Ch %
Crude oil and condensate price (USD/bbl)	66.9	40.2	66
Average realised gas price (USD/boe)	52.0	19.8	163
Total hydrocarbon price (USD/boe)	**61.8**	**32.8**	**89**

Production cost (USD/boe)	FY 2021	FY 2020 Restated	Ch %
Average unit direct production cost of fully consolidated companies	**6.6**	**6.2**	**6**
Average unit direct production cost of joint ventures and associated companies	1.9	1.9	3
Group level average unit direct production cost (USD/boe)	**6.1**	**5.8**	**6**

Capital Expenditures

FY 2021 HUF bn	Hungary	Croatia	Kurdistan Region of Iraq	Pakistan	United Kingdom	Norway	Azerbaijan	Other	Total - FY 2021	Total - FY 2020
Exploration	3.5	1.6	0.0	3.0	0.0	12.2	0.0	0.4	**20.7**	**18.9**
Development	11.7	13.0	2.4	0.3	5.1	0.2	47.4	7.4	**87.5**	**68.2**
Other	5.9	5.4	0.6	0.2	0.7	0.0	0.8	0.0	**13.6**	**13.4**
Total - FY 2021	**21.1**	**20.0**	**3.1**	**3.5**	**5.7**	**12.4**	**48.2**	**7.8**	**121.8**	
Total - FY 2020	**24.6**	**16.3**	**2.8**	**1.6**	**7.7**	**6.8**	**36.2**	**4.5**		**100.5**

Notes and special items are listed in Appendix I and II.
Tables regarding Hydrocarbon production (mboepd); Production cost (USD/boe); Average realised hydrocarbon price; Gross reserves (according to SPE rules): 1P – Proved reserve; 2P – Proved and Probable reserve; Costs incurred (HUF mn); Earnings (HUF mn); Exploration and development wells are available in the annual Data Library on the company's website.
*ACG acquisition contribution is from 16th April 2020.
**New methodology from 2020.

3.3.1 FINANCIAL OVERVIEW OF 2021

Upstream EBITDA, excluding special items, increased by 125% year-on-year in 2021 and amounted to HUF 473.6bn (USD 1,554mn). The financial performance was primarily boosted by the significantly higher average realized hydrocarbon prices (up by 89% or by 29 USD/boe compared to 2020). This was driven by a 66% increase in realized crude prices and a 163% jump in realized gas prices.

Total group production (including JVs and associates) decreased by 8% compared to the previous year, resulting in an average 110.3 mboepd production for the year. Lower production volume was mainly driven by lower entitlement production from ACG (a consequence of high oil prices on the PSA mechanism in place) coupled with acquisition calendar effect, and various production issues and maintenance activities carried out in the UK. This was only partially offset by higher volumes from Kurdistani development projects.

Group-level average direct production cost, excluding DD&A but including JVs and associates, increased by 6% to reach 6.1 USD/boe, due to higher costs incurred in the UK and the cost position of CEE assets diminishing proportionately owing to natural baseline decline, but still remaining at a very competitive level.

Upstream organic CAPEX amounted to HUF 121.8 bn (USD 401mn) in 2021, expanding by 21% year-on-year. This is attributable to a greatly improved external environment and efficient operations allowing for the intensification of all developments aimed at delivering on the objectives of MOL Upstream's Strategy. Development projects accounted for the largest share of this growth as activities continued in Kurdistan and operations activities were on the rise at ACG. More capital was allocated to exploration projects as well, mainly to MOL's operated portfolio in Norway and intensive drilling efforts in Pakistan throughout the year. Altogether, the CEE region and Azerbaijan accounted for more than 73% (HUF 89.3bn; USD 293mn) of total segment capital spending, mostly allocated to development activities.

In 2021, Upstream continued to play a vital role in the cash generation ability of MOL Group with HUF 352bn (USD 1153mn) simplified free cash flow generated, meaning that 31 USD/boe unit free cash flow was achieved on a portfolio level.

Changes in the Upstream regulatory environment

Russia: Changes in the Mineral Extraction Tax (MET) calculation were introduced at the end of 2016, having direct implications on royalty payments since 2017. According to the new regulations, the MET was raised by 306 RUB/ton for 2017, 357 RUB/t for 2018 and 428 RUB/t for 2019. In 2019, the period of application of the raised oil MET was extended indefinitely. Export duty gradually decreasing from 2019 to 2023, while MET proportionally increasing, overall has a slight increasing effect on total tax burden. Amendments to the Tax Code concerning the MET and Additional Income Tax (AIT), effective beginning of 2021, mean that the MET relief granted to Baitex will be cancelled, and as per the new list of AIT fields, it was possible to apply for AIT from 2021. This alternative tax regime for depleted brownfields was implemented. However, the new amendment to the Tax Code (effective from September 2021) resulted in an increased MET rate attributable to the addition of a fuel coefficient dependent on fuel prices to the MET rate formula, having a downwards effect on Baitex EBITDA. Cumulatively, changes have a positive effect on the net income from Russian operations.

Hungary: Concerning the scheduled field abandonment obligation of out-of-use wells for mining purposes, a change in the Mining Act allows for a risk assessment-based management of abandonment activities.

Croatia: A revision of the Act on the Exploration and Exploitation of Hydrocarbons shortened and simplified the validation of petroleum projects.

3.3.2 OPERATIONAL OVERVIEW OF 2021

Exploration

Total of 10 exploration or appraisal wells were drilled in 4 countries and 2 new shallow gas discoveries were made in 2021. Besides drilling, seismic acquisition campaigns progressed in Hungary, Croatia, the United Kingdom and Pakistan. The exploration portfolio of INA was extended with a new, non-operated licence acquired in Egypt.

In Hungary, the Shallow Gas exploration program continued. Kótpuszta-3 well, initially drilled at the end of 2020, was successfully tested and tied in, additional two Shallow Gas wells were drilled with positive results, Komádi-55 and Mezőhegyes-Ny-11, while the well test following the drilling of Görgeteg-Babócsa-K-13 proved to be sub-commercial. Szeghalom-DNy-1 commitment exploration well was drilled, without a commercial discovery. The 2021 shallow gas seismic campaign was launched with 3D seismic acquisition at Endrőd. An evaluation of West and East Hungarian exploration licences also commenced. During 2021 and on account of the pandemic situation, an additional vis maior extension of licences was offered by the Ministry of Innovation and Technology, without a need for any further commitments be taken.

In Croatia, as part of the Second Exploration Phase of block Drava-02, two new wells have been drilled. The first one, Ždala-1 was proven dry, and was plugged and abandoned, while the second well, Bačkovica-1 East, encountered a sub-commercial gas find; well site restoration started off for both and is already finished for Ždala-1. On block Drava-03, the second part of the 3D seismic acquisition and following data processing have been completed, drilling preparation activities were initiated by delivering the seismic data for geological and geophysical (G&G) evaluation. After the realization of a 3D seismic acquisition on block Sjeverno-zapadna Hrvatska-01, data processing and the preparation of G&G studies were launched. Magnetotelluric survey has been conducted on block Dinaridi-14, data interpretation started.

In Romania, activities aimed at delivering the remaining committed work program continued for all licences: EX-1, EX-5, and EX-6.

In Norway, exploration activities were focused on operated licences. After discovery announced in 2020 on licence PL820, two appraisal wells were drilled in quick succession below budget and with exemplary HSE performance. Preliminary evaluations indicated resources at the low end of pre-drill expectations, hence the JV agreed to postpone further field development activities and focus on identifying additional resources in untested reservoirs. On licence PL617 Eidsvoll, a well was drilled without success. Five operated Mandal High licences were relinquished – PL617, PL771, PL808, PL860 and PL904.

In Russia, licence claim package for Devonian exploration had been submitted to the State Authority and was acquired after its approval.

The decision had been reached in Kazakhstan, to release the Fedorovskiy Block Exploration Contract therefore the block relinquishment started, including the abandonment of well U-1, where site remediation is ongoing.

In the Middle East, Asia and Africa region, exploration activities advanced in Pakistan and Egypt. In Pakistan, the TAL West 3D seismic data processing project was completed, following which interpretation and prospect generation activities began in operated TAL block. Mamikhel South-1 well's tie-in was also completed, and its field development plan was approved by the regulator. Two non-operated exploration wells were spudded, Surghar X-1 in Karak, and DGK-1 in DG Khan block. Since the work program elements were completed in both TAL and Margala blocks, licence extension applications had been submitted for both, and was granted for latter. In Oman, the relinquishment of Block 66 had been concluded, the liquidation process and departure from the country finished. In Egypt, INA acquired a 20% working interest in the East Damanhur concession operated by Wintershall Dea, and within scope of the exploration program, ED-1X well was drilled but plugged and abandoned since it was dry.

Field Development and Production

In 2021, MOL successfully continued with the drilling of new development wells. Production optimization programs continued in Hungary and Croatia, which resulted in an annualized production uplift of 1.7 mboepd with a total of 81 well workovers. Advances were made in Kurdistan as the Khor Mor project was resumed at Pearl, and in Kazakhstan where FID was taken and EPCC tender was launched.

In Hungary, field development activities carried on, with three wells drilled, including shallow gas well Mezőhegyes-Ny-11 (which had exploration and field development target zones as well), field development well Földes-27 put into production, and Sávoly-Ny-7 drilled and well test started (accomplished in Q1 2022). The drilling of the fourth well of the year, Mezősas-Ny-30, started as well. Túrkeve-27, a well drilled in 2020, also entered production. In addition, the lifetime extension of the Hajdúszoboszló gas plant was implemented. The production optimization program continued, resulting in a total of 40 well workover operations completed and put into production, consequently adding to production approx. 1.3 mboepd increment on an annualized basis.

In Croatia, Jamarica-183 onshore field development well was successfully drilled and proved hydrocarbon shows in the last quarter, and therefore well testing started. The EOR program continued with carbon dioxide and water injection on Ivanić and Žutica North and South fields and has been extended to an additional three wells on Žutica South. The pilot project on Šandrovac field, commenced in 2020, continued in 2021 with carbon dioxide production and injection. Well workovers, production and pressure tests were also performed, aimed at enabling future full-field EOR application. The North Adriatic Offshore Development Program was set in motion with the drilling of well Ika B-1 R Dir, which was tested with positive results and completed. The drilling of the next well, Marica D Dir ensued and is currently in progress. Investigations on the late-2020 capsizing of Ivana D unmanned offshore platform continued, discussions are continuous with relevant external parties about resolution and successive steps. The production optimization program continued and resulted in a total of 41 workover interventions, contributing 0.4 mboepd additional production on an annualized basis.

In the United Kingdom, Catcher continued to be impacted by produced water handling system issues in the first half of the year, more than offset by better-than-expected reservoir performance. Additionally, 4D seismic shooting and data processing was completed. Both Scott and Scolty & Crathes areas were affected by maintenance shutdown of the Forties Pipeline System, postponed from previous year. Scott production was reduced due to reduced water injection and gas lift availability as well as extended planned maintenance outages. A new 3D seismic survey was acquired on Scott. Scott infill well ST-79 was successfully completed. On Cladhan, the Sleeping Partner Agreement was signed, meaning a retrospective production correction for 2021 entitlement volumes.

In Norway, the Trell and Trine joint development project on PL102F/G licences advanced with the signing of a field unitization agreement, and with the Concept Select Decision approved by partners.

In the CIS region, field development of the operated Baitugan field in Russia continued. The re-assessment program carried on, and within its scope 3 horizontal wells were successfully drilled, 8 advanced well workovers and the conversion of 9 wells were completed. Production optimization efforts resulted in a total of 46 well interventions executed as part of the well workover program. In Kazakhstan, activities progressed towards first gas. An agreement was reached with the Kazakh Ministry of Energy about the process to conclude the Production Contract Amendment to the Rozhkovskoye FDP. Moreover, FID was taken on the further development of the gas-condensate field as its pre-requisite Front-End Engineering Design was completed, thus project entered EPC phase with tender launched in December. Realization of the well completion campaign confirmed productivity of all five wells affected. In Azerbaijan, a total of 15 wells were delivered within the 2021 drilling program. Additionally, two maintenance programs were accomplished, on Chirag and on West Azeri platforms. Azeri Central East project progressed with significant efforts made to mitigate challenges posed by COVID-19. Chirag Gas Lift System implementation was completed during the year and initiated end of December but suspended until the resolution of some technical difficulties.

In Pakistan, part of TAL block development, the Maramzai Compression project continued, and the Manzalai Secondary Compression project started off with detailed design and engineering. The conversion of Makori-03 well into a produced water disposal well was completed a temporary produced water treatment and injection facility. The high-speed, diesel-driven water injection facility at Makori West water disposal well has been converted to electric driven, with the aim of conserving energy and reducing carbon footprint. Preparations of various reservoir studies started, considering Tolanj West, Maramzai, Manzalai, Makori East and Halini fields. Workover operations started at Manzalai-5 well. By completing production optimization jobs at several fields, an incremental production of 0.1 mboepd was realized, annualized and net to MOL.

In the Kurdistan Region of Iraq, after a suspension on account of COVID-19 pandemic, drilling activities recommenced on Shaikan, with the delivery and completion of wells SH-13 and SH-14, the spud of SH-15, and successful installation of a jet pump on SH-10. An updated field development plan, taking in various elements, was submitted to the Ministry of Natural Resources for approval. On Pearl, the force majeure of the Khor Mor gas plant expansion project was officially lifted, local civil works commenced.

In Egypt, field development activities continued. Of the four development concessions, 16 development wells were drilled, 8 well workovers were completed on North Bahariya, 8 well workovers and interventions were performed on Ras Qattara, 2 workovers were finished on East Yidma. On West Abu Gharadig, production maintenance activities were carried out and the implementation of development projects advanced. On East Yidma, well Rizk-4 was drilled and temporarily abandoned as low oil saturation was determined.

In Angola, maintenance, production platform reparation, water injection and well intervention activities were carried out on Block 3/05, while on Block 3/05A, one well workover was started, and studies are in progress for Punja and Caco Gazela development areas.

Key Exploration & Production Sustainability Indicators	Unit of measure	FY 2021	FY 2020	SASB
Total Direct GHG emissions (scope 1)	mn tonnes CO_2 eq	0.85	0.90	EM-EP-110a.1
Fatalities - own staff and contractors	number	0	0	EM-EP-320a.1
Total Recordable Injury Rate (own staff + contractors)	per 1 mn worked hours	1.08	0.79	EM-EP-320a.1
Process Safety Tier 1 Events	number	0	9	EM-EP-540a.1
Volume of Spills (> 1bbl)	m^3	46	108	EM-EP-160a.2

3.3.3 SUSTAINABILITY OVERVIEW OF 2021

Aiming at minimising the environmental impact of new projects and existing operations of MOL Upstream, several initiatives are in place and have been acted upon in 2021, in order to ensure a safe business environment for our employees and communities everywhere MOL operates. An ongoing pipeline integrity program in the Central Eastern European (CEE) region (in Hungary and Croatia) and in Russia contributed to safer operations as not only did the total amount of spills decrease, but the involvement of employees in reporting these accidents also grew. Road transportation is a key element in daily operations and poses continuous safety risks, therefore the mitigation of these risks through company-wide road safety measures remains a top priority. Furthermore, any employee involved in a preventable road accident is required to take part in safe driving courses.

On top of safety standards and processes prevailing in all areas of business, great emphasis is put on shaping the mindsets of our colleagues. Action plans are continuously being implemented and employees are encouraged to be involved in adhering to Process Safety Fundamentals ("PSF"), with the aim of reducing the risk of personal injuries and promoting the culture of reporting any accident that have had happened. (For more information on the PSF, please see the Sustainability section of this report.) For example, the implementation of a digital learning platform started in 2021 in Hungary to replace traditional, on-site theoretical HSE trainings, and so enabled the continual training of colleagues.

We are also seeking ways to limit our impact on the environment with projects that will also help achieve the strategic ambitions of the Group. Among other pursuits and in line with the World Bank's "Zero routine flaring by 2030" initiative, we aspire to eliminate flaring and venting activity in every country where MOL Upstream is actively present. Leveraging on a long track record of handling carbon dioxide and utilizing depleted reservoirs in the CEE region, our objective is to become Scope 1 and 2 carbon neutral on portfolio level by 2030. In 2021 and only in Croatia, over 0.2 billion cubic meters of CO_2 was injected into fields by the EOR projects ongoing, more than 1.3 billion cubic meters since its start, the majority of which is permanently stored. Through the application of carbon capture, utilization, and storage (CCUS), we focus on capturing emissions internally and of third parties in a safe way and following internationally recognized practices.

3.4 DOWNSTREAM

Segment IFRS results (HUF bn)	FY 2021	FY 2020 Restated	Ch %
EBITDA	500.7	167.2	200
EBITDA excl. spec. items(1)	**500.7**	**167.2**	**200**
Clean CCS-based EBITDA(1) (2)	**450.7**	**229.1**	**97**
o/w Petrochemicals(1) (2)	247.2	80.6	207
Operating profit/(loss) reported	348.9	7.7	4,431
Operating profit/(loss) excl. spec. items(1)	**348.9**	**21.4**	**1,530**
Clean CCS-based operating profit/(loss)(1) (2)	**298.9**	**83.3**	**259**
CAPEX (including inorganic)	**206.7**	**220.0**	**(6)**
o/w transformational	88.7	115.2	(23)

MOL Group Without INA	FY 2021	FY 2020 Restated	Ch %
EBITDA excl. spec. items(1)	466.5	208.4	124
Clean CCS-based EBITDA(1) (2)	**427.7**	**232.6**	**84**
o/w Petrochemicals clean CCS-based EBITDA(1) (2)	247.2	80.6	207
Operating profit/(loss) excl. spec. items(1)	341.2	92.7	268
Clean CCS-based operating profit/(loss)(1) (2)	**302.3**	**116.8**	**159**

INA Group	FY 2021	FY 2020 Restated	Ch %
EBITDA excl. spec. items(1)	34.2	(41.3)	n.a.
Clean CCS-based EBITDA(1) (2)	**23.0**	**(3.5)**	**n.a.**
Operating profit/(loss) excl. spec. items(1)	7.7	(71.3)	n.a.
Clean CCS-based operating profit/(loss)(1) (2)	**(3.5)**	**(33.4)**	**(90)**

Refinery margin	FY 2021	FY 2020 Restated	Ch %
Total MOL Group refinery margin UPDATED (USD/bbl)	**2.9**	**n.a.**	**n.a.**
Complex refinery margin (MOL+Slovnaft) UPDATED (USD/bbl)	**3.5**	**n.a.**	**n.a.**
Total MOL Group refinery margin (USD/bbl)	**4.1**	**2.8**	**47**
Complex refinery margin (MOL+Slovnaft) (USD/bbl)	4.6	3.2	43
MOL Group petrochemicals margin (EUR/t) (9)	719.9	384.3	87

External refined product and petrochemical sales by country (kt)	FY 2021	FY 2020 Restated	Ch %
Hungary	4,788.0	4,600.2	4
Slovakia	1,783.0	1,760.1	1
Croatia	2,027.0	1,837.9	10
Italy	1,645.0	1,583.7	4
Other markets	8,273.0	8,272.3	0
Total	**18,516.0**	**18,054.2**	**3**

External refined and petrochemical product sales by product (kt) (13)	FY 2021	FY 2020 Restated	Ch %
Total refined products	**17,040**	**16,612**	**3**
o/w Motor gasoline	3,302	3,295	0
o/w Diesel	10,257	9,815	5
o/w Fuel oil	362	341	6
o/w Bitumen	580	550	5
Total petrochemicals products	**1,476**	**1,443**	**2**
o/w Olefin products	213	213	0
o/w Polymer products	1,167	1,171	0
o/w Butadiene products	96	59	63
Total refined and petrochemicals products	**18,516**	18,054	**3**

Change in regional motor fuel demand	Market			MOL Group sales		
FY 2021 vs. FY 2020 in %	Gasoline	Diesel	Motor fuels	Gasoline	Diesel	Motor fuels
Hungary	6	8	7	3	4	3
Slovakia	3	5	4	(2)	3	2
Croatia	12	11	11	11	11	11
Other	8	7	7	13	6	8
CEE 10 countries	8	7	7	7	6	6

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

CAPEX (in HUF bn)	FY 2021	FY 2020	YoY Ch %	Main projects in FY 2021
Refining & Marketing	100.7	87.3	15	**MOL**: HFA Lifetime extension; Development of crude unload, storage, and dispatch at Csurgó site; Increasing the efficiency of Desalters; Catalyst replacement **SN**: Reliability blow down water pipelines; Catalyst replacement **INA**: Rijeka Refinery Upgrade Project; Propane-propylene splitter; Catalyst replacement; Revitalization of the hydrant net
Petrochemicals	102.7	129.5	(21)	**MPC (MOL)**: Polyol Project; MPC SC1 Boiler replacement; PSA installations in SC1-2; MPC SC1 Lifetime extension; **SN**: Ethylene Storage tanks; Reconstruction of Furnaces BA101, BA103, BA104; PP3 unit revamp (growth part); Reconstruction of extruder at PP3; Intensification of CC5 cooling centre
Power and other	3.3	3.2	2	
Total	**206.7**	**220.0**	**(6)**	

Key Downstream Sustainability Indicators	Unit of measure	FY 2021	FY 2020	SASB
Total Direct GHG emissions (Scope 1)	mn tonnes CO_2 eq	5.88	5.91	EM-RM-110a.1
o/w under ETS	mn tonnes CO_2 eq	5.81	5.85	EM-RM-110a.1
Fatalities - own staff and contractors	number	0	2	EM-RM-320a.1
Total Recordable Injury Rate (own staff + contractors)	per 1 mn worked hours	1.42	1.49	EM-RM-320a.1
Process Safety Tier 1 Events	number	8	2	EM-RM-540a.1

3.4.1 FINANCIAL OVERVIEW OF 2021

In 2021 Downstream reached a record high HUF 450.7bn (USD 1,489mn) Clean CCS EBITDA, which is 97% higher than the previous year's performance. The exceptional result was mainly driven by all-time high petchem performance, delivering more than 50% of Downstream Clean CCS EBITDA, while good asset availability also acted as enabler for exceptional performance. R&M segment managed to exceed the base level along with the recovering macro and market environment from the COVID-19 driven low base. Advancing energy prices and CO_2 related costs partially offset the positive impact of the economic recovery. In response to the rapidly changing energy and carbon price environment the Downstream CO_2 Board launched, and CO_2 quota strategy development initiated to mitigate the financial impact of CO_2 emission. Additionally, in daily operation, selection of available crude types, operation modes as well as energy sources are thoroughly analyzed and optimized to mitigate pressure on hiking utility prices.

In Refining in 2021 increased gasoline crack spread and wider discount on Urals resulted in stronger headline refinery margin, however, remaining pressure on slightly lower diesel crack spread and high energy prices limited gains. Total fuel sales, including domestic fuel demand, started to gradually recover from pandemic and increased, though jet remained subdued on remaining pandemic restriction. On other hand rising quotation environment hindered domestic markup levels, mainly on fuels. Margin capture was limited by more intense turnaround, as major maintenance activities were postponed from 2020 as reaction to COVID-19 situation, while 3rd party product purchase utilized supporting smooth market supply.

MOL Group Petrochemical margin was an average 336 EUR/t higher vs 2020 reaching all-time heights in first half of 2021. This higher margin was attributable to much stronger polymerization spreads on tight end-product supply. Although rapidly growing polymer quotations during H1 2021 hit polymer price levels. Next to that, Petchem business had higher production on smooth asset operation and full capacity utilization supporting stable monomer and polymer sales, also accompanied by lower Stream Cracker energy consumption.

Total Downstream investments reached HUF 206.4bn moderately below the base year spending. This amount was almost evenly split between Refining and Marketing and Petrochemicals. Strategic projects such as polyol and Rijeka refinery upgrade continued to play a strong role within organic investments.

Regarding ongoing transformational projects, the construction works of the new polyol complex in Tiszaújváros reached 94% completion by the end of 2021. The Rijeka Refinery Upgrade Project related engineering and purchasing activities finished according to the plans. The mechanical completion is expected in 2023.

3.4.2 OPERATIONAL OVERVIEW OF 2021

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

Despite of the prolonged pandemic situation and the rescheduled maintenance processes, Group DS **Production** has closed the year with an improved overall availability in Refining (95.4%) and also in Petrochemicals (95.4%), which was a great enabler to take advantage of stronger external environment, as a result total processing reached 17mn ton in Refining. Production effectively reacted to the changes with re-optimization of maintenance and project related activities and related spending while keeping up mechanical availability of the assets. With a dynamic and thorough crisis management Production successfully protected its people and was able to ensure the continuous operation of its production assets. Despite of the heavy turnaround season during 2021 Production has successfully maintained the personal safety. In order to support our strategic project Production has ensured the required operational personal and competency staffing for the 2022 start-up of the Polyol site.

Logistics is focused on customers satisfaction through providing competitive services, adapting to everchanging environment, transforming to sustainable operation driven by engaged employees. These are our commitments within the 2025 roadmap. In 2021, we continued with actions to reduce the cost of our operation. Internally we completed two excellence studies in Polymer and Rail operation, with a combined OPEX saving of 6.6mn USD by 2025. Distribution Network Optimization (DNO) study was completed with a promising saving potential, action plan will be detailed in H1 2022. Energy Efficiency was kicked off with focus on fuel, electricity and steam consumption, also due to rising energy costs. Switch to 42-ton road weight was made in Hungary, meaning we can transport more fuel in one run. Our employees remain the cornerstone of our business and we achieved the best Employee Engagement Satisfaction survey result ever at 83%. We strive to provide a safe work environment; this can be seen in Total Recordable Injury Rate (TRIR) in more details in the Sustainability Report. Additionally, we continued our efforts of installing seeing machines to prevent driver fatigue & distraction. In 2021, the preparations for our biggest project have been made, the diesel/naphtha interconnector (DANI) pipeline connecting the Százhalombatta and Bratislava refineries, with the project currently being revaluated for additional benefits. Although Logistics has a relatively small contribution to the CO_2 emission on Downstream level, we strive to make further improvements in this area as well, by procuring new trucks that use less fuel and with the DANI project making up for 50% of all CO_2 reduction. Great contribution to Sustainability was achieved with the Pallet Pooling system being implemented. In INA at the Sisak site, we integrated fuel and fuel oil blending assets from Production to Logistics, alongside efficiency improvements. Challenges remain in attracting new skilled workforce particularly train and truck drivers, we set out a plan to tackle these issues within our newly launched community engagement program and by working with HR on attracting skilled workforce for our operations.

Volatility and series of unexpected pandemic impacts characterized the Downstream markets in 2021. After the learnings of 2020, when commerce, supply and optimization activities were often driven by crisis management, the main theme of 2021 became utilization of opportunities offered by the gradual recovery on the Downstream markets. Frequently changing market circumstances were constant in 2021, so adaptation and quick reaction was crucial. **Commerce & Optimization** successfully maintained full continuity of supply chain even with increasing energy & CO_2 quota prices impacted significantly the cost structure. Markets still impacted by pandemics but with decreasing volatility. Local Petrochemicals markets supported by global logistics disruptions (Integrated Petchem margin was above long-term historical average combined with solid regional demand resulting strong petchem earnings). Besides these we needed to focus on stronger than ever, how we want to adapt the new directives which will regulate the whole future of the industry. In two waves an exhaustive review of the operations and structure was implemented as a focused efficiency improvement program. The goal of the review was to assess Commerce & Optimization activities and further develop processes and structure while improving our customer service with more flexible, reliable and tailor-made products and services. In 2018, a new group wide unified B2B customer satisfaction monitoring methodology was implemented seeking to constantly measure customer satisfaction across MOL Group spanning the wholesale product portfolio (including fuel and petrochemicals). In 2021 MOL Group reached 93.6% satisfaction with 4.2 percentage points increase. MOL Group keeps increasing B2B customers' satisfaction by focusing on development of digital business solutions. As part of the Digital Roadmap, CRM project reach the second phase of the implementation with core functionality roll-out. Internet Sales Application was already rolled-out to several subsidiaries of MOL Group but in 2021 Export webISA went-live. Partner Portal AddsUp project launched for enhancing customer experience by new features and integrating more applications into Partner Portal. Further advance preparing in Polyol complex ramp-up in line with updated Group strategy's transformation pillar.

In **Development** in line with MOL Group strategic objective - to transform production from fuel to more competitive goods by increasing the share of non-fuel products - investigation and assessment of selected large-scale fuel transformation opportunities have been carried on, decision on financial authorization is expected in 2022. Besides fuel transformation, to enhance sustainability, assessment of green hydrogen production has started by involving selected potential technology providers.

The flagship **Polyol Project** of MOL Downstream has reached an overall 94% progress by the end of 2021. In March 2021, in order to agree on the sharing of costs and risks that the ongoing COVID-19 pandemic has imposed on the construction, the Board of Directors approved that an Amendment Agreement is entered into with the EPC (Engineering, Procurement and Construction) Contractor of the Project. In the contract amendment, a one-year extension of the handover date of the complex was agreed, along with prevention measures and contractual mechanisms to address the remaining impact of the pandemic.

With the Amendment Agreement concluded, the estimated budget of the Project has been modified to EUR 1.3 bn, an app. 7% increase to the original budget.

In the further part of 2021, the COVID-19 situation has continued to affect construction activities. With vaccines becoming Europe-wide more available, a campaign has been organized to enhance the immunization status of the work force on site reaching close to 3,000 in the peak period.

By the closure of year 2021, construction has reached almost 90% progress (be sides engineering and procurement being almost finalized), moving the completion and the highly complex facilities commissioning into the focus of project management. Whilst COVID -19 remains a concern in 2022, the trial production of the facilities is expe cted to commence in the second half of the year. The start-up of the process units is more than a technical challenge, given that the volumes produced on the new product lines need to be introduced to a nd accepted by the markets.

Information of Downstream related sustainability developments, including health & safety, environmental performance, employee and community engagement, can be obtained from the Sustainability Report.

3.4.3 DOWNSTREAM FUTURE PRODUCT PORTFOLIO

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

Biofuels in MOL Group

During 2021 MOL Group purchased and blended more than 650kt of biofuels (bioethanol and biodiesel) in 8 countries. Besides, af ter launching the co-processing of waste fats and oils in MOL's Danube Refinery in 2020 (and by doing so becoming a biofuel produce r) decarbonisation of the fuel portfolio was continued in 2021 by adding such biological originated molecules on a regular basis. Similar projects are under assessment in our Slovakian (Slovnaft a.s.) and Croatian (INA d.d.) refineries.

On top of this activity final grade Hydrogenated Vegetable Oil (HVO) was also blended in the Bratislava refinery.

2021 was the second year when some of our core markets – Hungary, Slovakia, Romania – distributed E10 gasoline which has been the standard main grade petrol ever since. In order to further improve the ecological footprint of our fuels MOL started to produce and blend bio MTBE made of advanced biomethanol. This is another important milestone to meet the goals of MOL Group's new 'Shape tomorr ow - 2030+ Strategy'.

RED II & Fit for 55

A new era started in 2021 when EU's new Renewable Energy Directive entered into force. In addition to increased target of tot al renewable share in transportation (up to 14 e% in 2030 from 10 e% in 2020) advanced biofuels also became an o bligatory element of the fuel portfolio from 2022 on. As a frontrunner on the markets MOL Group started to include advanced biodiesel as well as bioethanol and bio M TBE into its product portfolio already in 2021.

In July 2021 the European Commission disclosed its Fit for 55 guideline proposal which sets ambitious goals for decarbonisation (among others in transportation) until 2030. MOL Group extended its already running technological investigation activity – which also includes potential future (in)organic investments – to new business areas in order to prepare for and achieve compliance until the end of the decade.

R&D and Biofuels

In 2021, Downstream **R&D** continued its activities and projects across four main areas: Refining, Polyolefin, Polyol and Advanc ed & Sustainable Technologies. R&D has a vital role in the Polyol Project by developing and upscaling product recipes for the star t-up of production, while ensuring the necessary polyurethane application development know-how for MOL Group's future customers for polyols. The recently inaugurated Polyol R&D Center reached its full operating capacity and was able to complete the most important pr oduct developments for start-up. Several important R&D projects passed critical milestones (green hydrogen projects in MOL and INA to decarbonize crude-based fuel consumption and as fuel; projects on advanced and sustainable fuels as well as on mechanical and chemical recycling of waste). In the polyolefin area, several new product recipes were developed to address the increasing demand of customers for more sustainable plastic recycling and compounding solutions, as well as in the field of virgin polyethylene/polypropylen e for new application segments. Two advanced feedstocks for refinery diesel co-processing were successfully tested in small scale reactors. New product recipes with improved performance for premium gasoline, diesel, racing gasoline and another one in the bitumen area w ith improved economics were developed in different refineries. After an extensive testi ng phase and a fruitful co-operation with a bio-supplier MOL has given green light to blend advanced biofuel into diesel. MOL's co-processing process won an award in 2021, the Environmental Innovation Award by the Hungarian Ministry of Agriculture for the most significant innovation achievement of the year 2020.

Two projects funded under the EU Research and Innovation scheme and with participation of MOL Group were closed successfully in 2021: 4REFINERY on the development of advanced biofuels made from lignocellulosic biomass and REDIFUEL on the utilization of biomass feedstock for EN590 diesel production with high biofuel content. MOL Group is member of the consortia of several nationally funded R&D projects in collaboration with Hungarian universities (Budapest University of Technology and Economy, University of Szeged, University of Pannonia) and other industry partners. Through its subsidiary INA, MOL Group furthermore participates in two research projects funded by the Croatian Science Foundation: NEOPLAST (advanced energy carriers in recovery plastic waste) and a project targeting the development of functional biofuels and (bio)additives.

Compounding Project

In October 2021, the extension of the compounding product portfolio was launched at the Fakuma international trade fair for plastic processing in Friedrichshafen, Germany to complement the 100% recyclate portfolio of **Aurora** Kunststoffe GmbH. Now MOL Group can offer polypropylene compounds with 100% virgin and up to 100% recyclate.

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

MOL Group entered the market of recycled plastic compounding in 2019 by acquiring **Aurora** Kunststoffe GmbH, a German-based company focusing on the production of engineering plastic compounds. The specifically collected post-industrial plastic residues are grinded into flakes and further processed into customized compounds. In the beginning of 2019, Aurora completed a new compounding facility in Neuenstein (Germany), doubling its production capacity. With this investment Aurora produces up to 15kt of sustainable high-quality compounds per year, achieving a total saving of 52 kt CO_2 equivalents in 2021. The products are used in multiple applications primarily in the automotive, construction and consumer industry. Common development between Aurora and MOL Product Development started in 2020 to develop polypropylene compound recipes based on MOL base polymers for several interior, exterior and under-the-hood parts of passenger cars.

Recycling Project

In 2020 the first recyclate content in-house developed product (see also at R&D) was undergoing its first test production: the 30% Post-Consumer Recyclate (PCR) containing HDPE compound targets the rigid packaging sector, which is the most exposed to potential plastic regulations following the recent EU Green Deal. The customer testing – involving customers from several countries – brought back good initial quality feedback, confirming the expectations of delivering a product with near-virgin qualities, which is a pioneer in MOL's own recyclate product portfolio to come in the next few years, targeting various segments and applications. Development continued into 2021 with various percentages of PCR and waste sources.

APK AG, MOL Group's strategic partner for plastics recycling since 2018 located in Merseburg, Germany, was supported in 2020 in order to stabilize their Post-Industrial (PIR) based low-density polyethylene (LDPE) and polyamide (PA) production, with a total annual capacity of 8,000 tons. In 2021, successful trials were carried out with Post-Consumer (PCR) waste processing, and based on detailed investigation, the advanced technical solution will be further developed to be market ready for PCR waste utilization consumption.

Lubricant producer and distributor **MOL-LUB** provides contracted partners and other participants collection of waste oil. Contracted partners deliver the waste oil to the Zala site, where it will be recycled (6,948 tons in 2021), thereby re-entering the industrial cycle as an essential element for bitumen production. Through the lubricant waste collecting service, MOL Group ensures that lubricants – such as motor oil or hydraulics oil – which are classified as hazardous waste, are be transformed into fluxing oil, which is an important element for bitumen production. MOL-LUB contributes to recycling 6-7 thousand tons of waste lubricant oil per year and takes care of treating 99% of waste oil product within the company since 2011. MOL Group also ensures collection and treatment of other waste oils: combustible waste is delivered to the Danube Refinery incinerator, while non-combustible waste (e.g. metal) is handed over to contracted partners (570 To in 2021).

3.5 INNOVATIVE BUSINESSES AND SERVICES

2021 was another strong year for the Innovative Businesses and Services segment, with record breaking financial performance.

3.5.1 Consumer Services

Segment IFRS results (HUF bn)	FY 2021	FY 2020 Restated	Ch %
EBITDA	182.5	156.2	17
EBITDA excl. spec. items[1]	**182.5**	**156.2**	**17**
Operating profit/(loss) reported	143.4	114.4	25
Operating profit/(loss) excl. spec. items[1]	**143.4**	**114.4**	**25**
CAPEX	**47.1**	**39.5**	**19**
o/w organic	47.1	39.5	19

Total retail sales (kt)	FY 2021	FY 2020	Ch %
Hungary	1 313	1 257	4
Slovakia	709	678	5
Croatia	1 054	934	13
Romania	790	691	14
Czech Republic	486	462	5
Other[8]	419	364	15
Total retail sales	**4 771**	**4 386**	**9**

Non-fuel indicators	FY 2021	FY 2020
Non-fuel margin	28.6%	27.2%
Number of Fresh corner sites	1 069	955

Key Retail Sustainablity Indicators	Unit of measure	FY 2021	FY 2020	SASB
Total Energy Consumption (direct+indirect)	mn GJ	0.62	0.68	CG-MR-130a.1
Total Recordable Injury Rate (own staff + contractors)	per 1 mn worked hours	0.71	0.75	-
Process Safety Tier 1 Events	number	1	1	-

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

3.5.1.1 FINANCIAL OVERVIEW OF 2021

In 2021 Consumer Services EBITDA increased by 17%, reaching HUF 182.5bn (USD 605mn) resulting in another year-on-year double-digit-growth. Easing pandemic restrictions led to an uplift in domestic and regional travel, resulting in a 9% fuel volume increase year-on-year. Premium penetration grew steadily year by year and reached 32% in 2021. Non-fuel margin also increased significantly, by 21% year-on-year, and its share within total margin represents almost 29%.

3.5.1.2 OPERATIONAL OVERVIEW OF 2021

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

Retail

Retail completed over 200 reconstructions, including forecourt, car- and jet-wash reconstructions and the installation of the new non-fuel concept, Fresh Corner at the stations. By the end of 2021, MOL Group's service station network consisted of 1,870, whilst reaching 1,946 stations when combined with the franchise. MOL Group maintained a leading position on the Hungarian, Croatian and Slovakian markets, as well as in Bosnia and Herzegovina, remained the second largest market player on the Czech market, and the third largest in Slovenia, Romania and Montenegro. More information on the installation of EV chargers across the Group service station network can be obtained from the "Mobility" section below. Information on retail safety measures following the outbreak of COVID-19 can be obtained from the Sustainability Report.

The implementation of the non-fuel concept accelerated, 114 Fresh corners were added across the network taking the total number of Fresh Corners to 1,069 with 15 lost time injuries. The Fresh Corner concept is constantly being developed through the continuous expansion of the gastro and grocery categories. The offering was also expanded by a wider range of convenience services (e.g., self-service and innovative payment solutions) and a new Fresh Corner Café, standalone concept store, was opened successfully in Budapest. After the successful start of the renewed coffee concept MOL Group launched its own branded coffee beans, Fresh Corner milk and introduced the French-type hot-dog which already became a flagship gastro product. Together with other options (sandwich, bakery etc.) MOL Group offers hot snacks in ca. 900 service stations for the people on the go.

Retail Customer

Consumer Services systematically collects retail customer insights and tracks overall customer satisfaction through a number of channels. As a result, MOL Group does not operate with (and therefore does not report) a single score for Retail, as several customer satisfaction scores are applied depending on the insight channel.

A customer insight system called Brand Tracking was operational in 7 countries involving overall 3,000 customers per country (so overall 21,000 in MOL Group) in a way of monthly data collection (250 Customers per month per country). It's providing data for 25 different KPIs including fuel, gastro, store hygiene, loyalty programs and staff behaviour. Besides, brand awareness and brand powers are continuously measured as well. During 2020, MOL Group conducted its biggest research to date called Fresh Corner Usage & Attitude (U&A), involving almost 10,000 customers in 7 countries via 4 different channels in order to understand expectations and certain non-fuel shopping habits. In 2021 it was followed by a fuel U&A research also in 7 countries with more than 7,000 customers. Insights gathered from U&As should help in creating a more customer centric decision-making, supporting the retail transformation of the Group. Improvements covered hot sandwich range renewal, new fresh sandwich placement and packaging, improved hot-dog network coverage and fine-tuned activities like prize winning games or promotions. Based on customer feedback the car wash service was also renewed.

MOL Retail's customer loyalty program constitutes a key element in the digital transformation of Consumer Services. A new, digital, gamified, tier-based rewards program was finalized during 2020, allowing personalized and highly automated communication across different channels. The new program was introduced in Croatia in 2020 and by now the number of registered users is more than 300,000 with high share of active users. The program was also rolled out in Slovenia in 2021. Altogether, active loyalty customer base reached almost 3 million in 2021, and the mobile application (which is available in seven countries) had more than 700,000 downloads. MOL consciously uses mystery shoppers (selected through tender) when measuring customer satisfaction across different channels to avoid internal biased systems. Digitization is also increasingly present in our internal operation via the extensive use of Artificial Intelligence and Machine learning-based tools and also support the execution via our online, gamified learning tool, eSMILE.

eSMILE

As a consumer facing business, employee engagement plays a major role in the transformation of Consumer Services and enhancing customer experience. In 2017 MOL Group introduced a face-to-face training program called 'Smile' for more than 15,000 service station staff, covering both hosts and station managers, with the aim to improve customer service. In 2020 MOL Group expanded employee training and development through a digital microlearning training platform called eSMILE, which is available on their smart phones. The mobile training platform expands the Group's training portfolio on product, process, sales, compliance and HSE relevant topics and reinforces previously shared knowledge. Furthermore, the new platform connects the Group directly to each member of staff working at the Group's service stations. It allows real-time communication from head office about the latest sales promotions, company updates and it was especially important during the pandemic, when we were able to share the latest operational changes, ensuring a safe working environment and safe consumer experience. Since 2021 the platform also supports new-hires in their onboarding experience, helping them to hit the sales floor confident and in shorter period compared to before. Moreover, for the first time, MOL Group conducted Employee Engagement Survey among frontline employees too, considering the fact we could reach each and one of them. With the help of eSMILE, 96% response rate was achieved, and valuable feedback was gathered. For more detailed information check the Sustainability report.

The platform is based on gamification elements which boosts employee engagement and wellbeing in the workplace. This results in a stable-high usage of the platform, with 96% of frontline staff using eSMILE every day when at work, resulting in an average 17% increase in knowledge from the training topics. These programs support should not only help the transformation of the Group's service station from fuel retail into FMCG retail but also the continuous increase non-fuel revenues.

Mobility

In 2018, MOL Group launched MOL Plugee, a new EV charging brand under the Consumer Services division. By year end 2021, 178 Plugee EV chargers were installed throughout the Group's services station network across the CEE region. Of the 178 EV chargers operated by MOL Group, 147 have been installed under the NEXT-E program. In July 2017, the NEXT-E project was selected by the European Commission for co-financing through the Connecting Europe Facility. Within the framework of this project, the NEXT-E consortium installs 222 multi-standard fast chargers (50kW) and 30 ultra-chargers (150-350kW) along Trans-European Transport Network (TEN-T) core corridors and core network. The first EV charger under the NEXT-E program was installed in 2018, and the final completion was done in 2021. Of the 252 EV chargers deployed under the NEXT-E program, MOL Group's share was set at 147 chargers to be deployed across its service station network located on TEN-T corridors, creating an interoperable and non-discriminatory network of EV charging points, allowing long distance travel across six CEE countries based 100% on electricity. MOL Group launched its application based service in Hungary in 2020 and in Slovenia, Slovakia, Czech Republic, Croatia and Romania in 2021. It enables our more than 13,000 registered users and other customers to have a seamless charging experience in 6 countries. Energy consumption for all EV chargers in 2021 reached 1,029,000kWh, saving a total of above 1,545 tonnes of CO_2-eq.

The e-mobility goal of MOL Group in 2022 is to install ultra-fast chargers (150kW) in 14 new locations in Romania as a part of a 15-year concession, and to obtain additional EU subsidy for network development across 6 countries together with E.ON Group under the auspices of the CEF2 (CONNECT-E) program. In this project, our goal is to receive subsidy for nearly 200 electric car chargers (with a minimum capacity of 150kW) and the related power network developments.

In 2022, our main goal is to develop the IT side of the MOL Plugee services, the most significant elements of which are the integration of fuel cards issued by MOL Group as a payment option, the integration to our loyalty application and the connection to external e-charging networks via the HUBJECT e-roaming platform (primarily through actors, we have been partners in the NEXT-E project in recent years). Through all these developments, our electric car customers will be able to use our e-charging service more comprehensively and comfortably.

In 2018, MOL Group launched a car sharing service in Budapest (Hungary) called MOL LIMO. By 2021 year-end, a fleet of 450 shared cars from 12 different models were in operation (5 electric, 1 hybrid and 6 petrol), with the number of electric vehicles (EVs) were 144. In 2021, MOL LIMO introduced 2 new models to its fleet, the Opel Combo Cargo (providing urban light freight option for customers) and the Fiat 500 Hybrid. Since 2020, Budapest city coverage is 86km^2, reaching key transportation hubs. Total number of registered users reached approximately 100 thousand by year-end 2021. Energy consumption of all LIMO EVs reached 313,490kWh in 2021, saving an equivalent of around 209 tonnes of CO_2-eq., assuming all electricity used is from a green source.

KEY MOL LIMO SUSTAINABILITY FIGURES	UNIT OF MEASURE	FY 2021	FY 2020	SASB
Average fleet size	number of vehicles	450	450	TR-CR-000.C
o/w electric	percentage	32	22	-
Average vehicle age at year end	in months	24.1	15.5	TR-CR-000.A
Vehicles rated by Euro NCAP programs with an overall 5-star safety rating	percentage of fleet	11	22	TR-CR-250a.1
Vehicles recalled during period	number	0	0	TR-CR-250a.2

As part of MOL Group's mobility strategy, a fleet management service called MOL Fleet Solution was launched in 2018. The main target is to finance and manage vehicles owned and used by MOL Group and external clients, as well as the fleets of small-, medium-sized or large businesses in Hungary. The number of financed and managed cars reached almost 4,500 by the end of 2021. MOL Fleet Solutions targets the size of its fleet to reach 10,000 cars by 2026.

KEY MOL FLEET SUSTAINABLITY FIGURES	UNIT OF MEASURE	FY 2021	FY 2020	SASB
Average fleet size	number of vehicles	4392	3797	TR-CR-000.C
o/w electric and hybrid	percentage	7	10.4	-
Average vehicle age at year end	in months	28.8	19.4	TR-CR-000.A
Vehicles recalled during period	number	503	306	TR-CR-250a.2

Neither MOL Limo nor MOL Fleet Solutions registered any incidents concerning a) non-compliance concerning product and service information and labeling, and/or b) non-compliance with marketing communication during 2021. Finally, no incidents or complaints concerning breaches of customer privacy and/or losses of customer data as a result of data breaches were registered at neither MOL Limo nor MOL Fleet Solutions during 2021.

3.5.2 INDUSTRIAL SERVICES[14]

Industrial Services was established with the aim to provide oilfield and maintenance services for MOL Group internal customers / third-party companies. The strategic aim of Industrial Services is to improve the quality and level of services, to internal customers as well as utilizing internal know-how to provide services to third party customers.

In 2021 recovering from Pandemic lows the contribution of Oilfield Service companies (OFS) improved. In parallel the transformation of OFS companies continued to adjust the organization reflecting changes in demand from Central and Eastern Europe and MOL Exploration and Production. Strong focus was on exploiting synergies amongst all OFS companies by generating INA-MOL joint drilling program and cross-country, cross-service utilization. These actions helped to optimize CAPEX/OPEX results in an ongoing pandemic environment.

Maintenance Companies' (SSC) continued to focus on driving discipline and efficiency. Complex Maintenance Spending (CMS) saving program and Maintenance Service Companies efficiency programs suggested the revision of key performance indicators and common targets with Downstream Maintenance organization. In 2020, due to COVID-19 a significant part of the maintenance works was cancelled or postponed therefore, in 2021 all the necessary maintenance for the basic operation was introduced.

Oilfield Chemicals and Technologies first major Enhanced Oil Recovery (EOR) project started in 2021. Due to the continuous business development activities several projects (EOR, rubber modified bitumen) progressed to the planning phase in 2021.

During 2021, MOL Group's total solar power generating capacity remained unchanged at 30 MWp, as no expansion was undertaken during the year. A combined 40,728 MWh of renewable electricity was generated during 2021 from previously installed assets (see 2019 Annual Report).

3.6 GAS MIDSTREAM

Segment IFRS results (HUF bn)	FY 2021	FY 2020	Ch %
EBITDA	41.2	62.0	(34)
EBITDA excl. spec. items[1]	**41.2**	**62.0**	**(34)**
Operating profit/(loss) reported	24.5	45.5	(46)
Operating profit/(loss) reported excl. spec. items[1]	**24.5**	**45.5**	**(46)**
CAPEX and investments	**22.4**	**11.6**	**94**
o/w organic	22.4	11.6	94

Key Gas Midstream ESG Indicators	Unit of measure	FY 2021	FY 2020	SASB
Total Direct GHG emissions (scope 1)	mn tonnes CO_2 eq	0.1	0.18	EM-MD-110a.1
Volume of Spills (> 1m^3)	m^3	0	0	EM-MD-540a.1
Lost Time Injury Frequency (own staff)	per 1 mn worked hours	4.11	0	EM-MD-540a.4

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

3.6.1 FINANCIAL OVERVIEW OF 2021

FGSZ Földgázszállító Ltd (hereinafter referred to as: FGSZ) reached HUF 41.2bn (USD 136mn) EBITDA in 2021, a 34% decline from last year, mainly driven by deteriorating economical environment which resulted in significantly lower natural gas transmission demands and increasing gas prices. Regulated revenues were lower by 17% year-on-year mainly due to the decline of export transmission demands to neighboring countries (e.g. Ukraine, Romania, Croatia and Serbia) by almost 55% year-on-year, which generated significantly lower demands of cross-border capacity bookings in line with changes of regional gas market demands, while domestic transmission volumes show a moderate increase by 4% year-on-year, as harsher winter weather conditions resulted in higher domestic gas consumption. Non-regulated transit revenues fell back by 90% in 2021 compared to the prior year, as transmission towards Serbia and BiH has stopped in 2021 (Balkan Stream pipeline was completed by the end of 2020). Operating expenses were similar to the previous year despite the sharply climbing gas purchase prices and CO_2 quota prices, fuel gas consumption reduction and strict cost control had a favourable effect on operating expenses.

Total value of CAPEX and investments almost doubled compared to prior year, as FGSZ completed the development of Serbian-Hungarian cross-border interconnection point by 1st October 2021, while spending on sustain-type projects (e.g. pipeline rehabilitation, reconstruction of compressor units) show a moderate increase compared to 2020.

3.6.2 OPERATIONAL OVERVIEW OF 2021

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

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

To further enhance regional market integration, FGSZ completed several important developments on its network in 2021. In October 2021 a new non-EU interconnection point was launched at the Serbian border to boost the import capacities from the Southern Gas Corridor to be prepared for the future challenges posed by the accelerating decarbonisation efforts, FGSZ started to evaluate its infrastructure for the transmission of low-carbon and decarbonised gases.

The Regional Booking Platform (RBP) of FGSZ is an IT application developed in accordance with the EU network code governing the capacity allocation mechanisms used in natural gas transmission networks and with other relevant EU and national legislation [10]. The capacity allocation application enables capacity allocation procedures and secondary capacity trading among other services. Today – beyond FGSZ – sixteen further transmission system operators use it partially or entirely on their system capacities throughout the EU and the Energy Community: Eustream (Slovakia), Transgaz (Romania), Plinacro (Croatia), Bulgartransgaz (Bulgaria), DESFA (Greece), Gas Connect Austria (Austria), Gascade (Germany), Ontras (Germany), Gaz-System (Poland), Gas TSO of Ukraine (Ukraine), Gastrans (Serbia), Moldovatransgaz (Moldavia), NEL Gastransport (Germany), Opal (Germany), ICGB (Bulgaria) and Vestmoldtransgaz (Moldavia).

4. APPENDICES

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

	HUF billion			USD million		
Special items - operating profit	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
OPERATING PROFIT EXCLUDING SPECIAL ITEMS	**637.8**	**98.1**	**550**	**2,096**	**323**	**549**
Upstream	**(27.7)**	**(25.8)**	**7**	**(85)**	**(84)**	**1**
Environmental provision (INA)	(4.3)	-	**n.a.**	(13)	-	n.a.
Impairment on Upstream assets in the Group	(23.4)	(25.8)	**n.a.**	(72)	(84)	n.a.
Downstream	**-**	**(13.7)**	**n.a.**	**-**	**(45)**	**n.a.**
Sisak impairment	-	(13.7)	n.a.	-	(45)	n.a.
Corporate and other	**2.7**	**6.4**	**(58)**	**8**	**20**	**(60)**
Provision release for legal claims (Creditor Gamma)	-	11.6	n.a.	-	38	n.a.
Crosco impairment	-	(5.3)	n.a.	-	(18)	n.a.
Provision release for legal claims (Creditor Beta)	2.7	-	n.a.	8	-	n.a.
TOTAL IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT	**(24.9)**	**(33.1)**	**(25)**	**(77)**	**(109)**	**(30)**
OPERATING PROFIT	**612.9**	**65.0**	**843**	**2,019**	**214**	**844**

Special items - EBITDA	**FY 2021**	**FY 2020 Restated**	**Ch %**	**FY 2021**	**FY 2020 Restated**	**Ch %**
EBITDA EXCLUDING SPECIAL ITEMS	**1,121.9**	**567.8**	**98**	**3,695**	**1,853**	**99**
Upstream	**(4.3)**	**-**	**n.a.**	**(13)**	**-**	**n.a.**
Environmental provision (INA)	(4.3)	-	n.a.	(13)	-	n.a.
Corporate and other	**2.7**	**11.6**	**(77)**	**8**	**38**	**(79)**
Provision release for legal claims (Creditor Gamma)	-	11.6	n.a.	-	38	n.a.
Provision release for legal claims (Creditor Beta)	2.7	-	n.a.	8	-	n.a.
TOTAL IMPACT OF SPECIAL ITEMS ON EBITDA	**(1.6)**	**11.6**	**n.a.**	**(5)**	**38**	**n.a.**
EBITDA	**1,120.3**	**579.4**	**94**	**3,690**	**1,891**	**98**

APPENDIX II – NOTES

Number of footnotes	
(1)	Special items that affected operating profit and EBITDA are detailed in Appendix I.
(2)	As of Q2 2013 our applied Clean CCS methodology eliminates from EBITDA/operating profit inventory holding gain / loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains / losses on debtors and creditors; furthermore, adjusts EBITDA/operating profit by accurate CO_2 cost recognition and capturing the results of underlying commodity derivative transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.
(3)	Both the 2020 and 2021 figures have been calculated by converting the results of each month in the period on its actual monthly average HUF/USD rate.
(4)	Net gearing: net debt divided by net debt plus shareholders' equity including non-controlling interests.
(5)	Brent dated price vs. average Ural MED and Ural ROTT prices.
(6)	Net external sales revenues and operating profit includes the profit arising both from sales to third parties and transfers to the other business segments. Upstream transfers domestically produced crude oil, condensates and LPG to Downstream and natural gas to the Gas Midstream segment. The internal transfer prices used are based on prevailing market prices. The gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries and the proportionally consolidated joint operations engaged in the respective divisions.
(7)	This line shows the effect on operating profit of the change in the amount of unrealized profit deferred in respect of transfers between segments. Unrealized profits arise where the item transferred is held in inventory by the receiving segment and a third-party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third-party sale has taken place. Unrealized profits arise principally in respect of transfers from Upstream to Downstream and Gas Midstream.
(8)	From 2016 Austrian retail operations were reclassified into wholesale.
(9)	As of January 2018, an updated formula for calculating the „MOL Group petrochemicals margin" was introduced, replacing the previous „Integrated petrochemical margin". The purpose of the new formula is to better reflect the petchem product slate of the group.
(10)	Commission Regulation (EU) No 2017/459 on capacity allocation, Commission Regulation (EU) No 2017/460 on tariff, Regulation (EU EB) 2012/490 (contractual congestion management), Regulation (EU) No 1227/2011 (REMIT), Regulation (EU) No 703/2015 (interoperability), Directive 2000/31/EC (electronic commerce), Regulation (EU) No 910/2014 (eIDAS)
(11)	FOB Rotterdam parity
(12)	FOB Med parity
(13)	Retail segment sales are shown in chapter 3.5. ("Consumer Services").
(14)	Internal corporate governance and external reporting structure of Innovative Businesses and Services are different, thus the financial result of the Industrial Services and new Ventures unit of the Innovative Businesses and Services segment is reported within „Corporate and other" segment.

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 consolidated financial statement, which has been prepared to the best of our knowledge based on Section 10 of the Hungarian Accounting Act, in accordance with International Financial Reporting Standards (IFRS), and give a true and fair view of the assets, liabilities, financial position, and profit and loss of MOL Plc.

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

Budapest, 22 March 2022

József Molnár
Group Chief Executive Officer

József Simola
Group Chief Financial Officer