

# **MOL Hungarian Oil and Gas Public Limited Company**

Parent Company Annual Report

31 December 2019

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Financial Statements (including Independent Auditor's Report)

Statement of Responsibility

Statistical code: 10625790-1920-114-01

Company registration number: 01-10-041683

# **MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY**

1117 Budapest, Október huszonharmadika u. 18.

**2019**

## **FINANCIAL STATEMENTS**



**József Molnár**  
Chief Executive Officer



**József Simola**  
Executive Vice  
President for Finance

Budapest, 12 March 2020

# FINANCIAL STATEMENTS

## Introduction

### General information

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

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

### Authorisation and Statement of Compliance

These separate financial statements have been approved and authorised for issue by the Board of Directors on 12 March 2020.

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

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This is a translation of the Hungarian Report

## Independent Auditors' Report

To the Shareholders of MOL Hungarian Oil and Gas Plc.

Report on the audit of the financial statements

### Opinion

We have audited the accompanying 2019 financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprise the statement of financial position as at 31 December 2019 - showing an assets total of HUF 3.385.938 million and a profit for the year of HUF 151.013 million -, the related statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

### Oil and natural gas reserve estimation process

The estimation of oil and natural gas reserves is a significant area of judgement due to the technical uncertainty in assessing quantities and complex contractual arrangements dictating the Company’s share of reportable volumes. We considered the oil and natural gas reserve estimation process to be a key audit matter as oil and natural gas reserves are also a fundamental indicator of the future potential of the Company’s performance and these estimates affect significant amounts as reported in the statement of financial position and statement of profit or loss.

Audit procedures included understanding of the process for determination of the oil and natural gas reserves and testing of the design of internal controls implemented in the process. We assessed the competence and objectivity of technical experts of the Company, to evaluate whether they are qualified to carry out the oil and natural gas reserve volumes estimation. We performed an inquiry of the management of the Company and our procedures were planned and executed to assess that the applied methodology for oil and natural gas reserves estimate is consistent with previous year.

We selected the items with significant movements compared to the prior year and for these we tested if the changes were made in the appropriate period, and in compliance with the Company’s internal policies. We also validated these volumes against underlying information such as technical evaluations and Reserve and Resources Committee decision papers. We also performed analytical procedures on

movements in oil and natural gas reserves during the year and reviewed whether all significant changes were approved by the Reserves and Resources Committee.

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

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

### Wholesale Revenue recognition

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

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

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

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

## Asset impairments

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

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

We examined the methodology used by management to assess the carrying value of respective assets to determine its compliance with EU IFRSs and consistency of application. We performed understanding of the process and tested the design of the internal controls operated by the Company relating to the assessment of the carrying value of respective assets. For the assets where impairment indicators were not identified by the Company we assessed the assumptions used by the Company in determination of whether impairment indicators exist. The assessment took into consideration current industry and Company expectations for the key inputs to impairment models.

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

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

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



## Trading operations

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

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

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

We assessed the appropriateness of disclosures made in relation of the result and details of trading transactions as detailed in Note 16 Financial risk and capital management and Note 17 Financial instruments to the financial statements.

## Other information

Other information consists of the 2019 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the financial statements does not cover the business report.

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

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

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2019 is consistent, in all material respects, with the 2019 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

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

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

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

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

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

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

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing and Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### Report on other legal and regulatory requirements

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

#### Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 11 April 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 18 years.

#### Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 12 March 2020.

#### Non-audit Services

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

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

## Unbundling of the activities

In accordance with section 105A/(1) of Act LXXXVI of 2007 on Electric Energy we have examined Note g) in Appendix 4 to the financial statements of the Company for 2019, which presents Unbundling of the activities.

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

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

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

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

Budapest, 12 March 2020

(The original Hungarian language version has been signed.)

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

Szabó Gergely  
Registered auditor  
Chamber membership No.: 005676

## STATEMENT OF PROFIT OR LOSS

	Notes	2019 HUF million	2018 HUF million
Net sales		2,018,192	2,129,059
Other operating income		7,279	5,083
<b>Total operating income</b>	3	<b>2,025,471</b>	<b>2,134,142</b>
Raw materials and consumables used		1,690,067	1,759,799
Employee benefits expense		70,930	71,554
Depreciation, depletion, amortisation and impairment		75,108	101,343
Other operating expenses		137,557	108,706
Change in inventory of finished goods & work in progress		(12,918)	(6,678)
Work performed by the enterprise and capitalised		(14,670)	(16,263)
<b>Total operating expenses</b>	4	<b>1,946,074</b>	<b>2,018,461</b>
<b>Profit from operation</b>		<b>79,397</b>	<b>115,681</b>
Finance income		175,195	413,492
Finance expense		84,794	164,117
<b>Total finance income, net</b>	5	<b>90,401</b>	<b>249,375</b>
<b>Profit before tax</b>		<b>169,798</b>	<b>365,056</b>
Income tax expense	6	18,785	63,639
<b>PROFIT FOR THE YEAR</b>		<b>151,013</b>	<b>301,417</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 HUF million	2018 HUF million
<b>Profit for the year</b>		<b>151,013</b>	<b>301,417</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Changes in fair value of debt instruments at fair value through other comprehensive income	7	697	(246)
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		<b>697</b>	<b>(246)</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement of post-employment benefit obligations	7	1,097	43
<b>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>1,097</b>	<b>43</b>
<b>Other comprehensive income/(loss) for the year</b>		<b>1,794</b>	<b>(203)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>152,807</b>	<b>301,214</b>

## STATEMENT OF FINANCIAL POSITION

	Notes	2019 HUF million	2018 HUF million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	398,235	348,005
Intangible assets	8	44,118	33,032
Investments	9	2,023,716	1,538,164
Other non-current financial assets	17	191,519	36,578
Deferred tax asset	6	58,638	65,524
Other non-current assets	10	1,405	754
<b>Total non-current assets</b>		<b>2,717,631</b>	<b>2,022,057</b>
<b>CURRENT ASSETS</b>			
Inventories	11	231,216	192,270
Trade and other receivables	19	225,350	229,700
Securities	17	24,275	54
Other current financial assets	17	104,600	216,467
Income tax receivable		-	13,351
Cash and cash equivalents	20	64,117	283,547
Other current assets	12	18,749	15,389
<b>Total current assets</b>		<b>668,307</b>	<b>950,778</b>
<b>Total assets</b>		<b>3,385,938</b>	<b>2,972,835</b>
<b>EQUITY</b>			
Share capital		80,939	80,828
Retained earnings and other reserves		1,652,968	1,445,583
Profit for the year		151,013	301,417
<b>Total equity</b>		<b>1,884,920</b>	<b>1,827,828</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	17	370,956	303,704
Other non-current financial liabilities	17	589	124
Non-current provisions	13	184,878	155,988
Other non-current liabilities	14	899	921
<b>Total non-current liabilities</b>		<b>557,322</b>	<b>460,737</b>
<b>CURRENT LIABILITIES</b>			
Short-term debt	17	84,130	170,210
Trade and other payables	17	259,664	224,047
Other current financial liabilities	17	529,976	223,299
Current provisions	13	5,829	5,279
Income tax payable	6	1,190	-
Other current liabilities	15	62,907	61,435
<b>Total current liabilities</b>		<b>943,696</b>	<b>684,270</b>
<b>Total liabilities</b>		<b>1,501,018</b>	<b>1,145,007</b>
<b>Total equity and liabilities</b>		<b>3,385,938</b>	<b>2,972,835</b>



## STATEMENT OF CHANGES IN EQUITY

	Issued share capital HUF million	Treasury shares <sup>1</sup> HUF million	Share capital HUF million	Share premium HUF million	Fair valuation reserve HUF million	Retained earnings HUF million	Retained earnings and other reserves HUF million	Profit for the year HUF million	Total equity HUF million
<b>Opening balance 1 January 2018</b>	<b>102,429</b>	<b>(21,620)</b>	<b>80,809</b>	<b>219,389</b>	<b>232</b>	<b>1,123,549</b>	<b>1,343,170</b>	<b>185,867</b>	<b>1,609,846</b>
Profit for the year	-	-	-	-	-	-	-	301,417	301,417
Other comprehensive income/(loss) for the year	-	-	-	-	(246)	43	(203)	-	(203)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(246)</b>	<b>43</b>	<b>(203)</b>	<b>301,417</b>	<b>301,214</b>
Transfer to reserves	-	-	-	-	-	185,867	185,867	(185,867)	-
Dividends	-	-	-	-	-	(94,278)	(94,278)	-	(94,278)
Settlement of share option agreement	-	-	-	-	-	8,029	8,029	-	8,029
Share-based incentive plan	-	19	19	-	-	431	431	-	450
Share-based incentive plans via MRP organisation <sup>2</sup>	-	-	-	-	-	2,567	2,567	-	2,567
<b>Closing balance 31 December 2018</b>	<b>102,429</b>	<b>(21,601)</b>	<b>80,828</b>	<b>219,389</b>	<b>(14)</b>	<b>1,226,208</b>	<b>1,445,583</b>	<b>301,417</b>	<b>1,827,828</b>
<b>Opening balance 1 January 2019</b>	<b>102,429</b>	<b>(21,601)</b>	<b>80,828</b>	<b>219,389</b>	<b>(14)</b>	<b>1,226,208</b>	<b>1,445,583</b>	<b>301,417</b>	<b>1,827,828</b>
Profit for the year	-	-	-	-	-	-	-	151,013	151,013
Other comprehensive income/(loss) for the year	-	-	-	-	697	1,097	1,794	-	1,794
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>697</b>	<b>1,097</b>	<b>1,794</b>	<b>151,013</b>	<b>152,807</b>
Transfer to reserves	-	-	-	-	-	301,417	301,417	(301,417)	-
Dividends	-	-	-	-	-	(107,284)	(107,284)	-	(107,284)
Settlement of share option agreement	-	-	-	-	-	9,719	9,719	-	9,719
Share-based incentive plan	-	19	19	-	-	174	174	-	193
Share-based incentive plans via MRP organisation <sup>2</sup>	-	92	92	-	-	1,565	1,565	-	1,657
<b>Closing balance 31 December 2019</b>	<b>102,429</b>	<b>(21,490)</b>	<b>80,939</b>	<b>219,389</b>	<b>683</b>	<b>1,432,896</b>	<b>1,652,968</b>	<b>151,013</b>	<b>1,884,920</b>

<sup>1</sup>Including shares under repurchase obligation

<sup>2</sup>See note 4

## STATEMENT OF CASH FLOWS

	Notes	2019 HUF million	2018 HUF million
<b>Profit before tax</b>		<b>169,798</b>	<b>365,056</b>
<i>Adjustments to reconcile profit before tax to cash flows from operations before changes in working capital</i>			
Depreciation, depletion, amortisation and impairments	4	75,108	101,343
Increase / (decrease) in provisions	13	2,153	(163,127)
Net (gain) / loss on asset disposal and divestments		348	(182)
Net interest expense / (income)	5	15,874	15,940
Other finance expense / (income)	5	(106,526)	(99,722)
Other items	22	53,008	12,793
Income taxes paid	6	2,642	(23,546)
<b>Cash flows from operations before changes in working capital</b>		<b>212,405</b>	<b>208,555</b>
<i>Change in working capital</i>			
(Increase) / decrease in inventories	11	(39,994)	(11,805)
(Increase) / decrease in trade and other receivables	19	(36,502)	(119,822)
Increase / (decrease) in trade and other payables		82,191	108,873
(Increase)/decrease in other assets and liabilities	12,15	(35,141)	4,808
<b>Cash flows from operations</b>		<b>182,959</b>	<b>190,609</b>
Capital expenditures	2	(99,446)	(99,498)
Proceeds from disposal of fixed assets	8	541	13,576
Acquisition of businesses (net of cash)		285,898	-
Increase / (decrease) in other finance assets		(580,093)	(33,672)
Interest received and other financial income	5	7,560	9,068
Dividends received	5	134,693	193,010
<b>Cash flows from investing activities</b>		<b>(250,847)</b>	<b>82,484</b>
Proceeds from issue of bonds, notes and debentures		28,400	-
Proceeds from borrowings		181,229	2,591
Repayments of borrowings		(243,486)	(10,647)
Interest paid and other finance expense	5	(17,282)	(20,390)
Dividends paid to owners of parent		(97,354)	(86,234)
<b>Cash flows from financing activities</b>		<b>(148,493)</b>	<b>(114,680)</b>
Currency translation differences relating to cash and cash equivalents		11,864	8,519
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(204,517)</b>	<b>166,932</b>
Cash and cash equivalents at the beginning of the year		283,547	108,191
Cash and cash equivalents at the end of the year		64,117	283,547
<b>Change in Cash and cash equivalents</b>		<b>(219,430)</b>	<b>175,356</b>
Change in Overdraft		14,913	(8,424)
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>(204,517)</b>	<b>166,932</b>

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

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

## 1. Accounting information, policies and significant estimates

### Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by IFRS Interpretations Committee as adopted by the EU and effective on 31 December 2019. Notes to the financial statements also contains disclosures required by Hungarian Accounting Law.

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

### New and amended standards adopted by MOL Plc.

MOL Plc. has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- ▶ IFRS 16 Leases
- ▶ IFRIC 23 Uncertainty over Income Tax Treatments
- ▶ Amendment to IFRS 9 Financial Instruments
- ▶ Amendment to IAS 19 Employee Benefits
- ▶ Amendment to IAS 28 Investments in Associates and Joint Ventures
- ▶ Annual improvements 2015-2017

The above-mentioned standards and amendments do not impact significantly the Company separate results, financial position or disclosures except for IFRS 16 Leases. The impact of the adoption of IFRS 16 Leases and the new accounting policies are disclosed below.

### Changes in accounting policies

MOL Plc. has adopted IFRS 16 Leases retrospectively, but comparative information presented for 2018 reporting period has not been restated, as permitted under the specific transitional provisions in the standard.

#### a) As a lessee

As a lessee, MOL Plc. previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, MOL Plc. recognises the right-of-use assets and lease liabilities for most leases.

However, MOL Plc. has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases. MOL Plc. recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

MOL Plc. presents right-of-use assets from leases in 'Property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The recognised right-of-use assets relate to the following types of assets:

	Land and building and related rights HUF million	Machinery and equipment HUF million	Other machinery and equipment HUF million	Total HUF million
<b>At 31 Dec 2018</b>				
<b>Net book value of finance leases (IAS 17)</b>	-	5,675	4,778	10,453
<b>Period ended 31 Dec 2019</b>				
Additions and capitalisations due to new regulation (IFRS 16)	2,021	13,796	394	16,211
Depreciation for the period	(444)	(4,439)	(927)	(5,810)
Impairment, termination	-	(7)	(129)	(136)
<b>Closing net book value</b>	<b>1,577</b>	<b>15,025</b>	<b>4,116</b>	<b>20,718</b>

Following the adoption of IFRS 16, MOL Plc. has presented lease liabilities within loans and borrowings, please refer to note 17.

MOL Plc. has classified:

- ▶ cash payments for the principal portion of lease payments as financing activities
- ▶ cash payments for the interest portion of lease payments as financing activities
- ▶ 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.

Interest expense on lease liabilities accounted for in the period is HUF 569 million.

Please refer to Note 4 for the expenses relating to short-term leases and leases of low-value assets and variable lease payments accounted for in the period.

### Significant accounting policies

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by MOL Plc. Lease liability is initially measured at the present value of the remaining lease payments, and subsequently increased by the interest cost (calculated by the lessee's incremental borrowing rate in the range from 0.94% to 7.65%) and decreased by the lease payments. Leased asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise those assets which value, when new, do not exceed USD 5,000.

### Transition

On adoption of IFRS 16, MOL Plc. recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 Leases. These lease liabilities were measured at the present value of the remaining lease payments, discounted with incremental borrowing rate as of 1 January 2019. The lease assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

For leases previously classified as finance leases, MOL Plc. recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

MOL Plc. has used the following practical expedients permitted by the standard in applying IFRS 16 for the first time:

- ▶ reliance on previous assessments on whether contract is, or contains a lease
- ▶ the accounting for operating leases with a remaining lease term of less than 1 year as at 1 January 2019 as short-term leases
- ▶ the exclusion of initial direct costs from measuring of the right-of-use asset at the date of initial application, and
- ▶ the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

### Significant accounting estimates and judgements

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

**b) As a lessor**

The accounting policies applicable to MOL Plc. as a lessor are not materially different from the previous rules. MOL Plc. is not required to make any adjustments on transition to IFRS 16.

**Issued but not yet effective International Financial Reporting Standards**

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

**Summary of significant accounting policies**

The accounting policies are detailed in the respective notes.

**Functional and presentation currency**

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

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

**Foreign Currency Transactions**

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

**Significant accounting estimates and judgements**

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

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

## RESULTS FOR THE YEAR

This section explains the results and performance of MOL Plc. for the financial years ended 31 December 2019 and 31 December 2018. Disclosures are following the structure of statement of profit or loss and provide information on segmental data, total operating income, total operating expense, finance result. For taxation and share-based payments, disclosures related to the statement of financial position are also provided in this section.

### 2. Segmental information

#### Accounting policies

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

2019	Upstream HUF million	Downstream HUF million	Consumer Services HUF million	Corporate and other HUF million	Intersegment transfers HUF million	Total HUF million
<b>Net Revenue</b>						
External sales	10,145	1,632,157	360,538	15,352	-	2,018,192
Inter-segment transfers	146,929	283,203	671	16,373	(447,176)	-
<b>Total revenue</b>	<b>157,074</b>	<b>1,915,360</b>	<b>361,209</b>	<b>31,725</b>	<b>(447,176)</b>	<b>2,018,192</b>
Profit / (loss) from operation	38,659	65,834	15,967	(42,721)	1,658	79,397

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

2019	Upstream	Downstream	Consumer Services	Corporate and other	Intersegment transfers	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
<b>Other segment information</b>						
Capital expenditure:	27,674	48,300	5,338	16,703	-	98,015
Property, plant and equipment	25,080	45,476	4,044	7,610	-	82,210
Intangible assets	2,594	2,824	1,294	9,093	-	15,805
Depreciation, depletion, amortisation and impairment	27,957	33,446	4,406	9,299	-	75,108
From this: impairment losses recognised in statement of profit or loss (incl. dry-holes)	5,297	75	6	1	-	5,379
From this: reversal of impairment recognised in statement of profit or loss	-	-	-	-	-	-

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

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

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

### 3. Total operating income

#### Accounting policies

##### Net sales

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, and when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised when control of the goods or services are transferred to the customer.

##### Lease income

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

##### Sales taxes

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

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

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

##### Other operating income

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

**a) Sales by product lines**

	2019	2018
	HUF million	HUF million
Sales of crude oil and oil products	1,781,265	1,868,117
Sales of natural gas and gas products	130,614	155,768
Sales of other products	59,113	71,777
Sales of services	47,200	33,397
<b>Total</b>	<b>2,018,192</b>	<b>2,129,059</b>

**b) Sales by geographical area**

	2019	2018
	HUF million	HUF million
Hungary	1,328,601	1,333,500
Romania	122,901	135,752
Slovakia	82,300	85,732
Austria	79,828	84,863
Serbia	69,670	68,432
Slovenia	47,305	49,768
Croatia	45,435	29,523
Germany	31,196	37,170
Poland	24,142	25,828
Switzerland	21,329	53,166
Great Britain	14,421	35,152
Italy	14,359	146,385
Rest of Europe	44,395	40,251
Iraq	90,407	7
Rest of the World	1,903	3,530
<b>Total</b>	<b>2,018,192</b>	<b>2,129,059</b>

MOL Plc. has one single major customer the revenue from which would exceed 10% of the total net sales revenues (MOL Petrolkémia Zrt. with HUF 202,817 million in 2019 and HUF 250,816 million in 2018).

**c) Other operating income**

	2019	2018
	HUF million	HUF million
Russian compensation for damages by contaminated crude oil	4,345	-
Gain on sales of intangibles, property, plant and equipment	1,046	905
Penalties, late payment interest, compensation received	632	401
Lapsed liabilities	430	24
Reimbursement of costs from exploration	257	170
Allowances and subsidies received	203	431
Gain of non-hedge commodity price transactions	-	2,456
Other	366	696
<b>Total</b>	<b>7,279</b>	<b>5,083</b>

**4. Total operating expenses**
**Accounting policies**
**Total operating expense**

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



	2019 HUF million	2018 HUF million
<b>Raw material and consumables used</b>	<b>1,690,067</b>	<b>1,759,799</b>
Material expenses	1,143,518	1,191,354
Cost of goods purchased for resale	432,927	464,745
Value of material-type services used	98,868	88,747
Value of inter-mediated services	14,754	14,953
<b>Employee benefits expense</b>	<b>70,930</b>	<b>71,554</b>
Wages and salaries	49,478	49,249
Social security	10,117	11,482
Other employee benefits expenses	11,335	10,823
<b>Depreciation, depletion, amortisation and impairment</b>	<b>75,108</b>	<b>101,343</b>
<b>Other operating expenses</b>	<b>137,557</b>	<b>108,706</b>
Loss of non-hedge commodity price transactions	28,336	-
Mining royalties	26,917	28,413
Other services	12,430	10,529
Contribution to strategic inventory storage	12,136	11,834
Rental costs	11,917	15,748
Consultancy fees	10,581	13,429
Advertising expenses	7,960	6,779
Penalties, late payment interest, compensation (net of provision utilized)	4,145	286
Taxes and contributions	3,364	3,769
Bookkeeping services	3,029	2,586
Net provision for field abandonment	2,829	(338)
Environmental provision made during the year	2,180	376
Other	11,733	15,295
<b>Change in inventory of finished goods and work in progress</b>	<b>(12,918)</b>	<b>(6,678)</b>
<b>Work performed by the enterprise and capitalised</b>	<b>(14,670)</b>	<b>(16,263)</b>
<b>Total operating expenses</b>	<b>1,946,074</b>	<b>2,018,461</b>

### Raw materials and consumables used

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

### Employee benefit expenses

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

### Share-based payments

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

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

#### Equity-settled transactions

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

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

#### Cash-settled transactions

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

	2019 HUF million	2018 HUF million
Cash-settled share-based payment expense	(139)	405
Equity-settled share-based payment expense	2,142	3,116
<b>Total expense of share-based payment transactions</b>	<b>2,003</b>	<b>3,521</b>

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

### **Cash-settled share-based payments**

#### **Share Option Incentive Schemes for management**

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

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

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

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

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

	2019 <sup>1</sup>		2018 <sup>1</sup>	
	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
<b>Outstanding at the beginning of the year</b>	<b>884,480</b>	<b>1,596</b>	<b>2,105,008</b>	<b>1,651</b>
Granted during the year	-	-	19,088	1,669
Forfeited during the year	-	-	(3,888)	1,669
Exercised during the year	(540,264)	1,550	(1,235,728)	1,691
Expired during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>344,216</b>	<b>1,669</b>	<b>884,480</b>	<b>1,596</b>
Exercisable at the end of the year	344,216	1,669	884,480	1,596

<sup>1</sup> Solely contain the cash-settled Share Option Incentives Schemes for management

As required by IFRS 2 - Share-based payment, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. Gains arising from the Share Option Plan programme amount to HUF 331 million in 2019 (2018: expense of HUF 462 million). Liabilities in respect of share-based payment plans amount to HUF 521 million as at 31 December 2019 (2018: HUF 1,590 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.

	2019	2018
Weighted average exercise price (HUF / share)	1,669	1,596
Share price as of 31 December (HUF / share)	2,940	3,078
Expected volatility based on historical data	18.87%	23.51%
Expected dividend yield	4.37%	2.91%
Estimated maturity (years)	1.00	1.63
Risk free interest rate	0.29%	0.92%

### Performance Share Plan for management

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

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

Expenses arising from the Performance Share Plan programme amount to HUF 192 million in 2019 (2018: revenue of HUF 57 million). There is no Liabilities in respect of the Performance Share Plan programme as at 31 December 2019 (2018: HUF 859 million).

### Equity-settled share-based payments

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

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

### Absolute Share Value Based Remuneration Incentive for management

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

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

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

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

	2019		2018	
	Number of shares in conversion option units	Weighted average exercise price	Number of shares in conversion option units	Weighted average exercise price
	number of shares	HUF/share	Number of shares	HUF/share
<b>Outstanding at the beginning of the year</b>	<b>4,598,242</b>	<b>2,741</b>	<b>2,498,976</b>	<b>2,352</b>
Granted during the year	2,788,072	3,056	2,757,011	3,060
Forfeited during the year	(298,298)	2,942	(631,105)	2,611
Exercised during the year	(1,202,720)	2,352	(26,640)	2,352
Expired during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>5,885,296</b>	<b>2,960</b>	<b>4,598,242</b>	<b>2,741</b>
Exercisable at the end of the year	964,552	2,352	-	-

As required by IFRS 2 – Share-based payment, this share-based compensation is accounted for as equity-settled, expensing the fair value of the benefit as determined at grant date during the vesting period. In 2019 expenses amount to HUF 176 million (2018: HUF 1,227 million).

### Relative Market Index Based Remuneration Incentive for management

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

- ▶ Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- ▶ Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and MSCI Emerging Markets Energy Index).
- ▶ Basis of the evaluation is the average difference in MOL's year-on-year (12 months) share price performance in comparison to the benchmark indices for three years.
- ▶ Payout rates are defined based on the over / underperformance of MOL share price.
- ▶ The rate of incentive is influenced by the individual short-term performance.
- ▶ Payout is either in form of providing of MOL shares or in cash payment based on MOL Plc. decision. For plans starting 1 January 2018 and later, payout is solely in form of shares.

Expenses arising from the Relative Market Index Based Remuneration Plan amount to HUF 140 million in 2019 (2018: HUF 309 million).

### Short-term Share Ownership Incentive for management

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

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

Expenses arising from the Short-term Share Ownership Plan amount to HUF 1,271 million in 2019 (2018: 1,024 million).

### Share Incentive scheme for the members of the Board of Directors

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

According to IFRS 2 – Share-based payment, the incentive qualifies as an equity-settled share-based scheme, therefore the fair value of the benefit should be expensed during the one year investing period with a corresponding increase in the equity. The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant, which is the first trading day of the year. In 2019 with respect of the share scheme programme, HUF 555 million (2018: HUF 556 million) is recorded as an expense, parallel with the corresponding increase in the equity.

	2019	2018
Number of shares vested	148,800	148,800
Share price at the date of grant (HUF / share)	3,079	3,021

## 5. Finance result

### Accounting policies

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

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

	2019	2018
	HUF million	HUF million
<b>Finance result</b>		
Dividend income	137,702	197,603
Foreign exchange gains	13,876	10,911
Impairment reversal of investments in subsidiaries	12,540	30,493
Interest income	6,573	6,609
Other finance income	4,313	2,268
Provision reversal for intercompany obligation	191	165,608
<b>Total finance income</b>	<b>175,195</b>	<b>413,492</b>
Impairment of investments in subsidiaries	37,464	109,093
Foreign exchange losses	20,636	28,955
Interest expense	17,114	18,198
Unwinding of discount on provisions	5,334	4,353
Other finance expense	4,246	3,518
<b>Total finance expense</b>	<b>84,794</b>	<b>164,117</b>
<b>Net finance expense</b>	<b>90,401</b>	<b>249,375</b>

## 6. Income taxes

### Accounting policies

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

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

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

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

## Significant accounting estimates and judgements

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

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

### a) Analysis of taxation charge for the year

Total applicable income taxes reported in the financial statements for the years ended 31 December 2019 and 31 December 2018 include the following components:

	2019	2018
	HUF million	HUF million
Local trade tax and innovation fee	9,802	10,506
Deferred taxes	6,886	52,948
Current corporate income tax and industry income taxes	2,097	185
<b>Total income tax expense</b>	<b>18,785</b>	<b>63,639</b>

### b) Current income taxes

The applicable corporate income tax rate on the taxable income was 9% in 2019 and 2018.

Industry taxes include tax on energy supply activities in Hungary with an effective tax rate of 17,8% (2018: 21%) on tax base calculated using local regulations.

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

### c) Deferred tax assets and liabilities

The deferred tax balances as of 31 December 2019 and 31 December 2018 in the statement of financial position consist of the following items by categories:

	2019	2018
	HUF million	HUF million
Statutory losses carried forward	30,618	29,391
Provisions	24,705	22,100
Deferred tax impact on IFRS transition	6,336	15,030
Property, plant and equipment and intangible assets	(3,501)	(3,140)
Other temporary differences <sup>1</sup>	480	2,143
<b>Net deferred tax asset</b>	<b>58,638</b>	<b>65,524</b>
<i>of which:</i>		
Total deferred tax assets	62,139	68,664
Total deferred tax liabilities	(3,501)	(3,140)

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

MOL Plc. has a deferred tax asset related to the negative tax base cumulated until 2014, which can be utilised until 2030 against taxable incomes according to the corporate income tax law. The balance also contains part of the loss of 2017 and loss of 2018, which can be used in a 5-year period from the year when the tax loss was created.

Equity difference arising from reporting GAAP change to IFRS gave rise to a deductible difference that can be utilised during 2016-2020 in case of industry tax on energy supply activities.

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

#### d) Reconciliation of taxation rate

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

	2019	2018
	HUF million	HUF million
<b>Profit before tax</b>	<b>169,798</b>	<b>365,056</b>
Tax expense at the applicable tax rate (2019: 9%, 2018: 9%)	15,282	32,855
Other tax expenses (local trade tax, innovation fee)	11,252	10,691
of which:		
local trade tax	8,511	9,118
innovation fee	1,291	1,388
industry income tax	1,284	-
Deferred tax impact of industry tax	7,371	37,674
Losses not recognised as deferred tax asset	(3,293)	1,113
Non-deductible expenses	199	112
Recognition of prior year tax losses carried forward	-	72
Effect of tax audit	377	(39)
Utilised negative tax base	(227)	-
Tax allowance available	(146)	(214)
Non-taxable income	(12,393)	(17,785)
Other tax expenses	363	(840)
<b>Total income tax expense for the year</b>	<b>18,785</b>	<b>63,639</b>
<b>Effective tax rate</b>	<b>11%</b>	<b>17%</b>

#### e) Unrecognised deferred tax assets

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

	2019	2018
	HUF million	HUF million
Tax losses - expiry within 5 years	131,870	168,460
<b>Total tax losses</b>	<b>131,870</b>	<b>168,460</b>

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

## 7. Components of other comprehensive income

	2019	2018
	HUF million	HUF million
<b>Changes in fair value of debt instruments at fair value through other comprehensive income</b>		
Gains / (losses) arising during the year	697	(246)
<b>Total</b>	<b>697</b>	<b>(246)</b>
<b>Remeasurement of post-employment benefit obligations</b>		
Gains / (losses) arising during the year	1,097	43
<b>Total</b>	<b>1,097</b>	<b>43</b>

## NON-FINANCIAL ASSETS AND LIABILITIES

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

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

#### a) Property, plant and equipment

##### Accounting policies

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

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

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



	Land and buildings HUF million	Machinery and equipment HUF million	Other machinery and equipment HUF million	Construction in progress HUF million	Total HUF million
<b>At 1 Jan 2018</b>					
Gross book value	640,114	519,271	58,228	85,139	1,302,752
Accumulated depreciation and impairment	(481,832)	(408,286)	(45,973)	(4,536)	(940,627)
<b>Net book value</b>	<b>158,282</b>	<b>110,985</b>	<b>12,255</b>	<b>80,603</b>	<b>362,125</b>
<b>Year ended 31 Dec 2018</b>					
Additions and capitalisations	26,978	32,487	8,212	18,452	86,129
Depreciation for the year	(42,014)	(24,860)	(4,542)	-	(71,416)
Impairment	(18)	(248)	(4)	(25,152)	(25,422)
Reversal of impairment	2,032	270	13	-	2,315
Disposals	(5)	(17)	(4)	(11,988)	(12,014)
Transfers and other movements	3,570	1,073	1,503	142	6,288
<b>Closing net book value</b>	<b>148,825</b>	<b>119,690</b>	<b>17,433</b>	<b>62,057</b>	<b>348,005</b>
<b>At 31 Dec 2018</b>					
Gross book value	676,279	544,255	66,352	82,184	1,369,070
Accumulated depreciation and impairment	(527,454)	(424,565)	(48,919)	(20,127)	(1,021,065)
<b>Net book value</b>	<b>148,825</b>	<b>119,690</b>	<b>17,433</b>	<b>62,057</b>	<b>348,005</b>
<b>At 31 Dec 2019</b>					
Additions and capitalisations	37,225	47,336	12,201	1,530	98,292
Depreciation for the year	(25,997)	(31,275)	(6,686)	-	(63,958)
Impairment	(2,051)	(343)	(6)	(2,979)	(5,379)
Disposals	(132)	(15)	(153)	-	(300)
Transfers and other movements	22,570	1,178	7	(2,180)	21,575
<b>Closing net book value</b>	<b>180,440</b>	<b>136,571</b>	<b>22,796</b>	<b>58,428</b>	<b>398,235</b>
<b>At 31 Dec 2019</b>					
Gross book value	735,145	587,935	76,439	78,555	1,478,074
Accumulated depreciation and impairment	(554,705)	(451,364)	(53,643)	(20,127)	(1,079,839)
<b>Net book value</b>	<b>180,440</b>	<b>136,571</b>	<b>22,796</b>	<b>58,428</b>	<b>398,235</b>

## Leased assets

### Accounting policies

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

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

MOL Plc. has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases. MOL Plc. recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

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

Please refer to note 1: Changes in accounting policies for details of leased assets.

## 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 393 million in 2019 (2018: HUF 515 million). In 2019 the applicable capitalisation rate (including the impact of foreign exchange differences) has been 1.3 % (2018: 1.4%).

## b) Intangible assets

### Accounting policies

An intangible asset is recognised initially at cost.

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

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

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

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

	Rights HUF million	Software HUF million	Exploration and evaluation assets HUF million	Emission quotas HUF million	Goodwill HUF million	Total HUF million
<b>At 1 Jan 2018</b>						
Gross book value	75,752	20,759	71,787	-	281	168,579
Accumulated amortisation and impairment	(60,799)	(13,218)	(57,423)	-	(77)	(131,517)
<b>Net book value</b>	<b>14,953</b>	<b>7,541</b>	<b>14,364</b>	<b>-</b>	<b>204</b>	<b>37,062</b>
<b>Year ended 31 Dec 2018</b>						
Additions	2,582	5,250	3,442	1,572	-	12,846
Amortisation for the year	(3,436)	(526)	(194)	-	-	(4,156)
Write-off	(1,861)	-	(803)	-	-	(2,664)
Disposals	-	(2,454)	-	(1,655)	-	(4,109)
Revaluation of emission quotas	-	-	-	571	-	571
Transfers and other movements	1,375	719	(8,612)	-	-	(6,518)
<b>Closing net book value</b>	<b>13,613</b>	<b>10,530</b>	<b>8,197</b>	<b>488</b>	<b>204</b>	<b>33,032</b>
<b>At 31 Dec 2018</b>						
Gross book value	78,415	24,635	60,588	488	281	164,407
Accumulated amortisation and impairment	(64,802)	(14,105)	(52,391)	-	(77)	(131,375)
<b>Net book value</b>	<b>13,613</b>	<b>10,530</b>	<b>8,197</b>	<b>488</b>	<b>204</b>	<b>33,032</b>
<b>At 31 Dec 2019</b>						
Additions	3,064	8,182	3,652	2,769	-	17,667
Amortisation for the year	(4,374)	(1,155)	(242)	-	-	(5,771)
Disposals	-	-	(481)	(3,503)	-	(3,984)
Revaluation of emission quotas	-	-	-	743	-	743
Transfers and other movements	4,843	(2,727)	315	-	-	2,431
<b>Closing net book value</b>	<b>17,146</b>	<b>14,830</b>	<b>11,441</b>	<b>497</b>	<b>204</b>	<b>44,118</b>
<b>At 31 Dec 2019</b>						
Gross book value	86,321	30,635	63,454	497	281	181,188
Accumulated amortisation and impairment	(69,175)	(15,805)	(52,013)	-	(77)	(137,070)
<b>Net book value</b>	<b>17,146</b>	<b>14,830</b>	<b>11,441</b>	<b>497</b>	<b>204</b>	<b>44,118</b>

## Oil and natural gas exploration and development expenditures

### Accounting policies

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

### License and property acquisition costs

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

### Exploration expenditure

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

### Development expenditure

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

### Significant accounting estimates and judgements

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

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

### Write-off of dry-holes

	2019	2018
Dry-hole	HUF million	HUF million
Hungary	-	882

## c) Depreciation, depletion and amortisation

### Accounting policies

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

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

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

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

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

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

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

### Significant accounting estimates and judgements

The determination of MOL Plc.'s estimated oil and natural gas reserves requires significant judgements and estimates to be applied and these are yearly reviewed and updated. Numerous factors have impact on determination of MOL Plc.'s estimates of its oil and natural gas reserves (e.g. geological and engineering data, reservoir performance, acquisition and divestment activity, drilling of new

wells, and commodity prices). MOL Plc. bases its proved and developed reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and regulatory requirements. Oil and natural gas reserve data are used to calculate depreciation, depletion and amortisation charges for MOL Plc.'s oil and gas properties. The impact of changes in these estimations is handled prospectively by amortising the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the value in use calculations applied for determination of the recoverability of assets.

## d) Impairment of assets

### Accounting policies

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

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

### Significant accounting estimates and judgements

#### Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units. Value in use is usually determined on the basis of discounted estimated future net cash flows. In determination of cash flows the most significant variables are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products.

### Impairments

Impairments and write-offs (without dry-holes)	2019	2018
	HUF million	HUF million
Upstream	5,297	705
Downstream	75	24,483
Consumer services	6	2,016
Corporate and other	1	-
<b>Total</b>	<b>5,379</b>	<b>27,204</b>
<b>Impairment reversals</b>		
Upstream	-	2,315
<b>Total</b>	<b>-</b>	<b>2,315</b>

## 9. Investments in subsidiaries, associated companies and joint ventures

### Accounting policies

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

In case of investments paid in foreign currency:

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

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

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

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

	2019	2018
	HUF million	HUF million
<b>Investments</b>		
Subsidiaries	1,946,695	1,461,137
Joint ventures	1,750	1,750
Associates	-	6
Other investments	75,271	75,271
<b>Total investments</b>	<b>2,023,716</b>	<b>1,538,164</b>

	Subsidiaries	Joint ventures	Associates	Other investments	Total
	HUF million	HUF million	HUF million	HUF million	HUF million
<b>Opening net balance of 2018</b>	<b>1,510,821</b>	<b>1,750</b>	<b>6</b>	<b>75,271</b>	<b>1,587,848</b>
Capital increase	26,155	-	-	-	26,155
Impairment reversal	30,493	-	-	-	30,493
Acquisition	16,667	-	-	-	16,667
Establishment	1,115	-	-	-	1,115
Impairment	(109,093)	-	-	-	(109,093)
Capital decrease	(14,964)	-	-	-	(14,964)
Other	(57)	-	-	-	(57)
<b>Closing net balance of 2018</b>	<b>1,461,137</b>	<b>1,750</b>	<b>6</b>	<b>75,271</b>	<b>1,538,164</b>
Capital increase	512,290	-	-	-	512,290
Impairment reversal	12,540	-	-	-	12,540
Acquisition	9,216	-	-	-	9,216
Establishment	56	-	-	-	56
Impairment	(37,464)	-	-	-	(37,464)
Dissolution	(11,052)	-	(6)	-	(11,058)
Other	(28)	-	-	-	(28)
<b>Closing net balance of 2019</b>	<b>1,946,695</b>	<b>1,750</b>	<b>-</b>	<b>75,271</b>	<b>2,023,716</b>

Significant economic events regarding investments in 2019 were the following:

Investments	Capital increase	Acquisition	Impairment reversal	Dissolution	Impairment	Other	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	240	-	-	-	(961)	-	(721)
Csanád Szénhidrogén Koncessziós Kft.	1,800	-	-	-	(214)	-	1,586
Italiana Energia e Servizi S.p.A. (IES)	-	-	-	-	(16,974)	-	(16,974)
Kalegran B.V. (formerly MOL Iraq B.V.)	-	-	-	-	(708)	-	(708)
KMSZ Kelet-Magyarországi Szénhidrogén Koncessziós Kft.	470	-	-	-	(1,077)	-	(607)
Leodium Kft.	1,771	-	-	-	-	-	1,771
MH Oil and Gas B.V.	35	-	-	-	(6,983)	-	(6,948)
MNS Oil&Gas B.V.	-	-	12,540	-	-	-	12,540
MOL CEE Investments B.V.	-	-	-	(11,052)	-	-	(11,052)
MOL Crossroads B.V. <sup>1</sup>	465,992	-	-	-	-	32	466,024
MOL Dráva Szénhidrogén Koncessziós Kft.	401	-	-	-	-	3	404
MOL Ingatlan HOLDING Kft.	22,200	-	-	-	-	-	22,200
MOL Limitless Mobility Holding Kft.	700	-	-	-	(1,205)	-	(505)
MOL Nordsjön B.V.	21	-	-	-	(2,412)	-	(2,391)
MOL Solar Investment Kft.	15,050	-	-	-	(4,471)	-	10,579
MOL Somogybükkösd Szénhidrogén Koncessziós Kft.	694	-	-	-	(563)	-	131
MOL Somogyvámos Szénhidrogén Koncessziós Kft.	2,100	-	-	-	(1,524)	-	576
Slovnaft a.s. <sup>2</sup>	-	9,201	-	-	-	-	9,201
Other	816	15	-	(6)	(372)	(7)	446
<b>Total changes in investments</b>	<b>512,290</b>	<b>9,216</b>	<b>12,540</b>	<b>(11,058)</b>	<b>(37,464)</b>	<b>28</b>	<b>485,552</b>

<sup>1</sup>On 4 November 2019, MOL Crossroads B.V. has signed an agreement with Chevron Global Ventures Ltd and Chevron BTC Pipeline Ltd to acquire their E&P interests operated by BP 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 total consideration of USD 1.57bn (subject to adjustments at closing). Once completed, this transaction will make MOL Group the third largest field partner in ACG. The transaction is subject to government and regulatory approvals and is expected to close in first half of 2020.

<sup>2</sup>MOL Plc. has increased its interest in Slovnaft a.s by acquiring shares from non-controlling interest. By these transaction MOL Plc. has become 100% owner of Slovnaft a.s on 18 December 2019.

Significant economic events regarding investments in 2018 were the following:

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

<sup>1</sup>Most part of other item is the effect of that Theatola Ltd. merged into Kalegran B.V.

## 10. Other non-current assets

	2019 HUF million	2018 HUF million
Advance payments for assets under construction	1,190	530
Prepaid mining royalty	215	224
<b>Total</b>	<b>1,405</b>	<b>754</b>

## 11. Inventories

### Accounting policies

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

	2019		2018	
	At cost	Lower of cost or net realisable value	At cost	Lower of cost or net realisable value
	HUF million	HUF million	HUF million	HUF million
Purchased crude oil	84,992	84,992	68,691	68,691
Work in progress and semi-finished goods	55,497	55,497	50,602	50,602
Finished goods	53,250	53,250	47,779	45,228
Other raw materials	21,613	19,781	17,399	15,654
Other goods for resale	17,696	17,696	12,454	12,095
<b>Total</b>	<b>233,048</b>	<b>231,216</b>	<b>196,925</b>	<b>192,270</b>

Impairment of HUF 1,048 million has been recorded in 2019 (2018: HUF 5,594 million), mainly on raw materials and finished goods.

## 12. Other current assets

	2019	2018
	HUF million	HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	8,196	9,114
Prepaid expenses	7,772	5,439
Advance payments	2,540	744
Other	241	92
<b>Total</b>	<b>18,749</b>	<b>15,389</b>

Other item contains mainly revenue accruals and receivables regarding employees.

## 13. Provisions

### Accounting policies

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

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

### Provision for Environmental expenditures

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

### Provision for Field abandonment

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

### Provision for Redundancy

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



**Provision for Retirement benefits**

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

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

**Provision for Legal claims**

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

**Provision for Intercompany obligations**

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

**Provision for Emission quotas**

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

**Significant accounting estimates and judgements**

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

**Scope, quantification and timing of environmental and field abandonment provision**

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

**Actuarial estimates applied for calculation of retirement benefit obligations**

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

**Outcome of certain litigations**

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

	Environmental	Field abandonment	Redundancy	Long-term employee benefits	Legal claims	Provision for intercompany obligations	Emission rights and other	Total
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
<b>Balance as of 1 Jan 2018</b>	<b>10,036</b>	<b>125,548</b>	<b>317</b>	<b>6,963</b>	<b>11,904</b>	<b>165,734</b>	<b>2,060</b>	<b>322,562</b>
Additions and revision of previous estimates	376	(3,199)	189	495	716	(165,592)	4,271	(162,744)
Unwinding of the discount	274	3,852	-	202	-	-	25	4,353
Currency differences	-	-	-	-	430	47	-	477
Provision used during the year	(974)	(92)	(238)	(422)	(17)	-	(1,638)	(3,381)
<b>Balance as of 31 Dec 2018</b>	<b>9,712</b>	<b>126,109</b>	<b>268</b>	<b>7,238</b>	<b>13,033</b>	<b>189</b>	<b>4,718</b>	<b>161,267</b>
Additions and revision of previous estimates	529	25,158	55	(942)	1,000	-	3,126	28,926
Unwinding of the discount	366	4,671	-	277	-	-	20	5,334
Currency differences	-	-	-	-	361	2	-	363
Provision used during the year	(1,077)	-	(178)	(426)	(44)	(191)	(3,267)	(5,183)
<b>Balance as of 31 Dec 2019</b>	<b>9,530</b>	<b>155,938</b>	<b>145</b>	<b>6,147</b>	<b>14,350</b>	<b>-</b>	<b>4,597</b>	<b>190,707</b>
Current portion 31 Dec 2018	984	150	-	260	-	-	3,885	5,279
Non-current portion 31 Dec 2018	8,728	125,959	268	6,978	13,033	189	833	155,988
Current portion 31 Dec 2019	1,215	207	-	535	-	-	3,872	5,829
Non-current portion 31 Dec 2019	8,315	155,731	145	5,612	14,350	-	725	184,878

### Provision for Environmental expenditures

The closing balance of provision for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar is HUF 9,530 million. The provision is made on the basis of assessments prepared by MOL's internal environmental expert team. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates.

### Provision for Field abandonment

As of 31 December 2019, provision of HUF 155,938 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 1% of these costs are expected to be incurred between 2020 and 2024 and the remaining 99% between 2025 and 2070. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgement of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalised as a component of the underlying fields.

### Provision for Redundancy

As part of continuing efficiency improvement projects MOL Plc. decided to further optimise workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, MOL Plc. recognised a provision for the net present value of future redundancy payments and related tax and contribution. The closing balance of provision for redundancy is HUF 145 million as of 31 December 2019 (31 December 2018: HUF 268 million).

### Provision for Long-term employee benefits

As of 31 December 2019, MOL Plc. has recognised a provision of HUF 6,147 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from MOL Plc. The company operates benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service and the amount of 8 MOL shares after every year of service. In addition to the above-mentioned benefits, in Hungary the retiring employees are entitled to the absence fee for their notice period – which lasts for 1-3 months depending on the length of the past service – which is determined by the Hungarian Labour Code. None of these plans have separately administered funds, therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data which are in line with those incorporated in the business plan of MOL Plc.

	2019 HUF million	2018 HUF million
<b>Present value of total long-term employee benefit obligation at the beginning of the year</b>	<b>7,238</b>	<b>6,963</b>
Current service cost	229	320
Interest costs	277	202
Provision used during the year	(426)	(422)
Net actuarial (gain) / loss	(1,171)	175
<i>from which:</i>		
Retirement benefit (See Note 7)	(1,097)	(43)
Jubilee benefit	(74)	218
<b>Present value of total long-term employee benefit obligation at year end</b>	<b>6,147</b>	<b>7,238</b>

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

	2019 HUF million	2018 HUF million
Current service cost	229	320
Net actuarial (gain) / loss	(1,171)	218
<b>Balance as at year end</b>	<b>(942)</b>	<b>538</b>

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

	2019	2018
Discount rate in %	-0.02-3.61	3.82 -4.84
Average wage increase in %	5.00	4.03 - 5.00
Mortality index (male)	0.04-3.06	0.05 - 3.57
Mortality index (female)	0.03-1.34	0.02 - 1.53

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

	Retirement benefits		Jubilee benefits	
	2019 HUF million	2018 HUF million	2019 HUF million	2018 HUF million
Actuarial (gains) / losses arising from changes in demographical assumptions	(1,394)		(127)	-
Actuarial (gains) / losses arising from changes in financial assumptions	770	362	185	184
Actuarial (gains) / losses arising from experience adjustments	(473)	(405)	(132)	34
<b>Total actuarial (gains) / losses</b>	<b>(1,097)</b>	<b>(43)</b>	<b>(74)</b>	<b>218</b>

#### Provision for legal claims

As of 31 December 2019, provision of HUF 14,350 million (31 December 2018: HUF 13,033 million) has been made for estimated total future losses from litigations.

#### Provision for intercompany obligations

In 2019 reversal of provision recorded in amount of HUF 189 million as the exposure under intercompany obligation has ceased.

#### Provision for emission quotas

As of 31 December 2019, the MOL Plc. has recognised provision of HUF 2,884 million for the shortage of emission quotas (31 December 2018: 3,456 million). In 2019, MOL Plc. has been granted 1,276,471 tons emission quotas by the Hungarian authorities (in 2018: 1,302,902 tons). The total emissions during 2019 amounted to equivalent of 1,676,450 tons of emission quotas (2018: 1,731,208 tons).

#### 14. Other non-current liabilities

	2019 HUF million	2018 HUF million
Government grants received	570	523
Compensation received for pipeline eliciting	226	285
Other	103	113
<b>Total</b>	<b>899</b>	<b>921</b>

#### 15. Other current liabilities

	2019 HUF million	2018 HUF million
Taxes, contributions payable (excluding corporate tax)	45,892	45,079
Amounts due to employees	10,274	11,843
Advances from customers	2,600	3,011
Other accrued incomes	2,498	321
Other	1,643	1,181
<b>Total</b>	<b>62,907</b>	<b>61,435</b>

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

# FINANCIAL INSTRUMENTS, CAPITAL AND FINANCIAL RISK MANAGEMENT

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

## Accounting policies

### Initial recognition

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

### Financial assets - Classification

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

#### Amortised cost

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

#### Fair value through other comprehensive income

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

#### Fair value through profit or loss

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

### Financial liabilities – Classification

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

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

### Subsequent measurement

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

#### Amortised cost

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

#### Fair value through other comprehensive income – debt instrument

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

#### Fair value through other comprehensive income – equity instrument

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

#### Fair value through profit or loss

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

#### **Fair value measurement**

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

#### **Derecognition of Financial Instruments**

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

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

#### **Impairment of Financial Assets**

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

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

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

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

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

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

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

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

#### **Significant accounting estimates and judgements**

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

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

## 16. Financial risk and capital management

### Financial risk management

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

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

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

### a) Key exposures

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

#### Commodity price risk

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

In 2019 MOL Plc. concluded short and mid-term commodity swap and option transactions. These transactions are mainly conducted for operational hedging purposes, in order to mitigate the effects of the price volatility in our operations and in the same time, when possible, to lock in favourable forward curve structure.

#### Foreign currency risk

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

#### Interest rate risk

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

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

#### Credit risk

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

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

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

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

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

#### Liquidity risk

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

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

	2019	2018
	HUF million	HUF million
<b>The amount of undrawn major committed credit facilities</b>		
Long-term loan facilities available	673,269	791,392
Short-term facilities available	28,115	26,204
<b>Total loan facilities available</b>	<b>701,384</b>	<b>817,596</b>

MOL entered through its fully owned MOL Group Finance S.A. subsidiary into a EUR 570 million revolving credit facility agreement with 14 bank groups on the 26 of September 2019. Simultaneously, the total available commitment is cancelled under the USD 1.55 billion revolving credit facility agreement concluded on 30 October 2014, in the amount of USD 620 million. The maturity of the new credit line is 5 years, which can be further extended with 1-1 years altogether maximum two times.

The EUR 555 million revolving credit facility agreement signed on 9 July 2018 by MOL Group Finance S.A. Bertrange, Zürich Branch ("FinCo") as Borrower and MOL as Guarantor, with 5 years original maturity was extended by one additional year with unchanged margin levels in amount of EUR 470 million. The new maturity date regarding the extended part of the facility is 9 July 2024.

The EUR 750 million revolving credit facility agreement, signed on 15 December 2017 with 5 years original maturity, extended by one year in 2018, was extended for the second and last time for an additional one year with unchanged total amount and margin levels. New maturity of the facility is now 15 December 2024.

Maturity profile of financial liabilities based on contractual undiscounted payments	Due within 1 month	Due between 1 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
2019	HUF million	HUF million	HUF million	HUF million	HUF million
Borrowings	47,556	38,681	354,033	42,335	482,605
Transferred "A" shares with put&call options	-	232,009	-	-	232,009
Trade and other payables	183,275	76,389	-	-	259,664
Other financial liabilities	847	-	-	-	847
<b>Non-derivative financial instruments</b>	<b>231,678</b>	<b>347,079</b>	<b>354,033</b>	<b>42,335</b>	<b>975,125</b>
Derivatives	-	-	12,733	-	12,733

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



## b) Sensitivity analysis

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

	2019	2018
	HUF billion	HUF billion
<b>Effect on Clean CCS-based<sup>1</sup> (Current Cost of Supply) profit / (loss) from operations</b>		
<b>Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads)</b>		
Upstream	+11.6/-11.6	+7.5/-10.5
Downstream	-2.3/+2.3	-2.3/+2.3
<b>Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)</b>		
Upstream	+2.8/-2.8	+4.2/-4.2
Downstream	+10.7/-10.7	+11.4/-11.4
<b>Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads)</b>		
Upstream	+1.5/-1.5	+2.4/-2.4
Downstream	+1.6/-1.6	+1.8/-1.8
<b>Refinery margin (change by +/- 1 USD/bbl)</b>		
Downstream	+13.2/-13.1	+15/-15.1

<sup>1</sup> 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.

	2019	2018
	HUF million	HUF million
<b>Short-term debt</b>		
Bank loans	66,753	5,433
Finance lease liabilities	6,401	1,103
Eurobond €750 million due 2023	4,938	4,283
Schuldschein €130 million due between 2020-2027	3,966	217
Liabilities to subsidiaries	2,069	159,164
Other	3	10
<b>Total short-term debt</b>	<b>84,130</b>	<b>170,210</b>
<b>Long-term debt</b>		
Eurobond €750 million due 2023	245,786	239,185
Bank loans	41,218	12,950
Schuldschein €130 million due between 2020-2027	39,120	41,708
HUF bond HUF 28,400 million due 2029	28,789	-
Finance lease liabilities	15,989	9,861
Liabilities to subsidiaries	54	-
<b>Total long-term debt</b>	<b>370,956</b>	<b>303,704</b>
<b>Gross debt (long-term and short-term)</b>	<b>455,086</b>	<b>473,914</b>
Cash and cash equivalents	64,117	283,547
Current debt securities	24,275	54
<b>Net Debt</b>	<b>366,694</b>	<b>190,313</b>
Total equity	1,884,920	1,827,828
<b>Capital and net debt</b>	<b>2,251,614</b>	<b>2,018,141</b>
<b>Gearing ratio (%)</b>	<b>16.29%</b>	<b>9.43%</b>
Profit from operation	79,397	115,681
Depreciation, depletion, amortisation and impairment	75,108	101,343
Reported EBITDA	154,505	217,024
<b>Net Debt / Reported EBITDA</b>	<b>2.37</b>	<b>0.88</b>

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

	2019	2018
	HUF million	HUF million
<b>Gross debt by currency</b>		
EUR	391,706	303,617
HUF	49,625	10,910
USD	13,755	159,387
<b>Gross debt</b>	<b>455,086</b>	<b>473,914</b>

The following issued bonds were outstanding as of 31 December 2019:

	Ccy	Amount Issued (orig ccy, millions)	Coupon	Type	Cpn Freq	Issue date	Maturity	Issuer
Eurobond	EUR	750	2.625	Fixed	Annual	28.04.2016	28.04.2023	MOL Plc.
HUF bond	HUF	28,400	2	Fixed	Annual	24.09.2019	24.09.2029	MOL Plc.

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

	2019		2018	
	Minimum lease payments HUF million	Lease receivable HUF million	Minimum lease payments HUF million	Lease receivable HUF million
<b>Finance lease receivable</b>				
Due within one year	686	641	341	271
Due later than one year but not later than five years	1,432	1,287	1,364	1,193
Due later than five years	140	141	483	469
<b>Total</b>	<b>2,258</b>	<b>2,069</b>	<b>2,188</b>	<b>1,933</b>
Future finance income	189	n/a	255	n/a
<b>Lease receivable</b>	<b>2,069</b>	<b>2,069</b>	<b>1,933</b>	<b>1,933</b>

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

	2019		2018	
	Minimum lease payments HUF million	Lease liability HUF million	Minimum lease payments HUF million	Lease liability HUF million
<b>Finance lease liability</b>				
Due within one year	6,806	6,401	1,493	1,103
Due later than one year but not later than five years	10,896	10,030	4,506	3,526
Due later than five years	6,655	5,959	7,142	6,335
<b>Total</b>	<b>24,357</b>	<b>22,390</b>	<b>13,141</b>	<b>10,964</b>
Future finance charges	(1,967)	n/a	(2,177)	n/a
<b>Lease liability</b>	<b>22,390</b>	<b>22,390</b>	<b>10,964</b>	<b>10,964</b>

## d) Equity

### Accounting policies

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

### Fair valuation reserves

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

### Equity component of debt and difference in buy-back prices

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

### Treasury Shares

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

### Share capital

There was no change in the number of issued shares in 2019. As of 31 December 2019, 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 2019 and 31 December 2018 is HUF 80,939 million and HUF 80,828 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:

	Number of shares issued	Number of treasury shares	Shares under repurchase obligation	Number of shares outstanding	Authorised number of shares
<b>Series "A" and "B" shares</b>					
<b>01 Jan 2018</b>	<b>819,424,825</b>	<b>(69,898,821)</b>	<b>(103,057,795)</b>	<b>646,468,209</b>	<b>1,059,424,825</b>
Share distribution for the members of the Board of Directors	-	148,800	-	148,800	-
Settlement of share option agreement with MUFG Securities EMEA Plc.	-	409,108	(409,108)	-	-
Settlement of share option agreement with UniCredit Bank A.G.	-	2,750,496	(2,750,496)	-	-
Settlement of share option agreement with ING Bank N.V.	-	2,097,955	(2,097,955)	-	-
<b>31 Dec 2018</b>	<b>819,424,825</b>	<b>(64,492,462)</b>	<b>(108,315,354)</b>	<b>646,617,009</b>	<b>1,059,424,825</b>
Share distribution for the members of the Board of Directors	-	148,800	-	148,800	-
Settlement of share option agreement with MUFG Securities EMEA Plc.	-	5,648,407	(5,648,407)	-	-
Settlement of share option agreement with UniCredit Bank A.G.	-	484,582	(484,582)	-	-
Settlement of share option agreement with ING Bank N.V.	-	3,341,680	(3,341,680)	-	-
MRP share transfer	-	737,870	-	737,870	-
<b>31 Dec 2019</b>	<b>819,424,825</b>	<b>(54,131,123)</b>	<b>(117,790,023)</b>	<b>647,503,679</b>	<b>1,059,424,825</b>
<b>Series "C" shares</b>					
<b>01 Jan 2019</b>	<b>578</b>	-	-	<b>578</b>	<b>578</b>
Series "C" shares	-	-	-	-	-
<b>31 Dec 2019</b>	<b>578</b>	-	-	<b>578</b>	<b>578</b>

#### Dividend

The shareholders at the Annual General Meeting in April 2019 approved to pay HUF 107,284 million dividend in respect of 2018, which equals to 142.44 HUF dividend per share. The total amount of reserves legally available for distribution based on the reconciliation of equity (see Appendix IV. f.) is HUF 1,579,432 million as of 31 December 2019 (31 December 2018: HUF 1,523,149 million).

#### Treasury share put and call option transactions

MOL Plc. has three option agreements concluded with financial institutions in respect of 77,706,015 pieces of series "A" shares ("Shares") as of 31 December 2019. Under the agreements, MOL Plc. holds American call options and the financial institutions hold European put options in respect of the shares. The expiry of both the put and call options are identical.

Counterparty	Underlying pieces of MOL ordinary shares	Strike price per share	Expiry
ING Bank N.V.	39,179,973	EUR 8.9748	23-Jun-2020
MUFG Securities EMEA Plc.	10,951,702	EUR 9.1600	16-Jun-2020
UniCredit Bank AG	27,574,340	EUR 9.0664	14-Jun-2021

MOL agreed with ING Bank N.V. ("ING") on 11 November 2019, that the option rights in relation to 35,838,293 Shares under the share option agreement executed between ING and MOL on 26 November 2018 are cash settled on 28 November 2019. Simultaneously, MOL and ING entered into a new share purchase agreement and share option agreement, according to which MOL received American call options and ING received European put options in relation to 39,179,973 Shares, with the effective date of 28 November 2019. As a result of the share purchase agreement, ING received additional 3,341,680 Shares. The maturity date of both the call and put options is 23 June 2020, and the strike price of both options is EUR 8.9748 per Share.

MOL agreed with MUFG Securities EMEA plc. ("MUFG") on 11 November 2019 that the option rights in relation to 5,303,295 Shares under the share option agreement executed between MUFG and MOL on 6 November 2018 are cash settled on 13 November 2019. Simultaneously, MOL and MUFG entered into a new share purchase agreement and a share option agreement, according to which MOL received American call options and MUFG received European put options in relation to 10,951,702 Shares, with the effective date of 13 November 2019. As a result of these transactions, MUFG received 5,648,407 Shares. The maturity date of both the call and put options is 16 June 2020 and the strike price of both options is EUR 9.1600 per Share.

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

### **Share swap agreement with OTP**

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

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

## 17. Financial instruments

2019		Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount
Carrying amount of financial instruments		HUF million	HUF million	HUF million	HUF million
<b>Financial assets</b>					
Other non-current financial assets	Loans given	-	179,150	-	179,150
	Securities	-	-	10,941	10,941
	Finance lease receivables	-	1,428	-	1,428
Total other non-current financial assets		-	180,578	10,941	191,519
<b>Total non-current financial assets</b>		-	180,578	10,941	191,519
Trade and other receivables		-	225,350	-	225,350
Debt securities		2,949	-	21,326	24,275
Other current financial assets	Loans given	-	57,805	-	57,805
	Deposit	-	40,958	-	40,958
	Commodity derivatives	1,797	-	-	1,797
	Other derivatives	2,490	-	-	2,490
	Finance lease receivables	-	641	-	641
Other		-	909	-	909
Total other current financial assets		4,287	100,313	-	104,600
Cash and cash equivalents		-	64,117	-	64,117
<b>Total current financial assets</b>		7,236	389,780	21,326	418,342
<b>Total financial assets</b>		7,236	570,358	32,267	609,861
<b>Financial liabilities</b>					
Long-term debt	Borrowings	-	354,967	-	354,967
	Finance lease liabilities	-	15,989	-	15,989
Total long-term debt		-	370,956	-	370,956
Other non-current financial liabilities	Commodity derivatives	365	-	-	365
	Other	-	224	-	224
Total other non-current financial liabilities		365	224	-	589
<b>Total non-current financial liabilities</b>		365	371,180	n/a	371,545
Short-term debt	Borrowings	-	77,729	-	77,729
	Finance lease liabilities	-	6,401	-	6,401
Total short-term debt		-	84,130	-	84,130
Trade and other payables		-	259,664	-	259,664
Other current financial liabilities	Transferred "A" shares with put&call options	-	230,723	-	230,723
	Commodity derivatives	7,024	-	-	7,024
	Other derivatives	5,709	-	-	5,709
	Other	-	286,520	-	286,520
Total other current financial liabilities		12,733	517,243	-	529,976
<b>Total current financial liabilities</b>		12,733	861,037	n/a	873,770
<b>Total financial liabilities</b>		13,098	1,232,217	n/a	1,245,315

2018		Fair value	Amortised	Fair value	Total
		through profit or		cost	
Carrying amount of financial instruments		loss		comprehensive	amount
		HUF million	HUF million	income	HUF million
<b>Financial assets</b>					
Other non-current financial assets	Loans given	-	20,202	-	20,202
	Securities	-	-	14,037	14,037
	Finance lease receivables	-	1,662	-	1,662
	Commodity derivatives	677	-	-	677
Total other non-current financial assets		677	21,864	14,037	36,578
<b>Total non-current financial assets</b>		<b>677</b>	<b>21,864</b>	<b>14,037</b>	<b>36,578</b>
Trade and other receivables		-	229,700	-	229,700
Debt securities		-	-	54	54
Other current financial assets	Loans given	-	195,803	-	195,803
	Commodity derivatives	11,114	-	-	11,114
	Deposit	-	6,184	-	6,184
	Other derivatives	2,876	-	-	2,876
	Foreign exchange derivatives	6	-	-	6
	Finance lease receivables	-	271	-	271
Total other current financial assets		13,996	202,471	-	216,467
Cash and cash equivalents		-	283,547	-	283,547
<b>Total current financial assets</b>		<b>13,996</b>	<b>715,718</b>	<b>54</b>	<b>729,768</b>
<b>Total financial assets</b>		<b>14,673</b>	<b>737,582</b>	<b>14,091</b>	<b>766,346</b>
<b>Financial liabilities</b>					
Long-term debt	Borrowings	-	293,843	-	293,843
	Finance lease liabilities	-	9,861	-	9,861
Total long-term debt		-	303,704	-	303,704
Other non-current financial liabilities		-	124	-	124
<b>Total non-current financial liabilities</b>		<b>-</b>	<b>303,828</b>	<b>n/a</b>	<b>303,828</b>
Short-term debt	Borrowings	-	169,107	-	169,107
	Finance lease liabilities	-	1,103	-	1,103
Total short-term debt		-	170,210	-	170,210
Trade and other payables		-	224,047	-	224,047
Other current financial liabilities	Transferred "A" shares with put&call options	-	208,599	-	208,599
	Other derivatives	7,980	-	-	7,980
	Commodity derivatives	6,074	-	-	6,074
	Other	-	646	-	646
Total other current financial liabilities		14,054	209,245	-	223,299
<b>Total current financial liabilities</b>		<b>14,054</b>	<b>603,502</b>	<b>n/a</b>	<b>617,556</b>
<b>Total financial liabilities</b>		<b>14,054</b>	<b>907,330</b>	<b>n/a</b>	<b>921,384</b>

MOL Plc. does not have any financial instrument whose classification has changed as a result of applying IFRS 9.

The fair values of financial instruments measured at amortised cost approximate their carrying amounts except for the issued bonds. The fair value of the issued bond is HUF 299,018 million, while its carrying amount is HUF 279,513 million as of 2019 (fair value was HUF 258,557 million, carrying amount was HUF 243,469 million as of 2018 year-end).

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

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

## 18. Fair value measurement of financial instruments

Fair value hierarchy	2019			2018		
	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
<b>Financial assets</b>						
Debt securities	2,949	32,267	35,216	-	14,091	14,091
Commodity derivatives	-	1,797	1,797	-	11,791	11,791
Foreign exchange derivatives	-	-	-	-	6	6
Other derivatives	-	2,490	2,490	-	2,876	2,876
<b>Total financial assets recognised at fair value</b>	<b>2,949</b>	<b>36,554</b>	<b>39,503</b>	<b>-</b>	<b>28,764</b>	<b>28,764</b>
<b>Financial liabilities</b>						
Commodity derivatives	-	7,389	7,389	-	6,074	6,074
Other derivatives	-	5,709	5,709	-	7,980	7,980
<b>Total financial liabilities recognised at fair value</b>	<b>-</b>	<b>13,098</b>	<b>13,098</b>	<b>-</b>	<b>14,054</b>	<b>14,054</b>

Both in 2019 and 2018, MOL Plc. does not have any instruments with fair value categorised as Level 3 (valuation techniques based on significant unobservable market input).

## 19. Trade and other receivables

### Accounting policies

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

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

	2019 HUF million	2018 HUF million
<b>Trade and other receivables</b>		
Trade receivables	190,871	206,922
Other receivables	34,479	22,778
<b>Total</b>	<b>225,350</b>	<b>229,700</b>

	2019 HUF million	2018 HUF million
<b>Trade receivables</b>		
Trade receivables (gross)	191,956	207,742
Loss allowance for receivables	(1,085)	(820)
<b>Total</b>	<b>190,871</b>	<b>206,922</b>



	2019 HUF million	2018 HUF million
<b>Movements in the allowance for doubtful trade receivables</b>		
<b>At 1 January</b>	<b>820</b>	<b>551</b>
Effect of the IFRS 9 standard	-	173
<b>Modified opening balance</b>	<b>820</b>	<b>724</b>
Additions	477	303
Reversal	(1)	(21)
Amounts written off	(221)	(190)
Foreign exchange differences	10	4
<b>At 31 December</b>	<b>1,085</b>	<b>820</b>

	2019		2018	
	Gross book value HUF million	Net book value HUF million	Gross book value HUF million	Net book value HUF million
<b>Ageing analysis of trade receivables</b>				
<b>Not past due</b>	<b>183,300</b>	<b>183,118</b>	<b>193,754</b>	<b>193,565</b>
<b>Past due</b>	<b>8,656</b>	<b>7,753</b>	<b>13,988</b>	<b>13,357</b>
Within 180 days	5,758	5,470	11,379	11,332
Over 180 days	2,898	2,283	2,609	2,025
<b>Total</b>	<b>191,956</b>	<b>190,871</b>	<b>207,742</b>	<b>206,922</b>

## 20. Cash and cash equivalents

### Accounting policies

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

	2019 HUF million	2018 HUF million
Short-term bank deposits	11,557	204,435
Demand deposit	50,184	75,868
Cash on hand	2,376	3,244
<b>Total</b>	<b>64,117</b>	<b>283,547</b>

## OTHER FINANCIAL INFORMATION

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

### 21. Commitments and contingent liabilities

#### Accounting policies

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

#### a) Guarantees

The total value of guarantees undertaken to related parties is HUF 273,159 million in 2019 and HUF 435,412 million in 2018. The value of third-party guarantees is HUF 12,093 million in 2019 and HUF 8,066 million in 2018.

#### b) Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2019 is HUF 26,094 million (31 December 2018: HUF 24,585 million). The most significant amounts relate to the rail tank car cleaning facility (HUF 2,346 million) at Danube Refinery in Hungary and the blending of alternative crudes (HUF 2,250 million).

As part of corporate social responsibility MOL Plc. is committed to spending HUF 12,549 million via sponsorship agreements in the next 5 years.

MOL Plc. has a take-or-pay contract with JANAF in amount of HUF 5,305 million. Also, contingent liability exist from crude oil contract with INA in amount of HUF 17,684 million.

#### c) Unrecognised lease commitments

	2019 HUF million	2018 HUF million
<b>Unrecognised lease commitments</b>		
Due within one year	9,193	14,320
Due later than one year but not later than five years	-	13,267
Due later than five years	-	612
<b>Total</b>	<b>9,193</b>	<b>28,199</b>

The variance is the result of change in regulation due to new lease standard IFRS 16 effective from 01 January 2019, please refer to Note 1.

Expenses for short term leases and leases of low-value assets amounted to HUF 9,698 million in 2019.

#### d) Authority procedures, litigation

##### General

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

The value of litigation where MOL Plc. act as defendant is HUF 15,051 million for which HUF 14,350 million provision has been made.

##### CREDITOR procedures (MOL Plc.)

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

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

#### **ICSID arbitration (MOL Plc. vs. Croatia)**

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

#### **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. Employees filed lawsuits requesting the difference between agreed (as per employment contract) and actually paid salaries, increased for the number of years of service, as well as payment of difference between paid severance. Namely, when calculating and paying out salaries, EP did not take into account Branch Collective Agreement, to which employment contracts referred to.

The claims submitted relate to a period of time ranging from 2004 until today.

On December 6th, 2019, INA and MOL Plc. have received the FBiH answer and counterclaim.

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. By said plan, investments should have been implemented during the period of three years after privatization. Further, Investment shall be deemed as fulfilled when the EP obtains control over the funds provided.

The Consortium provided total loan amount of KM 150 mil, within deadlines, to the EP. Hence, the 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. However, FBiH claims INA and MOL Plc. should have secured, through the EP, said loan amount is invested according to the Investment plan (part of the RA).

The deadline for INA/MOL Plc. to submit their reply to FBiH's counterclaim is February 2020.

### **e) Environmental liabilities**

MOL Plc.'s operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL Plc. is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL Plc. has established a provision of HUF 9,530 million for the estimated cost as at 31 December 2019 for probable and quantifiable costs of rectifying past environmental damage (see note 13). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

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

Furthermore, the technology applied in oil and gas exploration and development activities by the Group's Hungarian predecessor before 1995 may give rise to future remediation of drilling mud produced (in 1995 there was modification in the drilling technology). In accordance with legal requirements the treatment (extraction and disposal) of the resulting pollutant is required. The existence of such obligation, and consequently the potential expenditure associated with it is dependent on the extent, volume and composition of drilling mud left behind at the numerous production sites. According to current estimates the amount of the environmental liability is HUF 1,14 billion.

## 22. Notes to the statement of cash flows

### Accounting policies

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

	2019 HUF million	2018 HUF million
<b>Analysis of other items</b>		
Realised and unrealised (gain) / loss of fair valuation of commodity derivatives	28,336	(2,457)
Transferred "A" shares with put&call options	22,889	6,860
Share-based payments	1,651	3,016
Write-off of inventories, net	1,048	5,594
Write-off of receivables, net	442	541
Other non-highlighted items	(1,358)	(761)

	2018 balance	Non-cash changes					Non-financing CF related movements	2019 balance
		Cash flows used in financing activities	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	
Long-term debt	303,704	40,883	22,245	-	(8,227)	12,351	-	370,956
Short-term debt	170,210	51,514	(126,527)	-	(10,826)	(241)	-	84,130
Other current financial liabilities	223,299	(142,309)	450,769	(1,783)	-	-	-	529,976
<b>Total Cash flows used in financing activities from financial liabilities</b>		<b>(49,912)</b>						
Other items impacting Cash flows used in financing activities <sup>1</sup>		(98,581)						
<b>Total Cash flows used in financing activities</b>		<b>(148,493)</b>						

<sup>1</sup> The HUF 98,581 million Other items impacting Cash flows used in financing activities is Dividends paid to owners

## 23. Related party transactions

### a) Transactions with subsidiaries in the normal course of business

	2019 HUF million	2018 HUF million
Loans given	235,554	211,944
Loans received	4,469	160,942

	2019 HUF million	2018 HUF million
Trade receivables	68,613	90,174
Trade payables	53,820	50,735

	2019 HUF million	2018 HUF million
Other receivables, other financial assets and other current assets	36,851	37,731
Other payables, other financial assets and other current liabilities	303,113	26,422

	2019 HUF million	2018 HUF million
Net sales	697,900	873,119
Other operating income	2,927	17,036
Finance income	135,780	293,900
<i>from which</i>		
dividend	120,606	180,328
interests	1,677	2,474
Finance expense	47,698	121,852
<i>from which</i>		
impairment of investments, loss of capital decrease and loss of loan receivables	37,464	109,093
interests	7,234	9,006

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

	2019 HUF million	2018 HUF million
Trade and other payables due to related parties	1,770	1,986
Net sales to related parties	736	7,879
Trade and other receivables due from related parties	52	97

MOL Plc. purchased and sold goods and services with related parties during the ordinary course of business in 2019 and 2018. Each such transaction was conducted under market prices and conditions.

#### c) Guarantees

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

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

Directors' total remuneration approximated HUF 131 million in 2019 (2018: HUF 125 million). In addition, the directors participate in a long-term incentive scheme details of which are given below.

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

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

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

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

	2019	2018
	Number of shares	Number of shares
Board of Directors	2,685,974	2,380,272
Chief Executives' and Management Committee (except Board of Directors members)	491,220	378,824
Senior Management (except Board of Directors, Chief Executives' and Management Committee members)	117,258	86,744
<b>Total</b>	<b>3,294,452</b>	<b>2,845,840</b>

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

In 2019 entities controlled by the members of key management personnel purchased fuel and other retail services from MOL Plc. in the total value of HUF 2,074 million. MOL Plc. provided subsidies through sponsorship for sport organisations controlled by key management personnel in the total value of HUF 589 million. MOL Plc. purchased other services (including PR, media, business operations related services) from companies controlled by key management personnel in the total value of HUF 350 million.

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

### g) Key management compensation

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

	2019	2018
	HUF million	HUF million
Salaries and wages	1,073	959
Other short-term benefits	345	851
Share-based payments	1,537	2,892
<b>Total</b>	<b>2,955</b>	<b>4,702</b>

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

No loans have been granted to key management personnel.

## 24. Events after the reporting period

No significant post - balance sheet event occurred.

## 25. Appendices

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

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

- ▶ IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, not yet endorsed by EU)
- ▶ Amendment to IFRS 3 Business Combination (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by EU)
- ▶ Amendments to IAS 1 Presentation of Financial Statement and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (effective for annual periods beginning on or after 1 January 2020)
- ▶ Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure (effective for annual periods beginning on or after 1 January 2020)

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

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

Company name	Registered address	Range of activity	Carrying value		Direct ownership	
			2019	2018	2019	2018
			HUF million	HUF million	%	%
MOL Crossroads B.V.	Amsterdam, Muiderstraat 1 Netherlands	Financial holding	466,024	-	100%	-
INA d.d.	Zagreb, Avenija Veceslava Holjevca 10 Croatia	Integrated oil and gas company	423,096	423,096	49%	49%
Slovnaft a.s.	Bratislava, Vlcie hrdlo 1, 82107 Slovakia	Refinery and marketing of oil and petrochemical products	233,867	224,666	100%	98%
MOL Group Finance SA	Luxembourg, rue des Maraichers 102, Grand-Duchy of Luxembourg	Financial services	157,455	157,455	100%	100%
MOL Petrolkémia Zrt.	Tiszaújváros, TVK Ipartelep, hrsz: 2119/3 Hungary	Petrochemical production and trading	130,046	130,066	100%	100%
FGSZ Földgázszállító Zrt.	Siófok, Tanácsház u. 5. Hungary	Natural gas transmission	83,589	83,589	100%	100%
Pearl Petroleum Company Ltd.	Wickhams Cay, Road Town, Tortola British Virgin Islands	Oil and gas exploration, production and transportation	74,837	74,837	10%	10%
MOL Retail Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Real estate management	56,151	56,151	100%	100%
MNS Oil&Gas B.V.	Amsterdam, 1097 JB, Prins Bernhardplein 200 Netherlands	Exploration financing	39,381	26,841	100%	100%
MOL Romania PP Srl.	Cluj-Napoca, Dorobantilor st. 14-16. Romania	Retail and wholesale trade of fuels and lubricants	39,239	39,239	100%	100%
MOL Ingatlan Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	35,793	13,593	100%	100%
MOL Vagyonkezelő Kft.	Budapest, Krisztina krt. 99. Hungary	Investment management	32,814	32,814	100%	100%
TIFON d.o.o.	Zagreb, Savska cesta 41. Croatia	Retail trade of fuels and lubricants	31,384	31,384	100%	100%
MOL Serbia d.o.o.	Novi Beograd, Djordja Stanojevic 14 Serbia	Retail trade of fuels and lubricants	22,003	22,003	100%	100%
MOL Slovenia DS Investment B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Investment management	21,737	21,737	100%	100%
MOL Investment Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	20,117	20,118	100%	100%
MOL (FED) Kazakistan B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	17,206	17,206	100%	100%
Zväz pre skladovanie zásob, a.s.	Slovakia, Bratislava, Vlcie hrdlo 1, 824 12 Slovakia	Wholesale and retail trade, warehousing	16,668	16,668	90%	90%
Leodium Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	15,453	13,682	100%	100%
MH Oil and Gas B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Investment management	13,850	20,798	100%	100%
MOL Solar Investment Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	13,151	2,572	100%	100%
MOL CVC Investment Kft. (formerly Ticinum Kft.)	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	11,723	11,723	100%	100%
MOL Reinsurance Co.	Dublin 2, Adelaide Road 25-28, 4th Floor Ireland	Captive insurance	11,284	11,284	100%	100%
MOL CZ Downstream Investment B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Investment management	6,971	6,971	15%	15%
MOL Nordsjön B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration financing	5,875	8,265	100%	100%
MOL Austria GmbH	Wien, Walcherstrasse 11a Austria	Wholesale trade of lubricants and oil products	5,365	5,365	100%	100%
Roth Heizöl GmbH	Graz-Seiersberg, Haushamer Straße 2 /I.OG /Top 6 Austria	Trading of oil products	3,668	3,668	50%	50%
MOL Fleet Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	2,649	2,649	100%	100%
Tápió Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	2,640	2,640	100%	100%
Italiana Energia e Servizi S.p.A.	Mantova, Strada Cipata 79 Italy	Refinery and marketing of oil products	2,619	19,593	100%	100%
MOL LUB Kft.	Almásfűzőtő, Fő út 21. Hungary	Production and trade of lubricants	2,603	2,603	100%	100%
EMSZ Első Magyar Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	2,579	2,679	100%	100%
Ménrót Kft.	Szolnok, Ady Endre út 26. Hungary	Exploration investment management	2,346	2,346	100%	100%
Csanád Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	1,899	313	100%	100%
Neptunus Investment Kft	Budapest, Október huszonharmadika u. 18 Hungary	Investment management	1,403	1,403	100%	100%
Dunai Vízmű Zrt.	Százhalombatta, Erőmű utca 2. Hungary	Water production, -treatment, -supply	1,400	1,400	33%	33%
MOLTRADE-Mineralimpex Zrt.	Budapest, Október huszonharmadika u. 18 Hungary	Importing and exporting of energetical products	1,340	1,340	100%	100%
MOL Aréna Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Investment management	1,198	1,198	100%	100%



Company name	Registered address	Range of activity	Carrying value		Direct ownership	
			2019	2018	2019	2018
			HUF million	HUF million	%	%
Geoinform Kft.	Szolnok, Kőrösi út 43. Hungary	Hydrocarbon exploration	1,125	1,125	100%	100%
MOL Somogyvámos Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	1,043	467	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Százhalombatta, Olajmunkás u. 2. Hungary	Fire service, ambulance service	970	970	100%	100%
MOL Bucsa Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79 Hungary	Exploration and production activity	694	618	100%	100%
MOL Pakistan Ltd.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration financing	671	671	100%	100%
MOLTRANS Kft.	Budapest, Petróleumkikötő u.5-7. Hungary	Transportation services	619	619	100%	100%
MOL Somogybükkösd Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	590	459	100%	100%
MOL Bázakerettye Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	570	523	100%	100%
MOL Germany GmbH	München, Otto Strasse 5 Germany	Trading of oil products	556	556	100%	100%
MOL Okány-Nyugat Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	474	334	100%	100%
MOL Mezőtúr Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	460	534	100%	100%
Budapesti Értéktőzsde Zrt.	Budapest, Andrássy út 93. Hungary	Stock exchange	431	431	2%	2%
MOL Zala-Nyugat Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	431	431	100%	100%
MOL Jászárókszállás Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	431	376	100%	100%
MOL Őrség Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	406	356	100%	100%
MOL Dráva Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Oil and gas production	404	-	100%	-
KMSZ Kelet-Magyarországi Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Exploration and production activity	368	975	100%	100%
Rossi Biofuel Zrt.	Komárom, Kőolaj u. 2. Hungary	Biofuel production	350	350	25%	25%
Platounko Investments Ltd.	Nicosia, Acropolis Avenue 59-61 Cyprus	Exploration financing	329	329	100%	100%
MOL SZMDK Szénhidrogén Koncessziós Kft.	Budapest, Budafoki út 79. Hungary	Oil and gas production	253	-	100%	-
MOL Kunststoff Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	191	191	100%	100%
MOL Group International Services B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Financial and accounting services	164	164	100%	100%
Petrolszolg Kft.	Százhalombatta, Olajmunkás út 2. Hungary	Repairs and maintenance services	146	154	100%	100%
MOL-Russ Ooo	Moscow, Kosmodamianskaya nab. 52 str.3 Russia	Management services	87	87	100%	100%
Panfora Oil&Gas S.r.l.	Cluj-Napoca, Calea Dorobantilor 14-16 Romania	Exploration and production activity	85	73	99%	50%
MULTIPONT Program Zrt.	Budapest, Budafoki út 79. Hungary	Marketing agent activity	80	80	100%	100%
MOL Commodity Trading Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial services	60	60	100%	100%
HEXÁN Kft.	Százhalombatta, Ipartelep Hrsz: 2704/I Hungary	Chemical material refining, filling, retail and wholesale trade	50	50	100%	100%
OT Industries Zrt.	Budapest, Galvani utca 44. Hungary	Investment management	45	45	100%	51%
MOL Ukraine Ltd.	Kijev, Moskovskiy Ave. 23, 7th floor, 04655 Ukraine	Wholesale and retail trade	41	41	100%	100%
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Budapest, Október huszonharmadika u. 18 Hungary	Geothermal energy production	39	760	100%	100%
MOL Trading&Shipping SA	24 route des Acacias, 1227 Les Acacias-Geneve Switzerland	Trading, shipping	28	28	100%	100%
Terméktároló Zrt.	Százhalombatta, Olajmunkás u. 2. Hungary	Oil product storage	24	24	74%	74%
Alfagas Kft.	Záhony, Ady E út 17 I/I. Hungary	LPG gas transloading, chemical analysis of incoming gases, issuance of certifications	23	23	60%	60%
MOL Denmark B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Financial holding	16	-	100%	-
MOL E-mobilitás Vagyonkezelő Kft.	Budapest, Október huszonharmadika u. 18 Hungary	Electrical traffic solutions	15	15	100%	100%
MOL Central Asia B.V.	Amsterdam, Muiderstraat 1, 1011 PZ Netherlands	Exploration and production activity	12	12	100%	100%
MOL Magyarország Szolgáltató Központ Kft.	Budapest, Szent István u. 14 Hungary	Business services	4	4	100%	100%
OIL Insurance Limited	Hamilton HM08, 3 Bermudiana Road Bermuda	Financial services	3	3	1%	1%
MOL IT Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Financial holding	3	-	100%	-

Company name	Registered address	Range of activity	Carrying value		Direct ownership	
			2019	2018	2019	2018
			HUF million	HUF million	%	%
MOL-Aspect DNY-Magyarországi Közös Szénhidrogén Kutató és Termelő Kft.	Budapest, Pasaréti út 46. Hungary	Exploration and production activity	2	-	50%	-
Kalegran B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	0	708	100%	100%
MOL Limitless Mobility Holding Kft.	Budapest, Október huszonharmadika u. 18. Hungary	Investment management	0	505	100%	100%
Geofizikai Szolgáltató Kft. "va"	Budapest, Szántófield u. 7-9. Hungary	Engineering activity, engineering consultancy	0	0	100%	100%
MOL Cameroon BV	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	0	0	100%	100%
MOL Cyprus Company Ltd.	Nicosia, Arch. Makariou III. Evagorou Avenue Cyprus	Captive insurance	0	0	100%	100%
MOL West Oman B.V.	Amsterdam, Prins Bernhardplein 200 Netherlands	Exploration financing	0	0	100%	100%
OVERDOSE Vagyonkezelő Kft. "va"	Budapest, Acélcső u. 2-22. Hungary	Asset management	0	0	10%	10%
MCT Slovakia s.r.o.	Pozsony, Vlcie hrdlo 1, 84212 Slovakia	Financial services	0	0	30%	30%
OTP Bank Nyrt.	Budapest, Nádor u. 16. Hungary	Banking services	0	0	9%	9%
MOL CEE Investments B.V. <sup>1</sup>	Muidestraat 11011PZ Amsterdam Netherlands	Investment management	-	11,052	-	100%
IN-ER Erőmű Kft. <sup>1</sup>	Nagykanizsa, Kőlcsey F. u. 13/a Hungary	Project management	-	6	-	30%
<b>Total</b>			<b>2,023,716</b>	<b>1,538,164</b>		

<sup>1</sup> Liquidation process has been completed in 2019

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

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

#### Inventory holding gain/loss

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

#### Impairment on raw materials and own-produced inventory and goods

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

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

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

#### Derivative transactions

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

#### Non- recurring special items

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

	2019	2018
	HUF million	HUF million
<b>Clean CCS EBIT Reconciliation</b>		
<b>Reported EBIT total</b>	<b>79,397</b>	<b>115,681</b>
inventory holding gain/loss	(10,191)	(8,589)
impairment on raw materials and own-produced inventory and goods	(358)	2,909
- thereof affects goods	(358)	2,909
<b>CCS EBIT</b>	<b>68,848</b>	<b>110,001</b>
Impact of derivative transactions	28,336	(2,438)
GHG one-off items	(999)	-
special items	5,297	24,218
<b>Clean CCS EBIT</b>	<b>101,482</b>	<b>131,781</b>

	2019	2018
	HUF million	HUF million
<b>Special Items</b>		
<b>Operating profit excluding special items</b>	<b>84,694</b>	<b>139,899</b>
<b>Upstream</b>		
MOL US impairments	(5,297)	-
<b>Total special items in Upstream</b>	<b>(5,297)</b>	<b>-</b>
<b>Downstream</b>		
HCK (Hydrocracker) impairment	-	(24,218)
<b>Total special items in Downstream</b>	<b>-</b>	<b>(24,218)</b>
<b>Total impact of special items on operating profit</b>	<b>(5,297)</b>	<b>(24,218)</b>
<b>Operating profit</b>	<b>79,397</b>	<b>115,681</b>

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

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

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

### b) Person required to sign financial statements

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

Name: József Molnár  
Address: HU – 1165 Budapest, Hunyadvár utca 42.

### c) Contacts

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

### d) Presentation of company controls

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

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

### e) Audit fees

In accordance with paragraph 88 of the Hungarian Accounting Law the financial statements include the total fees for the financial year charged by the statutory auditor or audit firm for the statutory audit of annual accounts. In the year of 2019 fee of audit was HUF 146 million.

### f) Reconciliation of equity

Basis of preparation of equity reconciliation

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

The reconciliation of the equity per financial statement prepared in accordance with the basis of preparation and the equity per Hungarian Accounting Law contains the balances as of 31 December 2018 and 31 December 2019 for the following equity elements:

#### Equity

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

The equity reconciliation schedule also discloses:

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

	2019 HUF million	2018 HUF million
Section 114 B (4) Equity under IFRS		
Share capital	80,939	80,828
Reserves	1,652,968	1,445,583
Profit/(loss) for the year	151,013	301,417
<b>Total equity</b>	<b>1,884,920</b>	<b>1,827,828</b>
Section 114 B (4) a) Equity		
Equity under IRFS	1,884,945	1,827,853
Supplementary payments as liabilities under IFRS (+)	-	-
Supplementary payments as assets under IFRS (-)	(25)	(25)
Sum of the deferred income from cash, assets that received and transferred to the capital reserve under legislation (+)	-	-
Sum of receivables from owners classified as equity instrument under capital contribution (-)	-	-
<b>Total equity</b>	<b>1,884,920</b>	<b>1,827,828</b>
Section 114 B (4) b) Share capital under IFRS		
Share capital according to the effective articles of association if classified as an equity instrument	102,429	102,429
Treasury shares at nominal value (-)	(21,490)	(21,601)
<b>Total share capital</b>	<b>80,939</b>	<b>80,828</b>
Section 114 B (4) c) Registered but unpaid capital		
Unpaid capital under IFRS	-	-
<b>Total registered but unpaid capital</b>		
Section 114 B (4) d) Capital reserve		
Sum of all equity components that are not considered as share capital, registered but unpaid capital, retained earnings, revaluation reserve, profit/(loss) for the period or tied-up reserve	223,866	223,866
<b>Total capital reserve</b>	<b>223,866</b>	<b>223,866</b>

	2019 HUF million	2018 HUF million
<b>Section 114 B (4) e) Retained earnings</b>		
Accumulated profit after taxation of previous' years under IFRS that is not yet distributed among owners and not include other comprehensive income (±)	1,428,444	1,221,757
Supplementary payments as assets under IFRS (-)	(25)	(25)
Unused reserve for development purposes (-)	-	-
Unused reserve for development purposes net of deferred tax liabilities under IAS 12 (+)	-	-
<b>Total retained earnings</b>	<b>1,428,419</b>	<b>1,221,732</b>
<b>Section 114 B (4) f) Revaluation reserve</b>		
Accumulated other comprehensive income from statement of other comprehensive income (±)	683	(15)
Accumulated and current year other comprehensive income from statement of other comprehensive income (±)	-	-
<b>Total revaluation reserve</b>	<b>683</b>	<b>(15)</b>
<b>Section 114 B (4) g) Profit after taxation</b>		
Net profit or loss after tax from ongoing activities in the comprehensive income statement or in the statement of profit or loss (±)	151,013	301,417
Net profit or loss after tax from discontinued activities in the comprehensive income statement or in the statement of profit or loss (±)	-	-
<b>Total profit after taxation</b>	<b>151,013</b>	<b>301,417</b>
<b>Section 114 B (4) h) Tied-up reserve</b>		
Supplementary payments as liabilities under IFRS (+)	-	-
Unused reserve for development purposes (+)	-	-
Unused reserve for development purposes net of deferred tax liabilities under IAS 12 (-)	-	-
<b>Total tied-up reserve</b>	<b>-</b>	<b>-</b>
<b>Section 114 B (5) a) Reconciliation of registered capital with the share capital under IFRS</b>		
Registered share capital	102,429	102,429
Share capital under IFRS	80,939	80,828
<b>Difference (treasury shares at nominal value)</b>	<b>21,490</b>	<b>21,601</b>
<b>Section 114 B (5) b) Retained earnings available for distribution</b>		
Retained earnings (include the net profit after tax for last financial year closed with annual financial statements)	1,579,432	1,523,149
Accumulated, unrealised profit from the increase of fair value of investment properties under IAS 40	-	-
<b>Retained earnings available for distribution</b>	<b>1,579,432</b>	<b>1,523,149</b>

## g) Licensed electricity statements

### Accounting policies

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

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

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

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

#### Principles of activity separation based on law:

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

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

#### Principles of activity separation on the basis of business rationality

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

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

#### Method of separation:

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

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

**LICENSED ELECTRICITY STATEMENT OF PROFIT OR LOSS**

	2019	2018
	HUF million	HUF million
Net sales	38,915	40,609
Other operating income	-	-
<b>Total operating income</b>	<b>38,915</b>	<b>40,609</b>
Raw materials and consumables used	38,851	38,953
Employee benefits expense	58	53
Depreciation, depletion, amortisation and impairment	1	-
Other operating expenses	41	24
Change in inventory of finished goods & work in progress	-	-
Work performed by the enterprise and capitalised	-	-
<b>Total operating expenses</b>	<b>38,951</b>	<b>39,030</b>
<b>Profit / (loss) from operation</b>	<b>(36)</b>	<b>1,579</b>
Finance income	10	137
Finance expense	-	-
<b>Total finance income, net</b>	<b>10</b>	<b>137</b>
<b>Profit / (loss) before tax</b>	<b>(26)</b>	<b>1,716</b>
Income tax expense (benefit)	-	-
<b>PROFIT / (LOSS) FOR THE YEAR</b>	<b>(26)</b>	<b>1,716</b>



**LICENSED ELECTRICITY STATEMENT OF FINANCIAL POSITION**

	2019 HUF million	2018 HUF million
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	-	-
Intangible assets	-	-
Investments	-	-
Other non-current financial assets	-	-
Deferred tax asset	-	-
Other non-current assets	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>
<b>CURRENT ASSETS</b>		
Inventories	171	269
Trade and other receivables	5,588	5,394
Securities	-	-
Other current financial assets	-	-
Income tax receivable	-	-
Cash and cash equivalents	-	-
Other current assets	8	1
<b>Total current assets</b>	<b>5,767</b>	<b>5,664</b>
<b>Total assets</b>	<b>5,767</b>	<b>5,664</b>
<b>EQUITY</b>		
Share capital	310	195
Retained earnings and other reserves	2,117	1,021
Profit / (loss) for the year	(26)	1,716
Technical net income for the period	(3,659)	(4,022)
<b>Total equity</b>	<b>(1,258)</b>	<b>(1,090)</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt	-	-
Other non-current financial liabilities	-	-
Non-current provisions	-	-
Other non-current liabilities	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>		
Short-term debt	-	-
Trade and other payables	4,223	4,369
Other current financial liabilities	-	-
Current provisions	-	-
Other current liabilities	2,802	2,385
<b>Total current liabilities</b>	<b>7,025</b>	<b>6,754</b>
<b>Total liabilities</b>	<b>7,025</b>	<b>6,754</b>
<b>Total equity and liabilities</b>	<b>5,767</b>	<b>5,664</b>

## 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 2019 parent company financial statement, which has been prepared to the best of our knowledge based on Section 9/A of the Hungarian Accounting Act, in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS), and give a true and fair view of the assets, liabilities, financial position, and profit and loss of MOL Plc.

Please note that our Company's position on the effects of the coronavirus epidemic is not included in the 2019 Annual Report. In this regard, we published detailed information on the Company website on 8 April 2020, which includes the current situation, our main measures, and our future expectations. The information is available at the following link: <https://molgroup.info/en/investor-relations/investor-news/operational-and-financial-update>

Budapest, 30 April 2020



József Molnár  
Group Chief Executive Officer



József Simola  
Group Chief Financial Officer