Slovnaft
MEMBER OF MOLGROUP

Annual Report

2020

11. 3. 2021

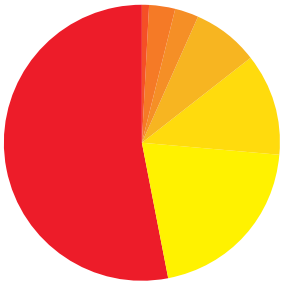
SLOVNAFT, a.s. is one of Slovakia's key energy companies. It is a leader in the domestic motor fuel market and one of the leading exporters. Slovnaft is committed to the principles of Sustainable Development, supporting education, the arts, culture, sports and environmental protection. It is a member of MOL Group – a leading international oil and gas company operating in Central and Eastern Europe.

OUR KEY ACTIVITIES IN A NUTSHELL

Oil processing

Rafinéria v Bratislave sa zaoberá
The oil refinery in Bratislava is engaged in processing crude oil, manufacturing motor fuels, plastics with a wide range of application and other products as well as their distribution.

Volume of processed crude oil



PRODUCTION PORTFOLIO:

- 1 % aviation fuels
- 3 % chemicals
- 3 % fuel oils
- 8 % primary plastics
- 12 % Oother
- 21 % gasoline
- 54 % diesel oil

Sale

Slovnaft is the largest seller of motor fuels in the domestic market, nevertheless more than half of its production is exported. High quality is especially appreciated by customers in Central Europe.

43 % domestic market sales (in financial terms)

57 % export sales (in financial terms)

Czech Republic, Austria, Poland, Hungary, Germany, Italy, Romania, Croatia, United Kingdom, Switzerland
main export markets

Retail

Slovnaft operates the largest network of service stations in Slovakia offering Fresh Corner refreshments. Through this retail network, it offers customers quality fuels and a wide range of non-fuel goods.

254 service stations

230 Fresh Corner stores

8.1 mn cups of coffee sold

3.38 mn hot dogs sold

Mobility

Slovnaft intends to develop its mobility services. In cooperation with the Municipality of Bratislava, Slovnaft operates a shared bicycle service Slovnaft BAjk in six city districts of Bratislava.

500 – 550 number of bicycles on the streets during the season

179,470 number of rides

JULY the busiest month

THURSDAY the busiest day of the week

16:00 – 18:00 the busiest time (working day)

18:00 – 20:00 the busiest time (weekend)

COVID-19 PANDEMIC

When the Chinese authorities informed the World Health Organization (WHO) of the emergence of a new disease at the end of 2019, no one could have expected how it would affect and influence life on the planet in 2020. The new coronavirus, named SARS-CoV-2, causing the COVID-19 disease, has led to global social and economic collapse, the largest one since the end of World War II.

States have closed their borders, a state of emergency has been proclaimed, people's movements have been restricted and economic activity has been reduced to the bare minimum. All this also affected the results of Slovnaft and the entire MOL Group. The priority has been to protect the health and safety of employees and workers at service stations and to maintain the production and continuous supply of fuel and other refinery products to the markets, and at the same time to help those who need it most during the crisis.

Despite the difficult period, Slovnaft did not terminate production and as one of the few employers in Slovakia, the company launched the regular testing of its employees by PCR tests and introduced a high sanitary standard at its workplaces in order to maximise employee safety. The entire network of service stations in Slovakia also remained in operation, as their services are essential for carriers of basic foodstuffs and other goods, ambulances and security service vehicles, which ensure proper functioning of the state.

The company's motto in 2020 became: #nezastavimesa (we will not stop)

At the time of a lack of disinfection on the market, which was, together with respiratory protection and social distancing, one of the key preventive measures against the spread of the virus, Slovnaft's subsidiary began producing its own disinfection "Slovnaft Hygi Fluid". Even without an automated line, employees were able to produce thousands of litres of the fluid. It was used to disinfect company's own premises and Slovnaft donated more than 33 thousand litres of disinfection to hospitals, health and social care providers, cities, towns and villages, organisations helping homeless people or marginalised communities and other applicants.

Slovnaft donated 19 lung ventilators worth more than € 450,000 to Slovak hospitals, and more than 61 thousand cups of coffee were given to paramedics and medical staff at the service stations Fresh Corners as a thank you for their hard work. We also supported culture in Slovakia – a series of online concerts from Slovak clubs called "I am culture" as well as theaters in individual regions, to which we donated more than € 30,000 within the program "With Slovnaft for Culture". At the time of the pandemic, we also understand the high level of involvement of the local government, which is why we have established strategic cooperation with the Association of Towns and Municipalities of Slovakia.

The pandemic affected the whole economy, every company and every firm. Its negative effects were also reflected in Slovnaft's production and financial results.

"SHAPE TOMORROW" MOL GROUP 2030+ STRATEGY

MOL Group announced the transformation of its business and diversion from the production of traditional fossil fuels in autumn 2016. Given the dynamic changes in the external environment, it has updated its strategy to accelerate its transformation. MOL Group wants to change its traditional activities towards a low-carbon future to be even more efficient and targeted. It will focus on reducing carbon dioxide (CO_2) emissions to become a zero producer by 2050 as well as on the circular economy. Downstream, which also includes Slovnaft, is to become a highly efficient, sustainable and leading key player in the production of chemicals.

A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

Dear ladies and gentlemen,

the year 2020 was challenging for all countries, economies and individuals. The whole world was hit by the COVID-19 pandemic followed by an economic crisis. The energy industry, the refining and oil industries in particular, has seen significant price slump and a decline in demand for some of its products in response to a major reduction in national and international mobility. These factors were subsequently reflected in the economic results of the industry, with Slovnaft not being an exception.

With regard to day-to-day operations, Slovnaft adapted very quickly and efficiently to the new threats. At all times, the priority was to protect the health and safety of all the employees and workers at service stations and to maintain the production and continuous supply of fuel and other products to our partners and customers.

We successfully operated the refinery with a minimum number of employees present at worksites, and thanks to the reliable operation of all the equipment, we were able to process more crude oil on a year-on-year basis. All our service stations remained open, while we paid attention to the safety of both the service stations staff and customers. We enabled administrative staff to work from home using digital and online tools.

We produced 4.1 million tonnes of fuel, almost half a million tonnes of plastics as well as sold more than eight million cups of coffee and more than three million hot dogs in our retail network. During the year, citizens and visitors of Bratislava could use Slovnaft BAjk service, and hence use the shared bicycles as the best, safest and most eco-friendly alternative to public transport.

No less important was to maintain financial stability – we reassessed our capital expenditures and invested only in the most important projects to develop and maintain the safety and reliability of production and sales. Environmental protection remained one of the priorities; more than a quarter of our capital expenditures went to this area.

OSZKÁR VILÁGI
Chairman of the Board of Directors and CEO

We remained a responsible partner for communities and continued to support culture, sports and environmental activities. In these difficult times, we thought of paramedics and medical staff; we supported hospitals by buying them mechanical ventilators and distributed tens of thousands of litres of disinfection of our own production throughout Slovakia.

At the same time, we learned a lot from the past year, and we will continue to benefit from this knowledge in the future. We can flexibly respond to new customer requirements, and our experienced team of employees can actively come up with solutions to new challenges. The year 2021 will not be easier and we face a new challenge – to accelerate the transformation of our traditional fossil fuel business into a low-carbon sustainable future.

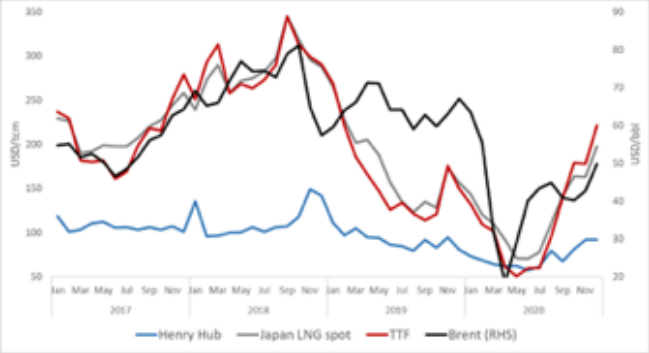
Oszkár Világi
predseda predstavenstva a generálny riaditeľ

REFINING AND PETROCHEMICAL INDUSTRY

MACROECONOMIC ENVIRONMENT

As a result of the COVID-19 pandemic, the global economy in 2020 experienced its deepest recession since World War II. Moreover, the decline in economic activity was characterised by the historically highest synchronisation, with growth decreasing virtually in all the economies worldwide. The world production fell by 3.5% in 2020 despite the fact that many countries introduced unprecedented monetary and fiscal support. Among the major economies, only China managed to achieve positive growth. Industrialised countries have shown a decline of almost 5%, but developing and emerging economies have also been hit hard, with low-income and middle-income people actually losing several years of their economic development in a short period of time.

In the first half of the year, the onset of the pandemic and related measures to restrict movement took a serious and unprecedented toll on the EU economy, but the depth of the slump varied from country to country. The level of protection measures, share of tourism segment in the economy as well as quality of management all play an important role in explaining the differences in economic losses. The eurozone has been severely hit by the pandemic. Based on the seasonally and calendar-adjusted quarterly data, GDP fell by 6.8% in 2020. The Visegrád Four countries withstood the first wave of the pandemic relatively well – better than most Western European countries. However, the economic recovery after the reopening of the economies was interrupted by the second wave of the pandemic, which led to another round of restrictions imposed since mid-November. These mainly affected the gastro, leisure and entertainment business. According to the information of the Statistical Office of the Slovak Republic from March 2021, Slovakia's GDP in 2020 showed a decrease of 5.2%.



Brent Prices and Natural Gas Prices (source: Bloomberg)

OIL MARKET DEVELOPMENTS

Brent oil prices weakened from an annual average of USD 64.00 per barrel in 2019 to USD 42.00 per barrel in 2020. At the beginning of the year, the prices were driven by growing tensions in the Middle East following the assassination of Qasem Soleimani, the commander of the Iranian Revolutionary Guard's Quds special forces, during an unmanned aerial vehicle attack in Iraq. Furthermore, the increase in oil supplies have been curtailed by unrest in Libya, which contributed to a further growth in prices. Following the outbreak of the pandemic, the mood on the global market was dominated by COVID-19, and governments imposed major restrictions to curb the spread of the virus. As a result, in April – the worst month of the year – demand for oil fell by 20%. Overall, oil demand for 2020 is expected to decrease by 9% year-on-year. It is the steepest decline ever seen. Adding up to the already complicated situation, OPEC+ was unable to reach an agreement in March, resulting in an additional influx of oil into the market at the time when demand was declining. In the second half of the year, Brent oil price was partially corrected when OPEC+ reduced its supplies by 9.7 mb/d and the impact of the pandemic restrictions on oil demand mitigated.

DOWNSTREAM

For the European refining margins the year 2020 was extremely weak, approaching the verge of profitability. The major factors behind the weak performance were the sharp growth of Ural oil prices against Brent oil, the weak gasoline crack spreads and the collapse of the middle distillates market. The Ural oil market was supported by lower supplies when OPEC+ reduced its production. Reduced mobility resulting from measures to prevent the spread of COVID-19 imposed huge pressure in all transport fuel markets. The aviation fuel crack spread was particularly affected due to a sharp drop in demand. In any case, following the reopening of economies in the second half of the year, the operation of refineries stabilised and refining margins slowly recovered following the economic revival. Nevertheless, they did not even come close to their long-term average values by the end of the year.

On the contrary, the impact of the pandemic on European petrochemical margins was surprisingly modest. Due to the huge shift in the structure of demand, aggregate demand was kept at a relatively healthy level. Packaging for food, medical products and goods from e-shops or applications for the health sector were greatly demanded, while the industry was facing the opposite situation, especially in the automotive sector. Moreover, the fall in oil prices has offset the ethylene cost curves, making ethylene units highly competitive worldwide. In addition, the devastating hurricane season forced the US petrochemical plants to undertake preventive shutdowns for longer period than originally planned, further increasing demand for products imported from Europe. On the other hand, relatively high demand was not offset by sufficient supply, as the intermittent operation of refineries limited the availability of naphtha for ethylene units, thus maintaining petrochemical margins at a healthy level.

PRODUCTION

REFINING ACTIVITIES

In 2020, SLOVNAFT, a.s., processed 5.6 million tonnes of crude oil, which was 9.3% more than in 2019. The volume of the processed raw material increased despite the pandemic, which led to the closure of economies and a drop in demand. The volume of the processed crude oil in the Bratislava refinery rose due to the reliable operation of production units, which were not affected during the year by any significant planned or unplanned failure or forced shutdown.

Slovnaft has been the market leader in Slovakia's motor fuel market, providing its customers with high-quality products complying with the highest European standards. The company also held a significant position on the markets of several neighbouring countries. In addition to high quality motor fuels, Slovnaft has also supplied customers with chemicals, bitumen, LPG and lubricants.

Oil supplies through the Druzhba pipeline as well as from alternative sources were stable and without interruptions throughout the year. In 2020, the processing of alternative oils continued and reached the historical maximum of 230 thousand tonnes. REBCO oil keep dominating the oil refining sector, but the share of alternative oil refining may continue to increase following the completion of the construction of a new oil tank and an oil mixing and pumping station.

During the year, the refinery launched the production of 100-octane petrol.

PETROCHEMISTRY

In 2020, the petrochemical division of SLOVNAFT Group produced high quality polymers. These are basic raw materials for a wide range of applications ranging from the production of foils for technical and packaging applications to the production of various plastic goods for everyday use, all the way to the sophisticated production of components for the automotive industry.

In 2020, the processing of raw materials reached 854 thousand tonnes, which was 18% more than in 2019. The increase was supported by the reliable operation of the equipment and the growth in demand for petrochemical products, which were also used in the fight against the spread of COVID-19.

Polypropylene production reached 264 thousand tonnes, which represents an increase of 16.2% compared to the previous year. Polyethylene production was at the level of 190 thousand tonnes with a year-on-year increase of 23.2%.

POWER & HEAT GENERATION

The Energy and Heat Production Department ensures the continuous production and supply of energy for the production units of Slovnaft refinery, and also for other internal and external customers in the compound of Vlčie hrdlo.

The optimisation of the energy production-to-purchase ratio and utilisation of market opportunities helps reducing the company's expenses. Its own production covers the overall heat consumption for technological purposes and approximately 43% of electricity consumption in the SLOVNAFT Group. The heat and electricity production in 2020 also complied with the emission limits and met the requirements of the Integrated Permit of the Thermal Power Plant.

The year 2020 was influenced by an increase in the energy efficiency of production facilities, the refinery's requirement to optimise the combustion of liquid fuel together with the maximum utilisation of the Thermal Power Plant equipment.

In 2020, total heat supplies reached 5,453 TJ (1,515 GWh), which was 15.7% more than in 2019. Electricity supply from the Thermal Power Plant decreased by 7.2% year-on-year to 426 GWh.

The heat supplies to Bratislavská teplárenská, a.s., continued last year. The amount of heat supplied was 76 GWh.

WHAT COMES NEXT?

Slovnaft will further increase its competitiveness by streamlining its activities and introducing innovations. The company wants to continue the trend of strict cost discipline and the evaluation of suitable opportunities for development. In the area of crude oil processing (refining), the main objectives remain the reduction of the energy intensity of production, maintaining the high operational reliability of production facilities and continuation of the planning and gradual implementation of development initiatives, including those with an environmental impact.

Slovnaft plans to strengthen the petrochemical segment in the future. Aiming at this goal are activities related to efficiency gains, introduction of new procedures as well as activities in search of possible investments which would increase the flexibility of this segment and expand the product portfolio.

In the energy sector, new investments in the distribution network and energy equipment will increase the reliability of supply as well as the flexibility of securing energy from different sources. Within the electricity distribution system, several major investment projects are planned in 2021, such as further transformer replacement.

SALES

WHOLESALE

In 2020, SLOVNAFT, a.s., sold on the domestic market a total of 1.53 million tonnes of motor fuels, which was about one tenth less compared to the previous year. Of this, diesel sales reached 1.15 million tonnes and gasoline sales 376 thousands tonnes. Compared to year 2019, domestic diesel and gasoline sales decreased by 8.7% and 10.4%, respectively. In foreign markets, motor fuel sales increased by 10.4% year-on-year to 2.4 million tonnes.

PETROCHEMISTRY

SLOVNAFT Group's petrochemical segment was still able to achieve record sales volumes in 2020 despite the crisis period. During this period, demand for petrochemical products increased significantly and was determined by its wide use. The change in consumer behaviour during the pandemic considerably increased the consumption of plastics. Thanks to the good availability of production units, we were able to ensure continuous deliveries to strategic customer segments.

Sales of plastics reached 458 thousand tonnes in 2020, which represents a year-on-year increase of 21.7%. Sales were focused mainly on export markets, to which we directed about 90% of the total production.

WHAT COMES NEXT?

Given the global crisis caused by the pandemic and the unstable political situation in the world, the company expects that the crude oil and oil products market will fluctuate and remain difficult to predict. The economic slowdown resulting from the pandemic and strict anti-pandemic measures will also have an impact on the development of fossil fuel consumption in 2021 as well as in our region. The final impact of the COVID-19 crisis is very difficult to anticipate, as the situation is evolving on a daily basis and will depend on the severity of the pandemic as well as the duration of the strict restrictive measures. On the domestic market, we assume that the development of motor fuel consumption will be similar to that in 2020 resulting from strict anti-pandemic measures which significantly slow down the economy and affect mobility.

We expect a possible recovery in consumption and demand only if the restrictive anti-pandemic measures are abolished or significantly relaxed due to a better epidemiological situation in Slovakia but also in the world.

In the field of petrochemistry, it is no less important to continue with the efforts to increase customer satisfaction through the quality of products and services provided and advanced digital communication technology.

RETAIL

In 2020, Slovnaft operated 254 service stations in Slovakia. Retail sales in 2020 were largely affected by the unfavourable COVID-19 related situation, which had a negative impact on the segment of retail sales worldwide. The measures to prevent the spread of the new disease resulted in a decline in international traffic (due to border closures), the majority of the population worked from home and educational institutions were also closed. All these factors had a substantial effect on the mobility of our customers.

Compared to the previous year, the total sales of motor fuels in the Slovnaft network of service stations dropped by 6.3%, nevertheless the sales of premium EVO Plus fuels grew by 51% year-on-year.

Retail was active on the domestic market even during the crisis. We were able to maintain the operation of all service stations, i.e. no service station was closed; some have modified their service hours reflecting the mobility of the population. Protective plexiglass was installed in the cashier's zone for service station employees – service staff who were regularly supplied with personal protective equipment – face masks and disinfectants.

SOCIAL RESPONSIBILITY

Social and environmental responsibility is an important part of retail sales. It is focused mainly on energy efficiency – service stations mostly use LED lighting with lower electricity consumption and offer customers the opportunity to hand over used batteries there. We also continue the successful initiative "Even a Drop of Oil Counts", within which we collected 85.3 tonnes of used oil. The use of plastics is reduced at service stations; only paper bags are available to customers, and we strive to optimise the volume of waste throughout the supply chain. During the pandemic, Slovnaft takes a very responsible approach towards the issue of occupational health and safety at its service stations. All service station workers were provided with personal protective equipment in the form of face masks with protective goggles and disinfectants for personal hygiene. Each service station is equipped with a automatic hand sanitiser dispenser at the entrance to the store and each cashier's desk is secured with protective plexiglass. At the same time, the service station premises are regularly cleaned and disinfected to even larger extent.

MODERNISATION OF THE NETWORK OF SERVICE STATIONS

In 2020, Slovnaft continued the set trend of modernising the interiors and exteriors of the service stations in accordance with the Fresh Corner design. The company will continue with this trend in 2021 despite the continuing unfavourable situation.

The change in the design of the service stations has a positive effect on the brand perception by service station customers who consider them a place to rest where they can refuel their vehicles with quality fuels, while enjoying a cup of high quality coffee and refreshments offered by the Fresh Corner store. At the same time, we pay attention to the modernisation of dispensing technologies with the possibility of payment via a self-service terminal directly at the dispenser. Drivers have this possibility at 31 service stations. Renewal of car washes has a significant impact on their reliability, safety and environmental protection. As part of the European Union project "NEXT-E" aimed at increasing electromobility, additional fast charging points were installed at the service stations. Electric chargers are available at 13 service stations. Slovnaft also continued in the replenishment of washer fluid with possibility of its ecological direct refueling. This method is already implemented at 48 service stations.

NON-FUEL SALES AT THE SERVICE STATIONS

During 2020, campaigns and various special offers for the sale of non-fuel goods and Fresh corner refreshments took place at the service stations, this way Slovnaft responded to the forced closure of catering establishments. Revenue from the sale of non-fuel goods increased by 7% year-on-year, while the turnover of the catering segment decreased by 11% during the pandemic due to strict measures taken by the government and authorities. The two best-selling products were coffee reaching 8.07 million cups sold and 3.4 million of hot dogs sold.

MARKETING ACTIVITIES

The beginning of 2020 focused on the communication of the new petrol labelled E10 (petrol with a higher proportion of bio-components) and the introduction of new additives called EVOTECH Formula. The BONUS club customer programme which formed a significant part of last year's marketing communication offered more possibilities of spending bonus points for the purchase of non-fuel goods.

The total customer base of the BONUS club increased by 12% in 2020, we conside this as a positive signal from customers to expand the offer of loyalty programme items. At the end of 2020, the BONUS club members were also given the opportunity to support the League for Mental Health by donating their points.

WHAT COMES NEXT?

In 2021, Slovnaft intends to continue with the service station modernisation projects and increase the number of service stations equipped with the Fresh Corner gastro concept and restaurant services. The exchange of dispensing technology, increasing the number of new car washes and self-service payment terminals, are also planned. The construction of two new motorway service stations is planned on the new double-sided rest stop on the R1 expressway (Nitra).

Due to the ongoing pandemic situation, Slovnaft will ensure the protection of the health of employees and customers of the service stations and also continue the set trend of expanding its offer of gastronomic refreshments and non-fuel goods. At the same time, we will support our colleagues who work at the service stations, and try to maintain the standard of our services as much as possible so that our customers do not feel the impact of the pandemic measures on the quality of service received.

MOBILITY AND BUSINESS PORTFOLIO EXPANSION

The bike-sharing service Slovnaft BAjk has been a strategic project linked to the sustainability of Slovnaft since 2018. It offers users an alternative means of transport in the capital city of Bratislava. In 2020, this service was affected by the pandemic. The implementation of quarantine measures, introduction of working from home by large companies, reduction in the number of tourists and distance learning resulted in decrease of number of rides by 30%. We noticed a change in the structure of the use of the service: reduced regular rides associated with commuting to/from work and going to/from school were offset by a higher number of ad-hoc rides. We assume that people preferred riding a bicycle to using public transport for safety reasons.

For the sake of protecting its users and preventing the spread of COVID-19, Slovnaft BAjk has introduced regular disinfection of bicycles since March 2020.

The higher density of stations in the city districts within the service network (Staré mesto, Ružinov and Petržalka) and the expansion of the service presence into further city districts (Vrakuňa and Rača) also contributed to the fact, that the decrease in rides during the pandemic was relatively moderate.

In 2020, new docking stations were installed, and at the end of December, users had at their disposal the total of 96 stations. The partnership programme for commercial rental of stations continued, providing companies with the possibility to place the stations at their registered offices, thus supporting the green form of transport. This opportunity was again used by the partners from the pilot stage: Avion, IKEA and Kron Real. In 2021, we plan to extend this programme to additional stations. In the high season, an average of 500 to 550 bicycles were at disposal in the streets and approximately 170 thousand rides were taken throughout the year.

Slovnaft BAjk users have multiple tickets to choose from, tailored to the different needs of individual cyclists. Taking the pandemic measures also led to a change in the structure of the tickets sold. A monthly ticket, the best-selling type of ticket in 2019, was overtaken by the credit ticket in 2020 due to lower mobility. The credit ticket is not linked to a specific time frame and users only pay for the particular ride taken, so it is suitable for occasional cyclists.

FINANCIAL PERFORMANCE AND KEY FINANCIAL AND OPERATING RESULTS

STATEMENT OF COMPREHENSIVE FINANCIAL RESULTS

Last year, Slovnaft revenues reached EUR 2.7 billion, which represents a year-on-year decrease of 25%. The main reasons were the reduction in quoted commodity prices at the beginning of the first wave of the coronavirus pandemic and the restriction of mobility during the rest of 2020. The cost of materials and acquisition of the goods sold decreased by 28%, especially due to a reduction in the quoted oil prices, which fell to USD 18.00 per barrel during the peak of the first pandemic wave and remained one third below the early 2020 level during the rest of 2020. Compared to 2019, other operating costs[1] decreased by 7.9% as a result of austerity pandemic-related measures taken to save the operating expenses.

STATEMENT OF FINANCIAL POSITION

The value of tangible fixed assets decreased by 3.7% year-on-year, mainly due to a reduction in the volume of investments, while the value of inventories fell by 13.4%. Trade receivables dropped by as low as 31.4% year-on-year in line with the development of quoted product prices and undisturbed payment discipline of the key account customers. The value of trade payables fell by 35.1%, mainly in connection with lower oil prices and the general trend towards revising expenditures. The value of cash decreased by 71.8% year-on-year. The value of Slovnaft's total loans increased three-and-a-half times reaching € 284 million.

INVESTMENT ACTIVITIES

Slovnaft's capital expenditures in 2020 reached € 111 million[2] and decreased by € 112 million year-on-year.

The investments of € 40 million were dedicated for projects aimed at increasing operational reliability and improving the efficiency of the production process. Of this volume, a total of € 6 million was overinvested in the planned technical checkups. Technological changes required the investment of € 5 million and catalysts replacement costs € 6 million. The amount of € 8 million was invested in the improvement of a distribution and logistics process.

Investments worth € 24 million went to projects aimed at supporting future growth.

In the retail segment, capital expenditures totalled almost € 7 million. The investment activities were focused on the modernisation of service stations in the non-fuel section – renovation and conversion of retail premises into the Fresh Corner store design, installation of modern car washing lines ensuring the reliable and safe operation of service stations and environmental protection.

The investments aimed at improving the environment and safety at work in the whole Slovnaft totalled € 29 million and in addition to environmental projects, these were used for the construction of an ethylene storage tank, the renovation of storage tanks and for providing technical support during the pandemic, which enabled the maintenance of operations throughout the year.

[1] The category other operating costs includes Services, Personnel costs and Other operating costs

[2] Capital expenditures include the acquisition of tangible and intangible fixed assets without expenditures for the acquisition of CO_2 allowances and strategic spare parts

OCCUPATIONAL HEALTH & SAFETY, FIRE & PROCESS SAFETY AND ENVIRONMENTAL PROTECTION

Slovnaft's main goal is to ensure the highest possible level of occupational health and safety, fire safety, environmental protection and minimalisation of the negative impacts that emerge during its operation. A responsible approach is also perceived as a way of thinking applied in everyday life, therefore Slovnaft places great emphasis on SD & HSE culture. Even during 2020 marked by the pandemic, Slovnaft maintained a high level of security. The employees confirmed the company's philosophy that everyone is responsible for their own behaviour and sets an example for others. The company was aware of the seriousness of the situation right from the outset and invested in protecting the health of its employees, whether by ordering regular disinfection of the premises, personal protective equipment or testing employees directly on Slovnaft's premises. Slovnaft's efforts to continuously improve and ensure HSE processes were also demonstrated by a supervisory audit in accordance with ISO 14001:2015 and in 2020 by a certification audit for the new ISO 45001:2017. The audit highlighted our professional management of employees and suppliers in HSE and the readiness of the company.

ENVIRONMENTAL PROTECTION

The quality of the environment is increasingly coming to the foreground of the EU's political agenda as well as to that of individual Member States. Legislative requirements are becoming more and more stringent, with constantly emerging new and better available techniques that need to be implemented. Over the years of the urban agglomeration development, our company has become closer to residential zones, so the impacts of our activities are perceived more sensitively. We understand the concerns of the surrounding communities and their interest in having a healthy environment. We have accepted this challenge, and since then, we have been integrating the principles of ESG (Environmental, Social and Governance) into our processes. At regular meetings of the ESG team we identify opportunities to reduce the impacts of our activities on the surroundings and endeavour to adopt solutions for reducing these effects.

AIR PROTECTION

The typical refinery odour is perhaps the most recognised impact of our operation. Each activity, including the refining and petrochemical sectors, has its own external manifestations and impacts, which are inherent in individual activities, and their effects cannot be entirely eliminated. In order to be able to objectively inform the public and assess our contribution to air quality, we operate three air quality monitoring stations in the vicinity of Slovnaft. For the purpose of ensuring the operational reliability of the stations, we have been implementing a programme for the renovation of these stations. After the initial modernisation of the station in Podunajské Biskupice in 2019, notwithstanding the limitations caused by the pandemic in 2020, we renovated the station in Rovinka and put it into operation. At the end of the year, we also commenced work on the preparation of the renovation of the last station in Vlčie hrdlo. Besides the replacement of existing equipment, we respond to the trends in air quality assessment and to the requirements of communities to increase the number of measured pollutants. We have been supplementing all the stations with the measurement of PM2.5 dust particles and the Vlčie hrdlo station with the measurement of benzene.

Air quality is directly linked to the amount of pollutants emitted into the air. Therefore, we focus on reducing emissions from the sources of air pollution, i.e. boilers, refinery and pyrolysis furnaces and other technological sources of air pollution. The total amount of emissions decreased by 3% year-on-year.

It is worth mentioning that SO_2 emissions declined by 25%, mainly thanks to a lower volume of offgas combustion of gas flares due to fewer shutdowns and also thanks to a higher share of natural gas in the fuel mix at the Thermal Power Plant.

The already mentioned specific refinery odour is primarily caused by fugitive emissions of volatile hydrocarbons. We have been reducing these for years using the LDAR methodology, the purpose of which is to regularly check for leaks of volatile organic compounds and subsequently repair the leak site. Last year, we prepared for the implementation of a measurement method complementary to the current probe measurement method, namely by introducing an optical method for leakage identification. From this method, we expect a more effective detection of potential leakages, thus ensuring further reduction in the leakages of odour-causing substances.

WATER PROTECTION

In the year-on-year comparison, there was almost no change in the main indicators, such as the amount of water withdrawn, the total amount of pollutants released as well as the volume of wastewater discharged. This fact points out the stability of the current method of water management and wastewater treatment, and thereby to the sustainability of our water management.

Slovnaft continues to develop projects aimed at reducing water consumption by connecting additional production units to circulation cooling as well as at expanding the timely monitoring of the discharged wastewater quality, which will enable us to better prevent the potential leakages of pollutants during emergencies.

SOIL AND GROUNDWATER PROTECTION

On the premises in Vlčie hrdlo, we continue to operate the groundwater protection system. Since the system has been in continuous operation for almost 50 years, the restoration of pumping boreholes is required to sustain the system's operational reliability and efficiency. In recent years, we restored the pumping boreholes of the hydraulic screen, and we plan to continue replacing other boreholes, thus ensuring the efficiency of the system. After finishing of a several-year programme for remediation at service stations and logistics terminals, we only continue to monitor the state of groundwater at some rehabilitated localities.

WASTE MANAGEMENT

In waste management, we are following the trend of reducing waste landfilling. All oil sludges generated from operations and maintenance are disposed of by incineration or co-incineration with external suppliers, as the energy contents of these sludges predestine them for such processing.

The total amount of waste decreased by a quarter in 2020, to which both hazardous waste and other waste contributed equally. In the refinery itself, waste generation was halved, mainly due to the completion of investment projects.

OCCUPATIONAL SAFETY AND HEALTH

The protection of lives and health of employees and suppliers is of the utmost importance to Slovnaft. During 2020, the injury rate (TRIR of own employees, contractors and the service station staff) reached the level of 0.46 for the entire SLOVNAFT Group.

MANAGEMENT OF SUPPLIERS

Due to the pandemic, requirements have been set out for supplier companies which are constantly updated. Based on them, the conditions for entry of the employees of supplier companies were defined, i.e. at the entrance, their body temperature as well as currently valid negative test/certificate for COVID-19 are checked. In order to increase efficiency, testing of employees of suppliers was also allowed at a mobile testing point directly at the premises of SLOVNAFT, a.s.
As in previous years, we were implementing an incentive programme aimed at increasing their HSE awareness, supporting safe behaviour, thus minimising dangerous situations and ensuring an accident-free course of general turnarounds, technological checkups or new projects.

REACH

In order to increase competitiveness, six products of SLOVNAFT, a.s., were registered or pre-registered according to the Turkish KKDIK – regulation similar to the chemicals-related legislation in the EU regulation "REACH".
At the level of MOL Group, the REACH team contracted a company in Turkey, which is responsible for meeting the requirements of the Turkish legislation or represents the individual MOL Group companies in Turkey. Pre-registration will allow us to sell our products not only in Turkey, but also to the EU customers who resell their products in Turkey and to prepare for full registration after completion of the transition period.

PROCESS SAFETY AND FIRE PREVENTION

In 2020, the documentation of Serious Industrial Accidents – Safety Reports and Emergency Plans were updated. Emergency scenarios and the action readiness of the company's rescue system are regularly rehearsed in accordance with the annual plan. In 2020, no serious industrial accident was registered in the company.

The responsiveness of fire brigades is constantly improved by technical and organisational measures. In 2020, Fire Hazard Analyses were updated in Vlčie hrdlo compound and Kľačany terminal.

The pandemic situation in fire brigades was managed in such a way that the action capability would not be reduced in any of them. At the same time, fire brigades made sure that the premises were disinfected and pre-medical assistance was provided in pandemic emergencies.

For Slovnaft, sustainable development means a commitment to the balanced integration of economic, environmental and social aspects into our everyday business activities in order to maximise the formation of values for our partners and to ensure the authorisation of our activities in the long term.

Indicator	Unit	2017	2018	2019	2020
Climate Change					
Greenhouse Gas Emissions					
Carbon Dioxide (CO_2) under ETS	t	2,198,678	2,198,678	2,062,645	2,193,994
Environment					
Air Emissions					
Sulphur Dioxide (SO_2)	t	3,317.2	3,139.4	3,041.9	2274.0
Nitrogen Oxides (NO_X)	t	2,098.6	2,050.6	1,816.9	2133.9
Volatile Organic Compounds (VOC)	t	2,528.7	2,452.2	2,359.5	2567.5
Carbon Monoxide (CO)	t	480.7	464.7	407.1	452.7
Particulate Matter (PM)	t	94.2	110.2	93.8	81.2
Water					
Total Water Withdrawals	m^3	31,393,966	35,367,299	35,801,953	38,192,046
Total Water Discharge	m^3	50,522,163	56,020,117	58,683,898	59,512,081
Waste					
Hazardous Waste	t	29,702.4	41,761.2	14,739.7	10,645.6
Non-hazardous Waste	t	28,115.8	43,689.6	37,040.2	29,080.7
Reused/recycled ratio	%	66	73	72	77,4
Spills					
Number of HC Spills	number	27	30	12	19
Volume of HC Spills	m^3	10.7	3.9	11.6	1
Health and Safety					
Lost Time Injury Frequency (LTIF) – own employees	rate	0.53	2.25	1.2	1.0
Lost Time Injury Frequency (LTIF) – contractors	rate	0.09	0.2	0.2	0
Total Reportable Occupational Illnesses Frequency (TROIF)	rate	0	0	0	0
Number of fatalities – own employees	number	0	1	0	0
Number of fatalities – contractors	number	0	0	0	1

RESEARCH AND DEVELOPMENT

The pandemic also significantly affected research and development in 2020. With regard to the market development and a significant decrease in fuel consumption, Slovnaft focused on the planned transformation of the hitherto dominant production of motor fuels into petrochemical production, recycling and alternative energy sources.

A fall in demand for motor fuels, especially for motor gasoline, involved a reassessment of synergy effects within MOL Group. The systems for assessing investment plans and assessing alternative oils have been modified. Subsequently, the simulation models of individual Slovnaft's productions were altered together with the prepared development model, which will also consider greenhouse gas emissions.

Despite major changes in the market, we continued to carry out the originally intended development activities, which complied with the new conditions. At the beginning of 2020, we introduced a new type of motor fuel – E10 petrol in accordance with the plan and legislative requirements. We also created technical and organisational preconditions for its extension to future customers in the Czech Republic.

In addition, Slovnaft completed the project for bottling hydrogenated vegetable oils (HVO). By purchasing this valuable material of biological origin with a higher cetane number and good low-temperature properties, we can prepare an even wider portfolio of diesel oil specifications according to EN-590 targeted at the requirements of any customer.

Along with universities of technology and proven suppliers, we continue to implement the project aimed at processing raw materials and producing the second generation bio-components for motor fuels in accordance with the revised EU directive, known as RED II.

As part of fuel production, we focused on streamlining the production of aviation kerosene and diesel oil in order to optimise the deliveries and enhance the quality. For the future, we plan to continue the long-term programme of optimising the product portfolio to reduce the load of production and logistics operations.

We have seen growing demand in the area of existing plastics production. We proceeded with the development of our activities to meet the more demanding requirements of customers from various application segments, thereby improving the competitiveness of our products. In polypropylene development, we tested a new catalytic system developed by the licensor of our production process, which will reduce the proportion of volatiles in the polypropylene produced, and thus meet demanding customer requirements, especially from the automotive industry. We will also carry on with the operational testing of this catalytic system in 2021.

In low-density polyethylene development, we engaged in the development of two new types of LDPE with increased density, which has the potential to be used for demanding foils applications with the required excellent optical parameters. We expect the development of these types to be finalised and their subsequent introduction into the production portfolio in 2021.

The year 2020 was also marked by a change in Slovakia's orientation towards hydrogen technologies. Within the call of the Ministry of Economy of the Slovak Republic and in accordance with the updated strategy of MOL Group, Slovnaft prepared and submitted several related project proposals.

HUMAN RESOURCES MANAGEMENT

As of 31st of December 2020, SLOVNAFT, a.s., employed a total of 2,290 employees.

Slovnaft offers its employees a stable working environment. Its quality was also confirmed by the fact that Slovnaft ranked again among the best companies in a prestigious survey for the most attractive employer in Slovakia. In the Production and Industry category, the company won second place. Those who voted mainly appreciated good salaries and benefits, job security, tradition and good name of the company.

PAYROLL AND SOCIAL AFFAIRS

In 2020, the company introduced a project of electronic portal for benefits, which was dedicated to simplifying access to and the active use of benefits. The new portal was officially launched on 1st of July 2020 for all employees of the SLOVNAFT Group. The purpose is to have all the information about benefits in one place, where employees can manage their benefits, including via their mobile phones. This simplified the access to benefit management and it helps the gradual elimination of the administration associated with proving the expenditure for benefits.

EDUCATION AND STAFF DEVELOPMENT

Slovnaft fosters the education and development of all employee groups on a long-term basis in accordance with the needs of the company and the entire MOL Group strategy.

The company also supports the creation of job opportunities for students and graduates. The dual education programme continued; four students joined the Dual Academy in 2020. In the 14th year of the GROWWW programme, which is intended for university graduates with no more than one year of work experience, we admitted 13 graduates in 2020.

DIVERSITY POLICY

The company signed the Diversity & Inclusion Charter that integrates the principles of diversity and an inclusive approach into a business strategy and the decision-making processes at all levels of corporate governance. The Diversity Charter is a voluntary initiative supported by the European Commission together with the EU Platform of Diversity Charters, which promotes the dissemination and sharing of principles, good practice and experience on diversity management in the EU Member States. Slovnaft's Diversity Strategy consists of 4 pillars – gender and age diversity, diversity of the benefit system and cooperation with disadvantaged people. In 2020, the company also became a member of the Coalition of Companies Supporting the League for Mental Health, in cooperation with which it develops activities raising employees' awareness of the importance of mental health.

In Slovnaft's Board of Directors, out of a total of 8 directors, there are two women – Timea Reicher, Head of Retail, and Zsuzsanna Éva Ortutay, MOL Group's Global Business Solutions Manager.

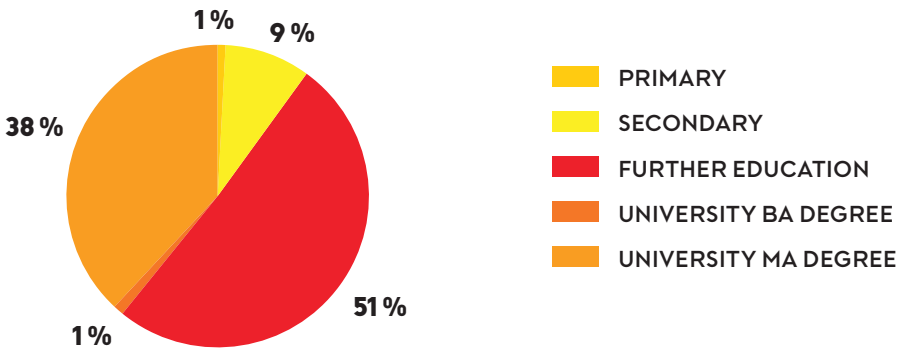
The Supervisory Board of the Company includes 6 members overall, one of whom is a woman. The only female member of the Supervisory Board is Mrs Martina Darnadiová who was elected as a representative of employees, a candidate of the Energy-Chemical Trade Union (ZO ECHOZ) at SLOVNAFT, a.s. She has been a member of the Supervisory Board since 2017.

In 2020, the total number of 5 women and 20 men held positions in the Company's top management. The women in the managerial positions managed the following units: Retail, Facility and Property Management, Human Resources, Retail IT Systems, Internal Audit and Compliance.

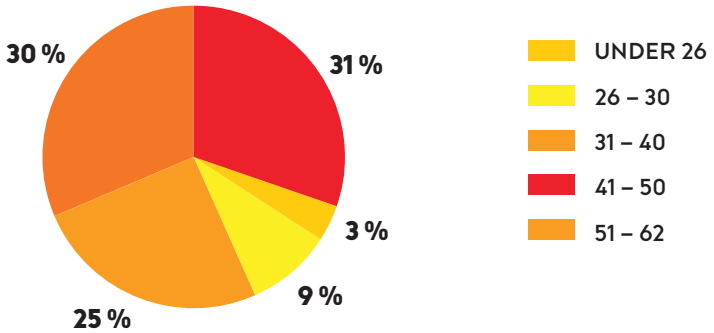
PROMOTING ETHICAL PRINCIPLES

SLOVNAFT, a.s., and its subsidiaries naturally share MOL Group's commitment to act ethically and regard it as one of the key components of the Company's operation. MOL Group has committed itself to conducting business in line with the culture of ethical behaviour, thereby made ethics fundamental to its operations. The Code of Ethics and Code of Business Conduct are binding on all MOL Group employees and managers and are available on the Intranet, the Company's website and in printed form as well.

EMPLOYEE EDUCATION



AGE OF EMPLOYEES



CORPORATE SOCIAL RESPONSIBILITY AND WELFARE ACTIVITIES

SLOVNAFT, a.s., emphasises the notions of social responsibility, sustainability and community life in business. In 2020, Slovnaft maintained the initiatives aimed at actively supporting children and youth, their education and health, science, culture and sports, environmental protection and also cooperated with NGOs and communities in the surroundings of the refinery. The company also responded flexibly to the acute challenges posed by the spread of COVID-19 and sought to contribute to mitigating the effects of the pandemic through its activities.

SUPPORT OF YOUNG TALENTS

In 2020, Slovnaft – in cooperation with the Central European Foundation – supported young talent in arts, science and sport through the New Europe Talent grant programme. By supporting the talent of young people, the company's aim is to help develop their natural endowments and future as well as the future of our country. A total of 135 children and young people were involved in the 13th year of the programme; the total financial support of € 66,000 was distributed among 59 talents. Since 2006, Slovnaft and the Central European Foundation have supported 418 children and young people with almost € 845,000.

In 2020, due to anti-pandemic measures, it was not possible to continue the "Culture with Slovnaft" project, which has been implemented by Slovnaft since 2012. For the purpose of maintaining the continuity of cultural support in Slovakia even in these difficult times, Slovnaft decided to donate the money dedicated for this project to ten theatre entities and one gallery. The financial support was provided to Bratislava Puppet Theatre, STU Small Stage Theatre ("STU" is an abbreviation for the "Slovak University of Technology"), Jókai Theatre, New Theatre in Nitra, Žilina Town Theatre, the Gallery of Ľudovít Fulla in Ružomberok, Thália Theatre, the State Theatre in Košice, Spiš Theatre, and the National Theatre of Prešov. Slovnaft has been collaborating with most of the supported entities for many years within the "With Slovnaft for Culture" project aimed at bringing art closer to children.

ENVIRONMENTAL CONTRIBUTION

Support for biodiversity, especially in urban environments, and thereto related creation or expansion of smaller green areas aiming to improve nesting opportunities for songbirds, planting out plants important for pollinators, build watering holes, connect existing green areas with bio-corridors and to enhance living conditions for small vertebrates were the central topic of the 14th year of the Green Oases grant programme supported by Slovnaft in cooperation with Ekopolis Foundation. The main objective of the programme is to foster sustainable management of environmentally valuable localities that serve the wide public, promote nature conservation and sustainability. In 2020, the grant committee assessed 179 applications received. For the first time, in addition to the grant committee, the winners were decided by the public via online voting. A total of 23 projects received funding and were implemented by the end of October 2020. During the 14 years of the programme, 347 green oases were created throughout Slovakia thanks to Slovnaft's financial support of more than € 850,000.

The project "Even a Drop of Oil Counts" also continued withot interruption in 2020. This initiative is focused on the collection of used cooking oil from households. Customers and employees brought a total of 85.3 tonnes of used cooking oil to collection sites at service stations and directly in Slovnaft. Overall, we collect oil at 212 service stations across Slovakia, and one collection point is also on the premises of Slovnaft in Vlčie hrdlo. Since the launch of the initiative in 2011, nearly 285 tonnes of used cooking oil have been recycled and further processed to a biofuel component for diesel oil.

COMMUNAL LIFE

Slovnaft is located on the outskirts of Bratislava, close to its city districts and adjacent municipalities. The company, therefore, strives to maintain good relations with the neighbouring communities and their development through various initiatives and transparent communication. "A Good Neighbour" grant programme was created to compensate for the impact of refinery activities on the lives of citizens in its neighbourhood and enhance the quality of their lives through project grants. In 2020, besides Vrakuňa, Podunajské Biskupice and Rovinka, the programme was extended to Ružinov. The programme received 13 grant applications, of which 10 projects were selected and supported. In addition, we donated € 20,000 to the communities of Podunajské Biskupice borough to purchase trash bins and € 35,000 to repair children's playgrounds in Ružinov borough.

Slovnaft maintained transparent communication with the communities living in the surroundings of the refinery by sending regular information updates on the refinery's impacts to the representatives of city districts and municipalities in the vicinity of the refinery as well as to the representatives of citizens' association. The regular community meetings launched by the company in 2019 had to be temporarily suspended in 2020 due to the sanitary measures implemented to prevent the spread of COVID-19 until they are re-mitigated.

Slovnaft has also been actively involved in the fight against COVID-19. In March 2020, at the time of a lack of disinfection on the Slovak market, Slovnaft started producing its own disinfection in its subsidiary VÚRUP (Research Institute of Petroleum and Hydrocarbon Gas). Shortly afterwards, Slovnaft launched the project "1,000 Litres per Day for Slovakia", by which it donated the disinfectant "Slovnaft Hygi Fluid" where it was most needed – to medical facilities, facilities for the elderly and social service facilities, municipalities, organisations helping homeless people or marginalised communities, non-profit organisations and other applicants. Overall, Slovnaft handed over more than 32 thousand litres of the disinfectant to 227 entities throughout Slovakia. As part of the "Coffee for the Heroes" initiative, paramedics and medical staff – the first-line heroes – could enjoy a cup of coffee free of charge in the Fresh Corner network. Since its launch on 21 st of March 2020, during its two-month duration we distributed 61,333 cups of coffee. In times of crisis, we supported a series of online club concerts called "I Am Culture".

Slovnaft has long been cooperating with non-profit organisations. It supports the non-profit organisation Plamienok, which aims to care for seriously ill children and the citizens' association Vagus, which helps people living on the margins of society. The citizens' association Vagus received fuel provisions from Slovnaft needed for the field work.

Community support is deeply rooted in Slovnaft's culture and, therefore, it also annually supports the projects to improve life in the vicinity of all its logistics terminals in the villages of Stožok, Kľačany, Horný Hričov and Kapušany.

We also perceive the high commitment of the local government, which plays a key role during the pandemic. Therefore, we have established strategic cooperation with the Association of Towns and Municipalities of Slovakia.

SPORT

In 2020, Slovnaft was the general partner of SLOVNAFT CUP – the premier league football cup. In the role of the general partner, it also supported the top-level Slovak men handball competition – Slovnaft Handball Extraliga – and as the main partner also the top-level women Czech and Slovak handball competition named MOL Liga. Slovnaft supports the Slovak handball representation of men and women in its capacity as the general advertising partner.

As part of the support of the region in which we operate, we are the general partner of the FC ŠTK 1914 Šamorín football club and the HC DAC Dunajská Streda.

A Slovak motorcycle rider Štefan Svitko took part in the 42nd year of the 2020 Dakar Rally in Saudi Arabia, with the traditional support from Slovnaft. Svitko was the official "face" of the desert rally and won 11th place in the overall ranking. With his eleventh participation in the Dakar Rally, he also earned the valuable "Dakar Legend" title.

VOLUNTEERING

Not even the complicated situation in 2020 could prevent active Slovnaft employees from being involved in volunteering activities. Traditionally, a group of volunteers from Slovnaft was the most numerous in terms of participation in the "Our City" project. Both Slovnaft employees and members of the management helped conservationists from the Slovak ornithological society " SOS Bird Life" in the area of Vtáčí ostrov (Bird Island).

Despite the pandemic, our employees did not hesitate to help and donate blood. In order to ensure the safety of our employees, blood donation site was moved to the centre of the National Blood Transfusion Service in Ružinov in July and November 2020. A total of 73 employees participated in three dates available for blood donation in 2020.

Volunteering activi-ties	Number of volun-teers	Hours	Total hours
Vtáčí ostrov	35	7	245
Our City	198	5	990
TOGETHER	**233**		**1,235**

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU AND INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2020

Building a better working world

Ernst & Young Slovakia, spol. s r.o.
Žižkova 9
811 02 Bratislava
Slovenská republika

Tel: +421 2 3333 9111
Fax: +421 2 3333 9222
ey.com

Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Directors and Audit Committee of SLOVNAFT, a. s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SLOVNAFT, a.s. (the Company), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and 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 accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, 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 ISAs 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

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

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 ISAs, 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 presented information as well as whether the financial statements captures the underlying transactions and events in a manner that leads to their 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.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting.

Building a better working world

Based on procedures performed during the audit of financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2020 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Company and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

11 March 2021
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU

for the year ended 31 December 2020

Bratislava, 11 March 2020

Oszkár Világi
Chairman of the Board of Directors

Ing. Marek Senkovič
Member of the Board of Directors

General information

SLOVNAFT, a.s. ("SLOVNAFT" or "the Company") was registered in Slovakia as a joint stock company on 1 May 1992. Prior to that date it was a state owned enterprise. The Company was set up in accordance with Slovak regulations. The Company had its primary listing on the Bratislava Stock Exchange. The Bratislava Stock Exchange terminated trading of Company's shares on the regulated market on 20 December 2019 based on request of the Company. The last trading day of the shares was 23 December 2019. The Company became a private joint stock company on 27 December 2019.

The principal activities of the Company are the processing of crude oil and the distribution and sale of refined products.

The Company's registered address and registration numbers are:
SLOVNAFT, a.s.
Vlčie hrdlo 1
824 12 Bratislava
Slovak Republic
Registration number: 31 322 832
Tax registration number: 2020372640

Since April 2003 the major shareholder of the Company is MOL Nyrt., incorporated and domiciled in Hungary.

The Company is not partner with unlimited liability in any company.

As at 31 December 2020, the Company had 2,290 employees (31 December 2019: 2,344). Average calculated number of employees as at 31 December 2020 was 2,281 (31 December 2019: 2,457), 126 of which were management (31 December 2019: 132 managers).

Authorization and statement of compliance

These separate financial statements were approved and authorized for issue by the Board of Directors on 11 March 2021.

The separate financial statements of the Company for the previous period were approved by the Annual General Meeting of the Company held on 21 April 2020.

These separate financial statements are placed at the Company's registered address, at the Register of financial statements, and at the Commercial Register of District Court in Bratislava I, Záhradnícka 10, 812 44 Bratislava.

These separate financial statements have been prepared as ordinary separate financial statements according to Section 17 (6) of the Slovak Accounting Act No. 431/2002 Coll. as later amended.

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

With effect from 1 January 2006, the change in the Slovak Accounting Act requires the Company to prepare its financial statements in accordance with IFRS as adopted by the European Union ("EU"). At this time, due to the endorsement process of the EU, there is no difference between the IFRS policies applied by the Company and those adopted by the EU.

SLOVNAFT, a.s.

Separate statement of comprehensive income for the year ended 31 December 2020

in € thousands	Notes	2020	2019
Net revenue	2	2,700,445	3,615,511
Other operating income	3	23,501	15,614
Total operating income		**2,723,946**	**3,631,125**
Raw materials and consumables used		(2,140,817)	(2,972,979)
Personnel expenses	4	(103,088)	(113,289)
Depreciation, depletion, amortization and impairment		(189,094)	(161,183)
Value of services used	5	(209,084)	(212,000)
Other operating expenses	6	(134,470)	(159,461)
Change in inventories of finished goods and work in progress		(57,327)	15,699
Work performed by the enterprise and capitalized		1,841	1,080
Total operating expenses		**(2,832,039)**	**(3,602,133)**
Profit/(loss) from operations		**(108,093)**	**28,992**
Finance revenues	7	9,068	5,442
Finance expenses	7	(3,033)	(7,018)
Finance revenues/(expenses), net		**6,035**	**(1,576)**
Profit/(loss) before tax		**(102,058)**	**27,416**
Income tax expense	8	20,172	(10,188)
Profit/(loss) for the period		**(81,886)**	**17,228**
Other comprehensive income:			
Actuarial gains/(losses) on defined benefit pension plans	19	(26)	(238)
Income tax relating to items that will not be reclassified to profit/(loss)	8	5	50
Total items that will not be reclassified to profit/(loss)		**(21)**	**(188)**
Other comprehensive income for the period		**(21)**	**(188)**
Total comprehensive income for the period		**(81,907)**	**17,040**
Basic/diluted earnings/(loss) per share (€)	**24**	**(3.97)**	**0.84**

SLOVNAFT, a.s.

Separate statement of financial position as at 31 December 2020

in € thousands	Notes	2020	2019
ASSETS			
Non-current assets			
Intangible assets	9.1	20,745	21,205
Property, plant and equipment	9.2	1,483,526	1,540,536
Investments in subsidiaries	10	46,027	45,652
Investments in associated companies	11	71,428	71,918
Financial assets measured at fair value through other comprehensive income		2,370	2,409
Other non-current assets	12	1,774	4,219
Total non-current assets		**1,625,870**	**1,685,939**
Current assets			
Inventories	13	256,375	295,996
Trade receivables	14	221,972	323,761
Income tax receivable		-	19,822
Other current assets	15	290,310	67,040
Cash and cash equivalents	16	26,238	92,886
Total current assets		**794,895**	**799,505**
TOTAL ASSETS		**2,420,765**	**2,485,444**
EQUITY AND LIABILITIES			
Equity			
Share capital	17.1	684,758	684,758
Share premium		121,119	121,119
Retained earnings	17.2	701,162	783,069
Other components of equity	17.3	2,330	2,330
Total equity		**1,509,369**	**1,591,276**
Non-current liabilities			
Long-term debt, net of current portion	18.1	55,315	53,047
Provisions	19	59,121	59,266
Deferred tax liabilities	8	62,875	83,058
Other non-current liabilities	20	14,020	15,440
Total non-current liabilities		**191,331**	**210,811**
Current liabilities			
Trade payables and other current liabilities	21	460,372	637,245
Provisions	19	30,735	23,038
Short-term debt	18.2	215,304	10,001
Current portion of long-term debt	18.1	13,654	13,073
Total current liabilities		**720,065**	**683,357**
TOTAL EQUITY AND LIABILITIES		**2,420,765**	**2,485,444**

SLOVNAFT, a.s.

Separate statement of changes in equity for the year ended 31 December 2020

in € thousands	Share capital	Share premium	Retained earnings	Other components of equity	**Total equity**
1 January 2019	**684,758**	**121,119**	**766,030**	**2,330**	**1,574,237**
Profit/(loss) for the period	-	-	17,228	-	**17,228**
Other comprehensive income for the period	-	-	-	(188)	**(188)**
Total comprehensive income for the period	**-**	**-**	**17,228**	**(188)**	**17,040**
Reclassification of actuarial gains/(losses) on defined benefit pension plans	-	-	(188)	188	**-**
Other changes	-	-	(1)	-	**(1)**
31 December 2019	**684,758**	**121,119**	**783,069**	**2,330**	**1,591,276**
Profit/(loss) for the period	-	-	(81,886)	**-**	**(81,886)**
Other comprehensive income for the period	-	-	-	(21)	**(21)**
Total comprehensive income for the period	**-**	**-**	**(81,886)**	**(21)**	**(81,907)**
Reclassification of actuarial gains/(losses) on defined benefit pension plans	-	-	(21)	21	**-**
31 December 2020	**684,758**	**121,119**	**701,162**	**2,330**	**1,509,369**

SLOVNAFT, a.s.

Separate statement of cash flows for the year ended 31 December 2020

in € thousands	Notes	2020	2019
Profit/(loss) before tax		(102,058)	27,416
Adjustments to reconcile profit/(loss) before tax to net cash provided by operating activities			
Depreciation, depletion, amortization and impairment		189,094	161,183
Amortization of government grants	3	(836)	(1,084)
Write-down/(reversal of write-down) of inventories, net		(3,414)	119
Increase/(decrease) in provisions, net		7,526	5,585
(Profit)/loss from the sale of intangible assets and property, plant and equipment	3	(123)	(22)
Write-off of receivables and addition/(reversal) of impairment, net		288	(1,313)
Write-off of liabilities		(68)	(74)
Net foreign exchange (gain)/loss on receivables and payables	7	(4,677)	2,996
Impairment/(reversal of impairment) of investments in subsidiaries	7	-	452
Impairment of financial assets measured at fair value through other comprehensive income		10	-
Interest revenue	7	(336)	(338)
Interest expense on borrowings	7	1,523	1,356
Net foreign exchange (gain)/loss on cash and cash equivalents	7	(50)	476
Other finance (profit)/loss, net		(3,005)	(1,723)
Dividends received	7	(981)	(3,372)
Book value of surrendered emission quotas		17,733	14,434
Revaluation of emission quotas	3	-	(55)
Other non-cash items		73	(816)
Operating cash flow before changes in working capital		**100,699**	**205,220**
(Increase)/decrease in inventories		42,764	(8,030)
(Increase)/decrease in trade receivables		96,926	17,551
(Increase)/decrease in other assets		(4,039)	11,897
Increase/(decrease) in trade payables		(167,598)	91,408
Increase/(decrease) in other liabilities		10,765	2,707
Corporate income tax (paid)/returned		19,817	(16,217)
Net cash provided by/(used in) operating activities		**99,334**	**304,536**
Payments for intangible assets and property, plant and equipment		(143,873)	(234,886)
Proceeds from disposal of intangible assets and property, plant and equipment		137	36
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		29	-
Acquisition of subsidiaries	10	(375)	(5)
Long-term loans granted		(4,790)	(8,040)
Long-term loans repaid		6,478	8,500
Short-term loans (granted)/repaid, net		(217,823)	(16,860)
Interest received		237	305
Other finance income		25	13
Dividends received and income from the decrease of share capital of the subsidiaries		760	3,372
Net cash provided by/(used in) investing activities		**(359,195)**	**(247,565)**
Proceeds from/(repayments of) short-term bank borrowings, net	18.3	203,000	-
Repayments of long-term non-bank borrowings	18.3	(13,580)	(13,090)
Proceeds/(payments) from derivative transactions, net		3,000	1,718
Interest paid		(1,493)	(1,383)
Other finance costs		(19)	(9)
Dividends paid to shareholders		(13)	(95)
Net cash provided by/(used in) financing activities		**190,895**	**(12,859)**
Increase/(decrease) in cash and cash equivalents		**(68,966)**	**44,112**
Cash and cash equivalents at the beginning of the period	16	92,886	49,250
Effects of exchange rate changes	7	50	(476)
Cash and cash equivalents at the end of the period	16	23,970	92,886

1 Accounting information, policies and significant estimates

1.1 Basis of preparation

These separate financial statements have been prepared in accordance with IFRS issued and effective on 31 December 2020.

For the purpose of the application of the historical cost convention, the financial statements treat the Company as having come into existence on 1 May 1992, at the carrying values of assets and liabilities determined at that date, subject to the IFRS adjustments.

The financial statements were prepared using the going concern assumption that the Company will continue its operations for the foreseeable future.

The preparation of the 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, the actual results may differ from those estimations.

The financial year is the same as the calendar year.

The separate financial statements are presented in thousands of Euro.

1.2 Information on consolidated group

The Company applied the exemption from the obligation to prepare consolidated financial statements according to Section 22 (9) of the Slovak Accounting Act No. 431/2002 Coll. as later amended, as the parent company MOL Nyrt. prepares consolidated financial statements for the largest group of companies under EU law, which also includes the financial statements of the Company and the financial statements of all its subsidiaries.

MOL Nyrt., Október huszonharmadika u. 18, 1117 Budapest, Hungary, prepares the Group's consolidated financial statements. The consolidated financial statements are available directly at the registered address of the company stated above.

1.3 Changes in accounting policies

The accounting policies adopted are consistent with those applied in the separate financial statements at 31 December 2019.

The Company has adopted the following amendments to IFRS during the accounting period:

- IFRS 3 Business Combinations - Amendments to clarify the definition of a business
- IFRS 7 Financial Instruments: Disclosures - Amendment regarding issues in the context of the IBOR reform
- IFRS 9 Financial Instruments: Classification and Measurement - Amendment regarding pre-replacement issues in the context of the IBOR reform
- IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment regarding pre-replacement issues in the context of the IBOR reform
- Amendment to References to the Conceptual Framework in IFRS Standards

Application of these amendments to standards did not have any impact on the financial statements of the Company.

1.4 Issued but not yet effective International Financial Reporting Standards

At the date of authorization of these financial statements, the following new and amended Standards were in issue but not yet effective:

- IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2022, this standard has not been approved by EU yet)
- IFRS 4 Insurance Contracts - Amendment regarding issues in the context of the IBOR reform - Phase 2 (effective for annual periods beginning on or after 1 January 2021)

- IFRS 4 Insurance Contracts - Amendments regarding the deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021)
- IFRS 7 Financial Instruments: Disclosures - Amendment regarding issues in the context of the IBOR reform - Phase 2 (effective for annual periods beginning on or after 1 January 2021)
- IFRS 9 Financial Instruments: Classification and Measurement - Amendment regarding pre-replacement issues in the context of the IBOR reform - Phase 2 (effective for annual periods beginning on or after 1 January 2021)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016, this standard has not been approved by EU yet)
- IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (effective for annual periods beginning on or after 1 June 2020)
- IFRS 16 Leases - Amendment regarding issues in the context of the IBOR reform - Phase 2 (effective for annual periods beginning on or after 1 January 2021)
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, this standard has not been approved by EU yet)
- IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective for annual periods beginning on or after 1 January 2023, this amendment has not been approved by EU yet)
- IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective for annual periods beginning on or after 1 January 2023, this amendment has not been approved by EU yet)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective for annual periods beginning on or after 1 January 2023, this amendment has not been approved by EU yet)
- IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022, this amendment has not been approved by EU yet)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective for annual periods beginning on or after 1 January 2022, this amendment has not been approved by EU yet)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment regarding pre-replacement issues in the context of the IBOR reform - Phase 2 (effective for annual periods beginning on or after 1 January 2021)
- Annual Improvements 2018 - 2020 (effective for annual periods beginning on or after 1 January 2022, these improvements have not been approved by EU yet)

Application of the new and amended standards are not expected to have a material impact on the financial statements of the Company.

1.5 Summary of significant accounting policies

Presentation currency

Based on the economic substance of the underlying events and circumstances, Euro (€) was determined as the currency of Company's presentation.

Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the profit/loss in the period in which they arise. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange ruling at the end of the reporting period. Items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange differences both on trade receivables and payables and on borrowings are recorded as financial income or expense.

1.6 Significant accounting judgments and estimates

Critical judgments in applying the accounting policies

In the process of applying the accounting policies, management has made certain judgments that have significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes.

Sources of estimate uncertainty

The preparation of 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 defer from these estimates. These are detailed in the respective notes.

Significant impact on operation

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

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

2 Net revenue

Accounting policies

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is recognized 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 recognized net of VAT, excise tax and discounts when delivery of goods or rendering of the service has taken place and transfer of control has been completed. Retail revenues are recognized at a point of sale to the customer as cash or credit card sale. Revenues from wholesale are recognized when the control over the goods sold have passed to the buyer (e. g. according to the relevant INCOTERMS).

Revenues are recognized net of the amount of excise tax, except when the excise tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the excise tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Sales by product lines

in € thousands	**2020**	**2019**
Motor diesel	1,279,761	1,764,896
Motor gasoline	481,159	707,556
Other refined products	306,461	432,673
Plastics	439,576	436,107
Services	35,694	38,901
Other	157,794	235,378
Total	**2,700,445**	**3,615,511**

Sales by geographical areas

in € thousands	**2020**	**2019**
Slovak Republic	1,145,418	1,600,147
Czech Republic	464,072	609,996
Austria	293,868	392,052
Poland	223,535	236,146
Hungary	211,532	401,975
Germany	152,521	156,542
Italy	64,629	59,357
Romania	22,562	30,115
Croatia	18,524	32,810
United Kingdom	16,412	1,539
Switzerland	16,079	10,505
Serbia	14,822	18,593
The Netherlands	10,025	14,054
Other	46,446	51,680
Total	**2,700,445**	**3,615,511**

The basis for attributing revenues from external customers to individual countries is place of delivery.

Major customers

Net revenue arising from transactions with the parent company MOL Nyrt., including companies under its control, amounts to €1,048,217 thousand which represents 38.8% of the total net revenue in 2020 (2019: €1,451,572 thousand, 40.2%).

Net revenue to any other single customer does not exceed 10% of the Company's total revenue. A group of entities known to be under common control is considered a single customer for this purpose.

3 Other operating income

in € thousands	**2020**	**2019**
Net gain from non-hedge commodity derivatives	8,865	-
Government grants for compensation of expenses	8,009	8,984
Compensation of the cost from other subjects	2,589	2,354
Compensation for damages	1,480	105
Amortization of government grants	836	1,084
Compensation of the cost of economic mobilization	674	450
Profit from the sale of intangible assets and property, plant and equipment	123	22
Penalties and late payment interest	27	187
Release of provisions for doubtful receivables	-	1,313
Gain from revaluation of emission quotas	-	55
Other	898	1,060
Total other operating income	**23,501**	**15,614**

4 Personnel expenses

in € thousands	**2020**	**2019**
Wages and salaries	67,167	74,030
Legal and voluntary retirement contributions	12,593	12,735
Public health insurance	7,673	8,255
Other social insurance	6,823	8,455
Other personnel expenses	7,709	8,539
Provision for retirement and jubilee benefits (Note 19)	1,305	1,191
Expenses of share-based payments	(182)	84
Total personnel expenses	**103,088**	**113,289**

Share-based payments

Accounting policies

Certain employees of the Company receive remuneration dependent on the parent company's MOL Nyrt. share price. The cost of these cash-settled transactions is measured initially at fair value using the binomial model. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is remeasured at each end of the reporting period up to and including the settlement date to fair value with changes therein recognized in the profit/loss for the period.

The long-term managerial incentive system based on stock options ensures the interest of the management of the Company in the long-term increase of the MOL Nyrt. share price. It comprises of the Stock Option Plan and the Performance Share Plan.

Performance Share Plan

The Performance Share Plan is a three-year cash based program launched in 2013 using the comparative share price methodology with following characteristics:

- Program starts each year with a three-year vesting period.
- Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP and the Dow Jones Emerging Market Titans Oil&Gas 30 Index).
- Basis of the evaluation is the average difference in MOL's year-on-year share price performance in comparison to the benchmark indices during three years.
- Payout rates are defined based on the over / underperformance of MOL share price.
- Payments are due after the third year.

Revenues arising from the Performance Share Plan program amounted to €24 thousand in 2020 (2019: €85 thousand). Liabilities in respect of the Performance Share Plan program amounted to €3 thousand as at 31 December 2020 (31 December 2019: €53 thousand) recorded in other current liabilities.

Stock Option Plan

The stock option plan launched in 2006 is a material incentive disbursed in cash, calculated based on call options concerning MOL Nyrt. shares, with annual recurrence, with the following characteristics:

- It covers a four-year period (two-year vesting and two-year exercising period) starting annually.
- Its rate is defined by the quantity of units specified by the Company job category.
- The value of the units is set annually.

It is not possible to redeem the share option until the end of the second year (vesting period); the exercising period lasts from 1 January of the third year until 31 December of the fourth year.

The incentive is paid in the exercising period according to the appropriate declaration of redemption. The paid amount of the incentive is determined as the product of the defined number and price increase (difference between the redemption price and the initial price) of shares.

Details of the share option rights granted during the period are as follows:

	2020		2019	
	Shares in option rights	**Weighted average exercise price per share**	**Shares in option rights**	**Weighted average exercise price per share**
	number of shares	*€*	*number of shares*	*€*
Outstanding at the beginning of the period	261,087	8.44	305,528	6.98
Granted during the period	119,253	8.01	119,087	9.23
Forfeited during the period	(7,189)	8.36	-	-
Exercised during the period	(52,800)	4.57	(163,528)	5.92
Expired during the period	-	-	-	-
Outstanding at the end of the period	**320,351**	**8.27**	**261,087**	**8.44**
Exercisable at the end of the period	90,786	8.51	52,800	5.05

As required by IFRS 2, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit during the vesting period. Revenues arising from cash-settled share-based payment transactions amounted to €158 thousand in 2020 (2019: expenses €169 thousand). Liabilities in respect of the share-based payment plans amounted to €123 thousand as at 31 December 2020 (31 December 2019: €360 thousand), recorded in other non-current liabilities and other current liabilities. The intrinsic value of the exercisable option rights amounted to €0 thousand as at 31 December 2020 (31 December 2019: €203 thousand).

Fair value as at the end of the reporting period was calculated using the binomial option pricing model.

The inputs to the model were as follows:

	2020	**2019**
Weighted average exercise price per share (€)	8.27	8.44
Weighted average share price at the date of exercise for share options exercised during the period (€)	5.91	10.17
Spot share price (€)	6.00	8.89
Expected volatility based on historical data (%)	31.05	22.03
Expected dividend yield (%)	3.66	4.85
Expected life (years)	2.07	2.25
Risk free interest rate for HUF (%)	0.84	0.63

5 Value of services used

in € thousands	**2020**	**2019**
Transportation and storage expenses	63,515	53,496
Maintenance expenses	57,328	69,090
Commission fees paid	39,381	39,460
Services related to administration	18,226	12,743
Fees for the use of the electricity system	12,868	14,406
Chemical analysis of products and raw materials	7,858	7,597
Fire protection expenses	4,754	4,501
Costs of cleaning machinery and equipment	3,308	7,836
Traveling cost	204	1,046
Other	1,642	1,825
Total value of services used	**209,084**	**212,000**

6 Other operating expenses

in € thousands	**2020**	**2019**
Fees for ensuring the maintenance of emergency stocks of crude oil and oil products	52,531	58,375
Provision for greenhouse gas emission, net	25,775	17,527
Technology expert fees	8,042	8,821
Accounting, advisory and similar services fees	7,763	6,718
Cleaning costs and waste disposal	5,912	5,753
Taxes, duties and fees	5,821	4,325
Security expenses	4,610	4,153
Marketing costs	4,179	5,817
Insurance premium	3,973	3,692
Fees paid to financial institutions	2,376	2,709
Rental expenses	1,355	2,178
Gifts	1,278	568
Environmental provision (Note 19)	1,215	6,234
Environmental protection costs	810	1,344
Technical inspections of vehicles and railway cars	630	604
Expenses to liquidation of unneeded property, plant and equipment	614	724
Fines, penalties, damages and compensations for damages	575	674
Training expenses	532	1,191
Provision for doubtful receivables, write-off of receivables, net	288	-
Net loss from non-hedge commodity derivatives	-	20,282
Other	6,191	7,772
Total other operating expenses	**134,470**	**159,461**

The expenses for services provided by auditors were as follows:

in € thousands	**2020**	**2019**
Audit of the financial statements	113	121
Other assurance services	40	37
Total	**153**	**158**

7 Finance revenues and expenses

Accounting policies

Interest is recognized on a time-proportionate basis that reflects the effective yield on the related asset. Dividends due are recognized when the shareholders' right to receive payment is established. Changes in the fair value of derivatives not qualifying for hedge accounting are reflected in the profit/loss in the period the change occurs.

in € thousands	**2020**	**2019**
Net foreign exchange gain on receivables and payables	4,677	-
Net gain from derivatives	3,000	1,718
Dividends	981	3,372
Interest revenue	336	338
Net foreign exchange gain on cash and cash equivalents	50	-
Other	24	14
Total finance revenues	**9,068**	**5,442**
Interest expense on borrowings	(1,523)	(1,356)
Interest expense on provisions (Note 19)	(1,481)	(1,729)
Impairment of financial assets measured at fair value through other comprehensive income	(10)	-
Net foreign exchange loss on receivables and payables	-	(2,996)
Net foreign exchange loss on cash and cash equivalents	-	(476)
Impairment of investments in subsidiaries	-	(452)
Other	(19)	(9)
Total finance expenses	**(3,033)**	**(7,018)**
Finance revenues/(expenses), net	**6,035**	**(1,576)**

8 Income taxes

Accounting policies

The income tax charge consists of current and deferred taxes.

The current income tax is based on taxable profit for the period. Taxable profit differs from profit as reported in the separate statement of comprehensive income because of items of income or expense that are never taxable or deductible or are taxable or deductible in other periods.

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and tax losses when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax liabilities are not recognized in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

At each end of the reporting period, the Company re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized.

Current and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including an adjustment to the opening balance of reserves resulting from a change in accounting policy that is applied retrospectively.

Total applicable income taxes reported in these separate financial statements in 2020 and 2019 include the following components:

in € thousands	**2020**	**2019**
Current corporate income tax	6	32
Deferred corporate income tax	(20,178)	10,156
Total income tax expense	**(20,172)**	**10,188**

In 2020, the applicable corporate income tax rate on the taxable income of the Company was 21% (2019: 21%).

The deferred tax balances as at 31 December 2020 and 2019 and movements in 2020 and 2019 were as follows:

in € thousands	1 January 2020	Recognized in profit/ (loss)	Recognized in other comprehen-sive income	31 December 2020
Property, plant and equipment and intangible assets	(126,736)	22,171	-	(104,565)
Provisions	13,576	558	5	14,139
Lease liabilities	13,885	598	-	14,483
Tax losses carried forward	7,194	(1,805)	-	5,389
Other	9,023	(1,344)	-	7,679
Total	**(83,058)**	**20,178**	**5**	**(62,875)**

in € thousands	1 January 2019	Recognized in profit/ (loss)	Recognized in other comprehen-sive income	31 December 2019
Property, plant and equipment and intangible assets	(97,119)	(29,617)	-	(126,736)
Provisions	13,003	523	50	13,576
Lease liabilities	1,267	12,618	-	13,885
Tax losses carried forward	90	7,104	-	7,194
Other	9,807	(784)	-	9,023
Total	**(72,952)**	**(10,156)**	**50**	**(83,058)**

In 2020, the Company utilized the cumulative tax losses in the amount of €8,555 thousand (2019: €0 thousand).

The Company has recognized deferred tax assets in the amount of €5,389 thousand as at 31 December 2020 (31 December 2019: €7,194 thousand) to cumulative tax losses that is available to offset against future taxable profits. These tax losses can be utilized during 2021 - 2023.

The Company does not record any temporary differences associated with investments in subsidiaries and associates, for which a deferred tax liability has not been recognized.

The reconciliation between the reported income tax expense and the theoretical amount that would arise using the standard tax rates is as follows:

in € thousands	2020	2019
Profit/(loss) before tax	(102,058)	27,416
Tax at the applicable tax rate 21% (2019: 21%)	(21,432)	5,757
Permanent differences	1,250	4,335
Adjustments in respect of current income tax of previous periods	-	9
Adjustments in respect of deferred income tax of previous periods	8	-
Effect of write-off of deferred tax assets without affecting of current income tax	3	-
Effect of write-off of deferred tax assets to expired tax losses	-	90
Effect of different tax rates	(1)	(3)
Total income tax expense	**(20,172)**	**10,188**
Effective tax rate (%)	**(19.76)**	**37.16**

9 Intangible assets and property, plant and equipment

9.1 Intangible assets

Accounting policies

Intangible assets acquired separately are capitalized at cost and from a business acquisition are capitalized at fair value as at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company; and the cost of the asset can be measured reliably.

Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortization is charged on assets with a finite useful life over the best estimate of their useful lives using the straight line method. The amortization period and the amortization method are reviewed annually at the end of the period. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred. Intangible assets are tested for impairment annually either individually or at the

cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis.

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage cannot be amortized. 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 period indicating that the carrying value may not be recoverable.

Greenhouse gas emissions

The Company receives free emission rights as a result of the European Emission Trading Schemes. The rights are received on an annual basis and in return the Company is required to remit rights equal to its actual emissions. The Company has adopted a net liability approach to the emission rights granted. Under this method the granted emission rights are measured at nil and a provision is only recognized when actual emissions exceed the emission rights granted. Where emission rights are purchased from third parties, they are treated as a reimbursement right. The emission rights are initially recorded at cost, and subsequently remeasured to fair value using quoted prices. Any gains or losses arising from changes in fair value are taken directly to profit/loss.

in € thousands	Emission rights	Rights	Software	Total
Cost				
1 January 2019	119	35,710	64,231	100,060
Additions	14,616	1	2,834	17,451
Revaluation	55	-	-	55
Disposals	(14,434)	(11)	(1,431)	(15,876)
Transfers	-	-	240	240
31 December 2019	**356**	**35,700**	**65,874**	**101,930**
Additions	17,377	499	3,135	21,011
Disposals	(17,733)	-	(110)	(17,843)
Transfers	-	-	21	21
31 December 2020	**-**	**36,199**	**68,920**	**105,119**
Amortization and impairment				
1 January 2019	-	26,784	51,577	78,361
Amortization	-	571	3,101	3,672
Reversal of impairment	-	-	(4)	(4)
Disposals	-	(11)	(1,389)	(1,400)
Transfer	-	-	96	96
31 December 2019	**-**	**27,344**	**53,381**	**80,725**
Amortization	-	553	3,170	3,723
Disposals	-	-	(74)	(74)
31 December 2019	**-**	**27,897**	**56,477**	**84,374**
Net book value				
31 December 2020	-	8,302	12,443	20,745
31 December 2019	356	8,356	12,493	21,205
1 January 2019	119	8,926	12,654	21,699

Software is being amortized evenly over its useful economic life. The Company has no intangible assets with an indefinite useful life.

9.2 Property, plant and equipment

Accounting policies

Property, plant and equipment are stated at historical cost (or the carrying value of the assets determined as at 1 May 1992) less accumulated depreciation, depletion and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit/loss for the period.

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 decommissioning and site restoration costs are capitalized either upon initial recognition or, if decision on decommissioning is made subsequently, at the time of the decision. Changes in estimates thereof adjust the carrying amount of assets. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhead

costs (except for periodic maintenance and inspection costs), are normally charged to the profit/loss in the period in which the costs are incurred. Periodic maintenance and inspection costs are capitalized as a separate component of the related assets.

Construction in progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant asset is available for use.

Land owned at the date of the establishment of the Company has been stated at the values attributed to it in the legislation incorporating the Company. These values are treated as cost. Land is carried at cost less any impairment provisions. Land is not depreciated.

in € thousands	Land and buildings	Machinery and equipment	Other	Construction in progress	Total
Cost					
1 January 2019	1,360,037	2,065,424	125,414	105,635	3,656,510
Additions	177	1,649	13	225,971	227,810
Put to use	44,819	148,271	16,510	(209,600)	-
Disposals	(500)	(18,733)	(7,315)	(414)	(26,962)
Transfers	-	-	(96)	(144)	(240)
31 December 2019	**1,404,533**	**2,196,611**	**134,526**	**121,448**	**3,857,118**
Additions	-	192	-	128,433	128,625
Put to use	58,740	60,544	19,163	(138,447)	-
Disposals	(1,973)	(18,082)	(3,853)	(47)	(23,955)
Transfers	1	1	1	(24)	(21)
31 December 2020	**1,461,301**	**2,239,266**	**149,837**	**111,363**	**3,961,767**
Depreciation and impairment					
1 January 2019	607,641	1,503,746	70,902	3,659	2,185,948
Depreciation	43,930	93,304	19,748	-	156,982
Impairment	116	-	-	-	116
Reversal of impairment	(39)	-	(2)	(164)	(205)
Disposals	(413)	(18,288)	(7,071)	(391)	(26,163)
Transfers	10	-	(106)	-	(96)
31 December 2019	**651,245**	**1,578,762**	**83,471**	**3,104**	**2,316,582**
Depreciation	63,036	102,697	19,682	-	185,415
Impairment	2	-	-	-	2
Reversal of impairment	(172)	-	-	(116)	(288)
Disposals	(1,905)	(17,954)	(3,611)	-	(23,470)
Transfers	(2)	1	1	-	-
31 December 2020	**712,204**	**1,663,506**	**99,543**	**2,988**	**2,478,241**
Net book value					
31 December 2020	749,097	575,760	50,294	108,375	1,483,526
31 December 2019	753,288	617,849	51,055	118,344	1,540,536
1 January 2019	752,396	561,678	54,512	101,976	1,470,562

Borrowing costs

Accounting policies

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs.

Cost of property, plant and equipment includes borrowing costs that are directly attributable to the acquisition of certain items of property, plant and equipment. In 2020 and 2019, the Company did not capitalize borrowing costs for acquisition of property, plant and equipment as IAS 23 conditions for capitalization were not fulfilled. In 2020, the Company capitalized borrowing cost from general purpose borrowings at capitalization rate of 0.21% (2019: 0.69%).

Government grants

Accounting policies

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit/loss over the expected useful life of the relevant asset by equal annual installments.

Property, plant and equipment includes assets with the carrying value of €9,432 thousand (31 December 2019: €10,056 thousand) financed from the government grants (Note 20). Part of these assets was designed and constructed to serve state authorities, including military forces, in state emergencies. In such situations title to these assets may be restricted.

Insurance

Property, plant and equipment is insured in the amount of €5,301,675 thousand. The insurance covers all risks of direct material losses or damages, including machinery and equipment failure. In 2020, the Company obtained compensations from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit/loss in amount of €1,474 thousand (2019: €98 thousand).

9.3 Leased assets

Accounting policies

The determination whether an arrangement contains or is a lease depends on the substance of the arrangement at inception date. If fulfillment of the arrangement depends on the use of a specific asset or conveys the right to use the asset, it is deemed to contain a lease element and is recorded accordingly.

The Company recognizes the right-of-use assets and lease liabilities for most leases.

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

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

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

Intangible assets and property, plant and equipment acquired on lease:

in € thousands	Rights	Land and buildings	Machinery and equipment	Other	Total
Cost					
1 January 2019	65	36,205	8,293	33,235	77,798
Additions	-	1,697	388	1,917	4,002
Disposals	-	(44)	(19)	(105)	(168)
31 December 2019	**65**	**37,858**	**8,662**	**35,047**	**81,632**
Additions	32	4,390	412	12,028	16,862
Disposals	(65)	(2)	(8)	(408)	(483)
31 December 2020	**32**	**42,246**	**9,066**	**46,667**	**98,011**
Amortization/Depreciation and impairment					
1 January 2019	16	262	2,729	80	3,087
Amortization/Depreciation	13	2,613	1,201	9,698	13,525
Disposals	-	(39)	(2)	(1)	(42)
31 December 2019	**29**	**2,836**	**3,928**	**9,777**	**16,570**
Amortization/Depreciation	13	2,369	1,252	10,162	13,796
Disposals	(41)	-	(8)	(217)	(266)
31 December 2020	**1**	**5,205**	**5,172**	**19,722**	**30,100**
Net book value					
31 December 2020	31	37,041	3,894	26,945	67,911
31 December 2019	36	35,022	4,734	25,270	65,062
1 January 2019	49	35,943	5,564	33,155	74,711

9.4 Depreciation, depletion and amortization

Accounting policies

Depreciation of each component of intangible assets and property, plant and equipment is computed on a straight-line basis over their respective useful lives. Usual periods of useful lives for different types of intangible assets and property, plant and equipment are as follows:

Software:	*3 – 5 years*
Buildings:	*30 – 50 years*
Machinery and equipment:	*8 – 20 years*
Other fixed assets:	*4 – 8 years*

Amortization of leased assets 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 and inspection costs are depreciated until the next similar maintenance takes place.

The useful life and depreciation methods are reviewed at least annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of intangible assets and property, plant and equipment.

Review of useful lives and residual values of intangible assets and property, plant and equipment

The Company annually reviews the estimated useful lives and residual values of intangible assets and property, plant and equipment. The financial effect of the annual review represents following increase/(decrease) of depreciation expense in 2020 and in following years:

in € thousands	2020	2021	2022	2023	2024	After 2024
Depreciation, depletion, amortization and impairment	16,665	2,117	164	(573)	(979)	(17,394)

9.5 Impairment of intangible assets and property, plant and equipment

Accounting policies

Intangible assets and property, plant and equipment 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 or cash generating unit exceeds its recoverable amount, an impairment loss is recognized in the profit/loss for the period for items of intangibles and property, plant and equipment 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. The Company assesses at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the impairment assumptions considered when the last impairment loss was recognized. 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 recognized in prior years.

Critical accounting estimates and judgements

The impairment calculation requires an estimate of the 'value in use' of the cash-generating units. Such value is measured based on discounted projected cash flows. The most significant variables in determining cash flows 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. Impairment loss, as well as reversal of impairment loss is recognized in the profit/loss for the period.

Based on the estimate of value in use the Company has recorded revenue from reversal of impairment of intangible assets and property, plant and equipment of €286 thousand in 2020 (2019: €93 thousand) (Note 9.1 and 9.2).

10 Investments in subsidiaries

Accounting policies

Subsidiary is an entity over which the Company has control. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are recognized in carrying value representing acquisition cost less potential accumulated losses of impairment. Acquisition cost of investments in subsidiaries is the purchase price of acquired securities or shares.

Investments in subsidiaries are subject of impairment test when indicator of potential impairment exists. When an external or internal indicator of impairment exists, recoverable amount has to be determined and compared with net investment. If the recoverable amount is materially or permanently lower than net investment, impairment should be recorded. If the recoverable amount is materially or permanently higher than net investment, impairment reversal should be recorded.

Company name	Country	Range of activity	Ownership 2020 %	Ownership 2019 %	Net book value 2020 € thousands	Net book value 2019 € thousands
APOLLO Rafinéria, s.r.o.	Slovakia	Wholesale	100.00	100.00	7	7
MOL GBS Slovakia, s. r. o.	Slovakia	Accounting and financial services	100.00	100.00	12	12
MOL IT & Digital GBS Slovakia, s. r. o.	Slovakia	Information technology services	100.00	100.00	5	5
Slovnaft Mobility Services, s. r. o.	Slovakia	Advertising and marketing services	100.00	100.00	900	900
SLOVNAFT MONTÁŽE A OPRAVY a.s.	Slovakia	Repairs & maintenance	100.00	100.00	1,230	1,230
Slovnaft Polska S.A.	Poland	Wholesale	100.00	100.00	38,463	38,463
SLOVNAFT TRANS a.s.	Slovakia	Transport	100.00	100.00	2,048	2,048
VÚRUP, a.s.	Slovakia	Research & development	100.00	100.00	2,594	2,594
SWS spol. s r.o.	Slovakia	Transport support services	100.00	51.15	768	393
Total investments in subsidiaries					**46,027**	**45,652**

Equity and profit/loss of subsidiaries were as follows:

Company name	Equity 2020 *€ thousands*	Equity 2019 *€ thousands*	Profit/(loss) 2020 *€ thousands*	Profit/(loss) 2019 *€ thousands*
APOLLO Rafinéria, s.r.o.	-	6	-	-
MOL GBS Slovakia, s. r. o.	496	254	242	244
MOL IT & Digital GBS Slovakia, s. r. o.	288	89	199	84
Slovnaft Mobility Services, s .r. o.	431	609	(178)	(232)
SLOVNAFT MONTÁŽE A OPRAVY a.s.	4,132	3,504	628	1,642
Slovnaft Polska S.A.	49,158	52,508	145	3,903
SLOVNAFT TRANS a.s.	4,040	3,441	599	(135)
VÚRUP, a.s.	4,490	4,432	768	790
SWS spol. s r.o.	428	457	(29)	(555)
Total investments in subsidiaries	**63,463**	**65,300**	**2,374**	**5,741**

The activities of the undertakings shown above are for the most part connected with the principal activity of the Company. No subsidiary is listed on stock exchange.

Development of the Company's interest in subsidiaries:

in € thousands	Acquisition cost	Impairment	Net book value
1 January 2019	57,304	(11,205)	46,099
Additions	5	-	5
Impairment	-	(452)	(452)
31 December 2019	**57,309**	**(11,657)**	**45,652**
Additions	375	-	375
31 December 2020	**57,684**	**(11,657)**	**46,027**

On January 9, 2020, the Company became a 100% owner of the company SWS spol. s r. o.

11 Investments in associated companies

Accounting policies

Associated company is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associated companies are recognized in carrying value representing acquisition cost less potential accumulated losses of impairment. Acquisition cost of investments in associated companies is the purchase price of acquired securities or shares.

Investments in associated companies are subject of impairment test when indicator of potential impairment exists. When an external or internal indicator of impairment exists, recoverable amount has to be determined and compared with net investment. If the recoverable amount is materially or permanently lower than net investment, impairment should be recorded. If the recoverable amount is materially or permanently higher than net investment, impairment reversal should be recorded.

Company name	Country	Range of activity	Ownership 2020 *%*	Ownership 2019 *%*	Net book value 2020 *€ thousands*	Net book value 2019 *€ thousands*
Messer Slovnaft s.r.o.	Slovakia	Production of technical gases	49.00	49.00	1,671	2,161
MOL CZ Downstream Investment B.V.	The Netherlands	Financial services	45.00	45.00	68,350	68,350
MEROCO, a.s.	Slovakia	Production and sale of biofuels	25.00	25.00	1,407	1,407
Total investments in associated companies					**71,428**	**71,918**

No associated company is listed on stock exchange.

MOL CZ Downstream Investment B.V. is the parent company of MOL Česká republika, s.r.o. and covers the retail business of oil products in the Czech Republic.

The Company purchases from Messer Slovnaft s.r.o. nitrogen and from MEROCO, a.s. components to biofuels.

Development of the Company's interest in associated companies:

in € thousands	Acquisition cost	Impairment	Net book value
1 January 2019	71,918	-	71,918
31 December 2019	**71,918**	**-**	**71,918**
Paid reduction of registered capital in Messer Slovnaft s.r.o.	(490)	-	(490)
31 December 2019	**71,428**	**-**	**71,428**

Assets, equity, liabilities, revenues and profit/loss of associated companies were as follows:

2020 *in € thousands*	Assets	Equity	Liabilities	Revenues	Profit/(loss)
Messer Slovnaft s.r.o.	5,348	3,865	1,483	4,610	483
MOL CZ Downstream Investment B.V.	225,136	225,117	19	-	(73)
MEROCO, a.s.	47,674	18,932	28,742	115,638	2,278
Total	**278,158**	**247,914**	**30,244**	**120,248**	**2,688**

2019 *in € thousands*	Assets	Equity	Liabilities	Revenues	Profit/(loss)
Messer Slovnaft s.r.o.	6,036	4,943	1,093	4,972	561
MOL CZ Downstream Investment B.V.	225,228	225,190	37	70,182	70,121
MEROCO, a.s.	45,522	16,654	28,868	112,584	2,054
Total	**276,786**	**246,787**	**29,998**	**187,738**	**72,736**

The Company provided long-term loan to MEROCO, a.s. (Note 12). The loan along with other liabilities of MEROCO, a.s. are subordinated to the bank loans provided to the company. Repayment of the loan principal and payment of extraordinary dividend are subject to the bank's prior approval.

12 Other non-current assets

in € thousands	2020	2019
Other non-current financial assets		
Long-term loans granted	450	2,168
Other	-	86
Total other non-current financial assets	**450**	**2,254**
Other non-current non-financial assets		
Advance payments for assets under construction	1,070	1,961
Other	254	4
Total other non-current non-financial assets	**1,324**	**1,965**
Total other non-current assets	**1,774**	**4,219**

Long-term loans granted as at 31 December 2020 and 2019 consist of the following items:

			Weighted average interest rate (%)			
in € thousands	Currency	Maturity	2020	2019	2020	2019
Unsecured loan granted	EUR	2021	0.85	0.85	2,233	2,203
Unsecured loan granted	EUR	2025	1.90	-	452	-
Unsecured loan granted	EUR	2021	1.97	1.97	30	30
Unsecured loan granted	EUR	-	-	1.15	-	2,146
Total long-term loans granted					**2,715**	**4,379**
Current portion of long-term loans (Note 15)					(2,265)	(2,211)
Total long-term loans granted, net of current portion					**450**	**2,168**

The loans were provided to the companies of SLOVNAFT Group and to the associated company MEROCO, a.s. for financing of the investment projects and working capital.

in € thousands	**2020**	**2019**
Other non-current financial assets	450	2,254
Provision to other non-current financial assets	-	-
Total other non-current financial assets	**450**	**2,254**

13 Inventories

Accounting policies

Inventories, including work-in-progress are valued at the lower of cost and net realizable value, after provision for slow-moving and obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of making the sale. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Cost of purchased goods, including crude oil, is determined primarily using the FIFO method. The acquisition cost of own produced inventory consists of direct materials, direct wages and the appropriate portion of production overhead expenses including royalty but excludes borrowing costs. Unrealizable inventory is fully written off.

in € thousands	**Cost 2020**	**Book value 2020**	**Cost 2019**	**Book value 2019**
Raw materials	50,870	49,349	43,464	42,217
Purchased crude oil	53,421	53,421	43,201	43,201
Work in progress and semi-finished goods	76,038	76,038	101,417	99,826
Finished goods	67,649	67,649	104,198	101,188
Goods for resale	9,946	9,918	9,607	9,564
Total inventories	**257,924**	**256,375**	**301,887**	**295,996**

Movements in the provision for inventories were as follows:

in € thousands	**2020**	**2019**
At the beginning of the period	**5,891**	**6,618**
Additions	27,021	15,740
Reversal	(244)	(73)
Use	(31,119)	(16,394)
At the end of the period	**1,549**	**5,891**

14 Trade receivables

Accounting policies

Receivables are initially recognized at fair value less transaction costs and subsequently measured at amortized cost less any allowance for impairment of doubtful receivables. 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 Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired receivables are derecognized 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. If not, they are presented as non-current assets.

in € thousands	**2020**	**2019**
Trade receivables	224,657	326,579
Provision for doubtful trade receivables	(2,685)	(2,818)
Total trade receivables	**221,972**	**323,761**

Trade receivables are non-interest bearing and are generally on 30 days' terms.

Movements in the provision for doubtful trade receivables were as follows:

in € thousands	**2020**	**2019**
At the beginning of the period	**2,818**	**4,819**
Additions	1,924	299
Reversal	(1,642)	(1,611)
Amounts written off	(412)	(689)
Currency differences	(3)	-
At the end of the period	**2,685**	**2,818**

The Company did not have any impairment booked to receivables to related parties as at 31 December 2020 and 2019, neither booked any impairment to receivables to related parties during 2020 and 2019.

15 Other current assets

in € thousands	**2020**	**2019**
Other current financial assets		
Short-term loans granted	242,498	24,600
Collateral granted regarding derivative transactions	5,400	503
Current portion of long-term loans granted (Note 12)	2,265	2,211
Receivables from dividends	1,536	825
Financial collaterals granted	328	585
Other	57	66
Total other current financial assets	**252,084**	**28,790**
Financial assets measured at fair value through profit or loss - derivatives	**15,041**	**521**
Other current non-financial assets		
Receivables from VAT, duties and other taxes	11,288	24,068
Receivables from excise taxes	7,297	6,615
Advances	3,472	5,039
Prepaid expenses	804	1,719
Other	324	288
Total other current non-financial assets	**23,185**	**37,729**
Total other current assets	**290,310**	**67,040**

Short-term loans granted in amount of €242,498 thousand represent unsecured loans in EUR granted to the company MOL Group Finance S.A. under the intra-group financing scheme.

in € thousands	**2020**	**2019**
Other current financial assets	252,084	28,791
Provision to other current financial assets	-	(1)
Total other current financial assets	**252,084**	**28,790**

16 Cash and cash equivalents

Accounting policies

Cash and cash equivalents include cash on hand, cash at banks, cash pool receivables, short-term bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturity less than three months from the date of acquisition and that are subject to an insignificant risk of change in value.

Cash pool liabilities and bank overdrafts repayable on demand, in case where the use of short-term overdrafts forms an integral part of the Company's cash management practices, are included as component of cash and cash equivalent for the purposes of cash flow statement.

2020 *in € thousands*	**EUR**	**PLN**	**USD**	**CZK**	**Total**
Cash at bank	2,783	-	27	10,936	13,746
Short-term bank deposits	-	4,332	-	-	4,332
Cash on hand	8,160	-	-	-	8,160
Total cash and cash equivalents	**10,943**	**4,332**	**27**	**10,936**	**26,238**

2019 *in € thousands*	**EUR**	**PLN**	**USD**	**CZK**	**Total**
Cash at bank	59,423	-	4,536	14,305	78,264
Short-term bank deposits	1,075	5,580	-	-	6,655
Cash on hand	7,946	-	-	-	7,946
Other cash equivalents	21	-	-	-	21
Total cash and cash equivalents	**68,465**	**5,580**	**4,536**	**14,305**	**92,886**

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

in € thousands	**2020**	**2019**	**2018**
Cash at bank	13,746	78,264	31,335
Short-term bank deposits	4,332	6,655	7,951
Cash on hand	8,160	7,946	9,908
Other cash equivalents	-	21	56
Overdrafts	(2,268)	-	-
Total cash and cash equivalents	**23,970**	**92,886**	**49,250**

17 Equity

Accounting policies

Dividends

Dividends are recorded in the period in which they are approved by the Annual General Meeting.

Other components of equity

Other components of equity represent items charged or credited to other comprehensive income.

Actuarial gains and losses

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions for pension plans. Actuarial gains and losses are transferred to retained earnings on annual basis.

Fair valuation reserve

The fair valuation reserve includes the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income.

17.1 Share capital

The Company's authorized share capital is 20,625,229 ordinary shares (31 December 2019: 20,625,229) with a par value of €33.20 each. All these shares are issued and fully paid. All issued shares grant same rights.

Share of the major shareholders of the Company on share capital:

	2020 *€ thousands*	**2020** *%*	**2019** *€ thousands*	**2019** *%*
MOL Nyrt.	684,758	100.0	684,758	100.0
Total	**684,758**	**100.0**	**684,758**	**100.0**

17.2 Retained earnings

Legal reserve fund

Retained earnings comprise the legal reserve fund of €136,952 thousand (31 December 2019: €136,952 thousand). This has been set up in accordance with the Slovak legislation to cover potential future losses. The legal reserve fund is not distributable.

Distributable reserves

Reserves available for distribution to the shareholders as at 31 December 2020 were €480,466 thousand (31 December 2019: €463,238 thousand).

Distribution of profit from the previous accounting period

The profit of the previous accounting period in the amount of €17,228 thousand was transferred to retained earnings.

Dividends

In 2020, no dividend payment was approved.

17.3 Other components of equity

in € thousands	**2020**	**2019**
Fair value change of financial assets measured at fair value through other comprehensive income	2,330	2,330
Other components of equity	**2,330**	**2,330**

Movements in the actuarial gains/(losses) on defined benefit pension plans charged or credited to other comprehensive income were as follows:

in € thousands	**2020**	**2019**
At the beginning of the period	**-**	**-**
Actuarial gains/(losses) on defined benefit pension plans	(26)	(238)
Income tax related to actuarial gains/(losses) on defined benefit pension plans	5	50
Reclassification of actuarial gains/(losses) on defined benefit pension plans to retained earnings	21	188
At the end of the period	**-**	**-**

18 Borrowings

Accounting policies

All loans and borrowings are initially recognized at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net in the profit/loss for the period when the liabilities are derecognized, as well as through the amortization process, except to the extent they are capitalized as borrowing costs.

18.1 Long-term debt

in € thousands	**Currency**	**2020**	**2019**
Lease liabilities	EUR	68,969	66,120
Total long-term debt		**68,969**	**66,120**
Current portion of long-term debt		(13,654)	(13,073)
Total long-term debt, net of current portion		**55,315**	**53,047**

The minimum lease payments and the present value of the minimum lease payments are as follows:

in € thousands	**Minimum lease payments 2020**	**Present value of minimum lease payments 2020**	**Minimum lease payments 2019**	**Present value of minimum lease payments 2019**
Up to 1 year	13,975	13,654	13,138	13,073
From 1 to 5 years	32,110	28,404	30,975	27,526
Over 5 years	31,735	26,911	31,232	25,521
Total minimum lease payments	**77,820**	**68,969**	**75,345**	**66,120**
Less amounts of financial charges	(8,851)	-	(9,225)	-
Present value of minimum lease payments	**68,969**	**68,969**	**66,120**	**66,120**

18.2 Short-term debt

in € thousands	Mena	2020	2019
Unsecured bank loan	EUR	213,036	10,001
Overdrafts	EUR	2,268	-
Total short-term debt		**215,304**	**10,001**

18.3 Reconciliation of liabilities arising from financing activities

in € thousands	Long-term bank borrowings	Long-term non-bank borrowings	Short-term bank borrowings	Short-term non-bank borrowings
1 January 2020	-	66,120	10,001	-
Cash flows			-	
Changes in cash flows *	-	(13,580)	203,000	-
Changes in cash and cash equivalents (Note 16)	-	-	2,268	-
Non-cash changes				
Lease additions	-	16,429	-	-
Other changes **	-	-	35	-
31 December 2020	**-**	**68,969**	**215,304**	**-**

in € thousands	Long-term bank borrowings	Long-term non-bank borrowings	Short-term bank borrowings	Short-term non-bank borrowings
1 January 2019	-	75,252	10,001	-
Cash flows				
Changes in cash flows *	-	(13,090)	-	-
Non-cash changes				
Lease additions	-	4,002	-	-
Other changes **	-	(44)	-	-
31 December 2019	**-**	**66,120**	**10,001**	**-**

** The cash flows are recognized in the net amount of proceeds and repayments of borrowings in the statement of cash flows.*
*** Other changes include interest and fee accruals and payments.*

19 Provisions

Accounting policies

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is actually certain. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognized as an interest expense.

Provision for environmental expenditures

Liabilities for environmental costs are recognized when environmental clean-ups are probable and the associated costs can be reliably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required.

Provision for redundancy

The employees of the Company are eligible for redundancy payment immediately upon termination, pursuant to the Slovak law (Labor Code, § 63, ods.1, point a), b), c)) and the terms of the Collective Agreement between the Company and its employees. The amount of such a liability is recorded as a provision when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provision for retirement benefits

Pension plans

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Company pays fixed contributions and will have no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Unfunded defined benefit pension plan

The Company operates benefit schemes that provide a lump sum benefit to all employees at the time of their retirement. The Company provides a maximum of up to 7 months of the average salary depending on the length of the service period.

The provision in respect of defined benefit pension plans is recognized at the end of the reporting period in the present value of the obligation which takes into account also adjustments for actuarial gains and losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Amendments to pension plans are charged or credited to the revenues and expenses in the period when incurred. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Actuarial gains and losses are transferred to retained earnings on annual basis.

None of these plans have separately administered funds; therefore there are no plan assets.

Defined contribution pension plans

The Company contributes to the government and private defined contribution pension plans.

The Company makes insurance contributions to the Government's social and public health insurance schemes based on the statutory base which constitutes taxable income of an employee from the employer. The cost of these statutory contributions made by the Company is charged to the profit/loss in the same period as the related personnel expenses.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company makes contributions to the supplementary scheme amounting to 3% - 6% (2019: 3% - 6%) from the total of monthly wage and compensations of an employee.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without a possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to the present value.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognized in other current liabilities and is paid out after the evaluation of the performance in the given year.

Liabilities for bonus plans are measured at the amounts expected to be paid when they are settled.

Other

The Company also pays certain work and life jubilees benefits and disability benefits.

The provision in respect of work and life jubilees benefits plan is recognized at the end of the reporting period in the present value of the obligation which takes into account also adjustments for actuarial gains and losses. The work and life jubilees benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the work and life jubilees benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Amendments to work and life jubilees benefit plan and actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the revenues and expenses in the period when incurred.

Greenhouse gas emissions

The Company recognizes provision for the estimated CO_2 emissions costs when actual emission exceeds the emission rights granted and still held. When actual emission exceeds the amount of emission rights granted,

provision is recognized for the exceeding emission rights based on the purchase price of allowance concluded in forward contracts or market quotations at the reporting date.

Critical accounting estimates and judgements

Environmental provisions

Regulations, especially environmental legislation does not exactly specify the extent of remediation work required or the technology to be applied. Management uses its previous experience and its interpretation of the respective legislation to determine the amount of environmental provision. Management estimates the future cash outflow associated with environmental and decommissioning liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash-flows reflects managements' current assessment of priorities, technical capabilities and the urgency of fulfillment of such obligations.

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation 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

The Company is party to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses its own judgment to assess the most likely outcome of these and a provision is recognized when necessary.

in € thousands	Environ-mental	Retirement benefits	Jubilee benefits	Other	Total
1 January 2019	44,000	15,145	2,773	14,564	76,482
Provision made during the period and revision of previous estimates	6,234	1,366	63	17,527	25,190
Unwinding of the discount (Note 7)	1,389	288	52	-	1,729
Transfer to MOL GBS Slovakia, s. r. o.	-	(843)	(138)	-	(981)
Transfer to MOL IT & Digital GBS Slovakia, s. r. o.	-	(578)	(82)	-	(660)
Provision used during the period	(3,845)	(853)	(324)	(14,434)	(19,456)
31 December 2019	**47,778**	**14,525**	**2,344**	**17,657**	**82,304**
Provision made during the period and revision of previous estimates	1,215	852	479	25,775	28,321
Unwinding of the discount (Note 7)	1,267	184	30	-	1,481
Provision used during the period	(3,603)	(592)	(322)	(17,733)	(22,250)
31 December 2020	**46,657**	**14,969**	**2,531**	**25,699**	**89,856**
Current portion at 31 December 2019	4,304	777	300	17,657	23,038
Non-current portion at 31 December 2019	43,474	13,748	2,044	-	59,266
Current portion at 31 December 2020	4,077	611	348	25,699	30,735
Non-current portion at 31 December 2020	42,580	14,358	2,183	-	59,121

Environmental provision

As at 31 December 2020 the Company operated 254 petrol stations and several warehousing capacities in the Slovak Republic. Some of these are not fully compliant with the current or future environmental legislation and environmental policy of the Company, including containment of evaporative losses on filling of the station tanks, treatment of effluent, and protection of soil and groundwater. The Company recognized environmental provisions of €544 thousand as at 31 December 2020 (31 December 2019: €536 thousand) to eliminate the deficiencies stated above.

The utilization of the provision related to petrol stations is expected to be during 2024. The provision related to non-compliant warehousing capacities is expected to be used in the years 2021 - 2032.

In accordance with its environment policies the Company recognized also a provision for the estimated costs of remediation of past environmental damage, primarily soil and groundwater contamination under the refinery site. The initial provision was made on the basis of assessments prepared by the Company's internal environmental audit team, while internal policies for determination of estimated costs for remediation of environmental burden including control processes were revised in 2006 and accepted by independent external audit company. The provision was determined on the basis of existing technology and current prices. Risk-weighted cash flows were discounted using the calculation method of estimated risk-free real interest rates. As at 31 December 2020 the

present value of liability related to the provision amounted to €46,113 thousand (31 December 2019: €47,242 thousand). The utilization of this provision is expected during the years 2021 - 2032.

The closing amount of the environmental provisions as at 31 December 2020 is €46,657 thousand (31 December 2019: €47,778 thousand).

Provision for retirement and jubilee benefits

As at 31 December 2020 the Company has recognized a provision for retirement benefits of €14,969 thousand (31 December 2019: €14,525 thousand) to cover its estimated obligation regarding future retirement benefits payable to current employees expected to retire.

According to provisions of § 76a of the Labor Code and the Collective Agreement for the period April 2018 - March 2021, the Company is obliged to pay its employees on the first termination of employment after entitlement to retirement pension (including early retirement) or invalidity pension (decrease earning capacity is more than 70%) on the basis of the application by an employee before termination of employment or within 10 days after the end of the one-time severance, which is a multiple of the average monthly salary of up to 7 average monthly earnings, based on the number of years worked. The minimum requirement of the Labor Code of one-month average salary payment on retirement or invalidity pension is already included in the above multiples. At the same time employees are entitled, for each year of service, to a benefit corresponding to the average daily price per share of MOL Nyrt. during last 24 months prior to the month when employment is terminated due to retirement of the employee.

The same or similar liability has been included in the agreements with the Trade Unions since 1992. The Company has created expectations on the part of its employees that it will continue to provide the benefits and it is the management's judgment that it is not realistic for the Company to cease providing them.

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 and are in line with those incorporated in the business plan of the Company.

In addition to provision for retirement the Company creates the provision for jubilee benefits. The amount of this provision as at 31 December 2020 represented €2,531 thousand (31 December 2019: €2,344 thousand).

Movements in the present value of total defined benefit obligation were as follows:

	Retirement benefits		**Jubilee benefits**	
in € thousands	**2020**	**2019**	**2020**	**2019**
At the beginning of the period	**14,525**	**15,145**	**2,344**	**2,773**
Past service cost	-	-	-	-
Current service cost	826	1,128	142	218
Unwinding of the discount	184	288	30	52
Provision used during the period	(592)	(853)	(322)	(324)
Actuarial (gains) and losses	26	238	337	(155)
Transfers	-	(1,421)	-	(220)
At the end of the period	**14,969**	**14,525**	**2,531**	**2,344**

Actuarial (gains) and losses for the year 2020 and 2019 comprised of the following items:

	Retirement benefits		**Jubilee benefits**	
in € thousands	**2020**	**2019**	**2020**	**2019**
Actuarial (gains) and losses arising from changes in demographic assumptions	399	(1,039)	142	(1,123)
Actuarial (gains) and losses arising from changes in financial assumptions	45	1,144	44	324
Actuarial (gains) and losses arising from experience adjustments	(418)	133	151	644
Total actuarial (gains) and losses	**26**	**238**	**337**	**(155)**

The following table summarizes the components of net benefit expense recognized in the profit/loss for the period as personnel expenses regarding provision for long-term employee retirement benefits:

in € thousands	**2020**	**2019**
Past service cost	-	-
Current service cost	968	1,346
Actuarial (gains) and losses	337	(155)
Net benefit expense (Note 4)	**1,305**	**1,191**

The principal actuarial assumptions used were as follows:

	2020	**2019**
Discount rate (% p.a.)	0.96	0.60
Future salary increases (%)	2.00 - 3.00	2.00 - 3.00
Mortality index (male)	0.06 - 2.44	0.06 - 2.44
Mortality index (female)	0.02 - 0.98	0.02 - 0.98

Other provisions

Greenhouse gas emissions

Based on the Slovak National Allocation Plan the Company obtained quotas for greenhouse gas emission for 2020 in the amount of 1,310,346 tons of CO_2 (2019: 1,341,019 tons of CO_2). The actual volume of emissions released for 2020 was 2,193,994 tons of CO_2 (2019: 2,062,645 tons of CO_2). In the financial statements as for the year ended 31 December 2020 the Company created the provision in the amount of €22,529 thousand (31 December 2019: €17,657 thousand).

20 Other non-current liabilities

in € thousands	**2020**	**2019**
Other non-current non-financial liabilities		
Government grants (Note 9.2)	9,432	10,056
Deferred compensation for property, plant and equipment	4,120	4,708
Other	468	676
Total other non-current non-financial liabilities	**14,020**	**15,440**
Total other non-current liabilities	**14,020**	**15,440**

21 Trade payables and other current liabilities

in € thousands	**2020**	**2019**
Trade payables and other current financial liabilities		
Trade payables	348,192	536,281
Liabilities to shareholders (dividends)	1,547	1,560
Cash collateral received	1,257	1,306
Liabilities from matured unsettled derivative transactions	679	9
Other	939	1,328
Total trade payables and other current financial liabilities	**352,614**	**540,484**
Financial liabilities measured at fair value through profit or loss - derivatives	**20,521**	**1,362**
Other current non-financial liabilities		
Taxes, contributions payable, penalties	58,189	63,856
Amounts due to employees	13,962	16,351
Liabilities from loyalty scheme BONUS	5,770	5,895
Advances from customers	5,336	5,387
Public health and social insurance	3,196	3,158
Other	784	752
Total other current non-financial liabilities	**87,237**	**95,399**
Total trade payables and other current liabilities	**460,372**	**637,245**

The social fund payable is included in the other financial liabilities. The creation and use of the social fund during the period are shown in the table below:

in € thousands	**2020**	**2019**
At the beginning of the period	**193**	**236**
Legal creation through expenses	864	953
Use	(1,000)	(965)
Transfer to MOL GBS Slovakia, s. r. o. and MOL IT & Digital GBS Slovakia, s. r. o.	-	(31)
At the end of the period	**57**	**193**

22 Financial instruments

Accounting policies

Classification and measurements of financial instruments

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable.

Financial instruments (including compound financial instruments) are classified as assets, liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. In case of compound financial instruments the liability component is valued first, with the equity component being determined as a residual value. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Based on results of business model test and cash flow characteristics test, financial assets within the scope of IFRS 9 are classified as either financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, or financial assets at fair value through profit or loss. The entity can make an irrevocable election at initial recognition to measure equity investments, which are not held for trading, at fair value through other comprehensive income with only dividend income recognized in profit or loss.

Financial assets measured at amortized cost

Financial assets measured at amortized cost are those financial assets that are 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.

Financial assets measured at amortized cost are initially recognized at fair value including directly attributable transaction costs. After initial measurement financial assets measured at amortized cost are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit/loss for the period when the assets are derecognized or impaired, as well as through the amortization process.

Financial assets measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those financial assets that are 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.

Financial assets at fair value through other comprehensive income are initially recognized at fair value.

Interest revenue, impairment gains and losses, and a portion of foreign exchange gains and losses, are recognized in profit and loss on the same basis as for Financial assets measured at amortized cost. Dividends from equity investments are recognized 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 recognized 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 recognized initially in other comprehensive income. When debt instruments are derecognized or reclassified, changes in fair value previously recognized 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 amortized cost. Changes in fair value of equity investments recognized in other comprehensive income are never recycled to profit and loss, even if the asset is sold or impaired.

Financial assets measured at 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.

When financial assets at fair value through profit or loss are recognized initially, they are measured at fair value.

Changes in fair value are recognized in profit and loss as they arise.

Purchases and sales of investments are recognized on settlement date which is the date when the asset is delivered to the counterparty.

Fair value

Fair value of financial instruments is determined by reference to quoted market prices at the close of business on the last day of the reporting period 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

The derecognition of a financial asset takes place when the Company 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 Company neither transfers nor retains all the risks and rewards of the financial asset and continues to control the transferred asset, it recognizes its retained interest in the asset and a liability for the amounts it may have to pay. Financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to reduce its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit/loss for the period as financial income or expense.

Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Impairment of financial assets

The Company assesses at each end of the reporting period whether a financial asset or group of financial assets measured at amortized cost or at fair value through other comprehensive income is impaired.

As a general approach, impairment losses on a financial asset or group of financial assets are recognized 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. When 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) - 12-month expected credit losses can be applied for the measurement. The Company 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 Company applies the simplified approach to recognize full lifetime expected losses from origination for trade receivables and other financial receivables. For all other financial instruments, general approach is applied.

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

Critical accounting estimates and judgements

Fair valuation of financial instruments is performed by reference to quoted market prices or, in absence thereof reflects the market's or the management's estimate on the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates.

22.1 Reconciliation of financial instruments

Book value of financial instruments:

in € thousands	Notes	2020	2019
Other non-current financial assets	12	450	2,254
Trade receivables	14	221,972	323,761
Other current financial assets	15	252,084	28,790
Cash and cash equivalents	16	26,238	92,886
Financial assets measured at amortized cost		**500,744**	**447,691**
Financial assets measured at fair value through other comprehensive income - equity instruments (Level 2)		2,370	2,409
Financial assets measured at fair value through profit or loss - derivatives (Level 2)	15	15,041	521
Financial assets measured at fair value		**17,411**	**2,930**
Total financial assets		**518,155**	**450,621**

in € thousands	Notes	2020	2019
Long-term debt, net of current portion	18.1	55,315	53,047
Trade payables and other current financial liabilities	21	352,614	540,484
Short-term debt	18.2	215,304	10,001
Current portion of long-term debt	18.1	13,654	13,073
Financial liabilities measured at amortized cost		**636,887**	**616,605**
Financial assets measured at fair value through profit or loss – derivatives (Level 2)	21	20,521	1,362
Financial liabilities measured at fair value		**20,521**	**1,362**
Total financial liabilities		**657,408**	**617,967**

Fair value of financial instruments

Fair value of loans and receivables and financial liabilities valued at amortized cost does not significantly differ from its book value due to short time to its maturity and/or due to relation to floating interest rates.

Revenues, expenses and gains or losses from financial instruments recognized in profit/loss for the period

2020 *in € thousands*	**Net gains/ (losses)**	**Interest income/ (expense)**	**(Loss)/ reversal of loss from impairment**	**Net fee income/ (expense)**
Financial assets measured at amortized cost	(4,649)	336	(282)	(38)
Financial assets measured at fair value through other comprehensive income	-	-	(10)	-
Financial assets/liabilities measured at fair value through profit or loss	11,865	-	-	-
Financial liabilities measured at amortized cost	9,430	(1,523)	-	(2,315)
Total	**16,646**	**(1,187)**	**(292)**	**(2,353)**

2019 *in € thousands*	**Net gains/ (losses)**	**Interest income/ (expense)**	**(Loss)/ reversal of loss from impairment**	**Net fee income/ (expense)**
Financial assets measured at amortized cost	575	338	1,311	(26)
Financial assets measured at fair value through other comprehensive income	-	559	-	-
Financial assets/liabilities measured at fair value through profit or loss	(18,564)	-	-	-
Financial liabilities measured at amortized cost	(3,984)	(1,356)	-	(2,669)
Total	**(21,973)**	**(459)**	**1,311**	**(2,695)**

22.2 Managing risks of financial instruments

Following risks are related to financial instruments held:

i) Credit risk,
ii) Liquidity risk,
iii) Market risk, which includes:
- Interest rate risk,
- Foreign currency risk,
- Commodity risk.

Financial risk management function is centralized in the MOL Group. All risks are integrated and measured at the MOL Group level using Value at Risk concept. As a general approach, the risk management considers the business as well-balanced integrated portfolio and does not hedge particular elements of the commodity exposure, except for hedge of change in fair value of crude oil during the refinery maintenance periods and hedge of change in fair value of firm commitments for future purchase and sale of oil products.

The Company may enter into various types of forwards, swaps and options in managing its commodity, foreign exchange and interest rate risk resulting from cash flows from business activities and financing arrangements. In line with the Company's risk management policy, no speculative dealings are allowed. Any derivative transaction the Company may enter is under ISDA (International Swaps and Derivatives Association) agreements.

For the purpose of commodity derivatives and trades with CO_2 quotas, the Company agreed with MOL Commodity Trading Kft. on system of posting of financial collateral which is updated on weekly bases.

i) Credit risk

The Company provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present significant credit risk, individually or aggregated. The Company's procedure is to ensure that sales are made to customers with appropriate credit history and do not exceed an acceptable credit exposure limit.

Book value of financial assets and nominal value of guarantees granted reflect estimated maximum exposure to credit risk.

As at 31 December 2020 the Company recorded the financial assets that would otherwise be past due or impaired whose terms have been renegotiated in amount of €329 thousand (31 December 2019: €122 thousand).

Credit limits are secured by insurance, obtained bank guarantees, bills of exchange, letters of credit, pledge on financial assets, and property, plant and equipment. Nominal value of accepted guarantees related to loans and receivables represented €420,855 thousand as at 31 December 2020 (31 December 2019: €86,561 thousand). Fair value of accepted guarantees does not significantly differ from its nominal value.

The Company obtained compensations for impaired financial assets from insurance companies and financial institutions in the amount of €1,260 thousand in 2020 (2019: €320 thousand).

Analysis of trade receivables:

2020 *in € thousands*	**Nominal value**	**Provisions**	**Net book value**
Not past due	210,714	132	210,582
Past due			
Up to 30 days	7,308	6	7,302
From 31 to 90 days	1,254	-	1,254
From 91 to 180 days	1,120	-	1,120
From 181 to 360 days	665	400	265
Over 361 days	3,596	2,147	1,449
Total trade receivables	**224,657**	**2,685**	**221,972**

2019 *in € thousands*	**Nominal value**	**Provisions**	**Net book value**
Not past due	310,933	159	310,774
Past due			
Up to 30 days	184	-	184
From 31 to 90 days	9,876	10	9,866
From 91 to 180 days	930	4	926
From 181 to 360 days	720	317	403
Over 361 days	3,936	2,328	1,608
Total trade receivables	**326,579**	**2,818**	**323,761**

ii) Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate number of credit facilities to cover the liquidity risk in accordance with its financing strategy.

The amounts of undrawn credit facilities as at 31 December 2020 and 2019 were as follows:

2020 *in € thousands*	**Total credit facilities**	**Drawn loans**	**Customs guarantees**	**Other guarantees**	**Undrawn credit facilities**
Long-term credit facilities					
Other	68,969	(68,969)	-	-	-
Total long-term credit facilities	**68,969**	**(68,969)**	**-**	**-**	**-**
Short-term credit facilities					
Other	369,100	(215,268)	(53,410)	(6,071)	94,351
Total short-term credit facilities	**369,100**	**(215,268)**	**(53,410)**	**(6,071)**	**94,351**
Total credit facilities	**438,069**	**(284,237)**	**(53,410)**	**(6,071)**	**94,351**

2019 *in € thousands*	**Total credit facilities**	**Drawn loans**	**Customs guarantees**	**Other guarantees**	**Undrawn credit facilities**
Long-term credit facilities					
Other	66,120	(66,120)	-	-	-
Total long-term credit facilities	**66,120**	**(66,120)**	**-**	**-**	**-**
Short-term credit facilities					
Other	315,100	(10,000)	(46,641)	(5,396)	253,063
Total short-term credit facilities	**315,100**	**(10,000)**	**(46,641)**	**(5,396)**	**253,063**
Total credit facilities	**381,220**	**(76,120)**	**(46,641)**	**(5,396)**	**253,063**

The undrawn credit facilities as at 31 December 2020 in the amount of €94,351 thousand were uncommitted (31 December 2019: €253,063 thousand).

Analysis of liquidity risk:

2020 *in € thousands*	**Financial assets measured at amortized cost**	**Financial assets measured at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Financial liabilities measured at fair value through profit or loss**
On demand	35,034	-	17,274	-
Up to 1 month	136,555	7,491	409,896	6,539
From 1 to 3 months	112,045	276	122,326	6,859
From 3 to 12 months	216,660	7,274	30,762	7,123
From 1 to 5 years	450	-	28,404	-
Over 5 years	-	-	26,911	-
Without maturity	-	-	1,314	-
Total	**500,744**	**15,041**	**636,887**	**20,521**

2019 *in € thousands*	**Financial assets measured at amortized cost**	**Financial assets measured at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Financial liabilities measured at fair value through profit or loss**
On demand	99,622	-	7,836	-
Up to 1 month	232,724	43	343,754	123
From 1 to 3 months	107,509	1	200,002	40
From 3 to 12 months	4,660	477	10,467	1,199
From 1 to 5 years	2,339	-	27,526	-
Over 5 years	-	-	25,521	-
Without maturity	837	-	1,499	-
Total	**447,691**	**521**	**616,605**	**1,362**

Financial assets measured at fair value through other comprehensive income as at 31 December 2020 and 2019 represent capital instruments, which do not have determined maturity.

Maturity profile of the financial liabilities based on contractual undiscounted payments:

2020 *in € thousands*	**Long-term debt**	**Trade payables and other current financial liabilities**	**Short-term debt**	**Financial liabilities measured at fair value through profit or loss**	**Total**
On demand	-	17,274	-	-	17,274
Up to 1 month	3,087	211,597	195,304	6,539	416,527
From 1 to 3 months	650	121,743	-	6,859	129,252
From 3 to 12 months	10,238	686	20,000	7,123	38,047
From 1 to 5 years	32,110	-	-	-	32,110
Over 5 years	31,735	-	-	-	31,735
Without maturity	-	1,314	-	-	1,314
Total	**77,820**	**352,614**	**215,304**	**20,521**	**666,259**

2019 *in € thousands*	**Long-term debt**	**Trade payables and other current financial liabilities**	**Short-term debt**	**Financial liabilities measured at fair value through profit or loss**	**Total**
On demand	-	7,836	-	-	7,836
Up to 1 month	2,715	330,803	10,001	123	343,642
From 1 to 3 months	623	198,763	-	40	199,426
From 3 to 12 months	9,800	1,583	-	1,199	12,582
From 1 to 5 years	30,975	-	-	-	30,975
Over 5 years	31,232	-	-	-	31,232
Without maturity	-	1,499	-	-	1,499
Total	**75,345**	**540,484**	**10,001**	**1,362**	**627,192**

iii) Market risks

Interest rate risk

The Company's policy is to ensure that no more than 50% of its exposure to changes in interest rates is on a fixed rate basis.

Sensitivity analysis of interest rate risk:

	2020		2019	
in € thousands	**Increase/ (decrease) of interest rate** *(%)*	**Impact on profit before taxes**	**Increase/ (decrease) of interest rate** *(%)*	**Impact on profit before taxes**
EURIBOR 1M (EUR)	0.25	(31)	0.25	19
EURIBOR 1M (EUR)	(0.25)	31	(0.25)	(19)
EURIBOR 3M (EUR)	0.25	18	0.25	-
EURIBOR 3M (EUR)	(0.25)	(18)	(0.25)	-
EURIBOR 6M (EUR)	0.25	(24)	-	-
EURIBOR 6M (EUR)	(0.25)	24	-	-

The estimated impact on profit before taxes is disclosed for the period of next 12 months.

Statistical methods were used for calculation of estimated marginal values of interest rates.

Foreign currency risk

The Company may enter into various types of foreign exchange contracts in managing its foreign currency risk resulting from cash flows from business activities and financing arrangements denominated in foreign currencies or certain transactional exposures.

The Company has a net long USD operating cash flow position. The Company's trading with oil products gives rise to a long USD cash flow exposure, while trading with crude oil gives rise to a short USD position.

The Company follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect its net operating cash flow position, constituting a natural hedge.

Sensitivity analysis of foreign currency risk:

	2020		2019	
in € thousands	**Increase/ (decrease) of exchange rate** *(%)*	**Impact on profit before taxes**	**Increase/ (decrease) of exchange rate** *(%)*	**Impact on profit before taxes**
USD	5.1	(9,245)	5.6	(16,983)
USD	(4.7)	8,383	(5.1)	15,261
HUF	5.8	(32)	4.8	(1)
HUF	(5.2)	29	(4.3)	1
CZK	6.1	2,392	4.9	1,196
CZK	(5.4)	(2,133)	(4.5)	(1,089)
PLN	4.6	529	6.3	3,437
PLN	(4.2)	(485)	(5.6)	(3,054)

The estimated impact on profit before taxes is disclosed for the period of next 12 months.

Statistical methods were used for calculation of estimated marginal values of exchange rates.

Commodity risk

The Company is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks of the Company are the short crude oil position, long refinery margin position and long petrochemical margin position.

The Company uses short term commodity swap transactions for hedging commodity risk. The commodity swap transactions were traded with related MOL Commodity Trading Kft. The Company does not apply hedge accounting for these transactions.

22.3 Capital management

Capital of the Company is managed at the MOL Group level. The primary objective of the MOL Groups' capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The MOL Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the dividend payment to shareholders may be adjusted, capital returned to shareholders or new shares issued.

The MOL Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt equals to interest-bearing loans less cash and cash equivalents.

The structure of capital and net debt and gearing ratio for the Company is as follows:

in € thousands	**2020**	**2019**
Long-term debt, net of current portion	55,315	53,047
Short-term debt	215,304	10,001
Current portion of long-term debt	13,654	13,073
Less: cash and cash equivalents	(26,238)	(92,886)
Net debt	**258,035**	**(16,765)**
Equity	1,509,369	1,591,276
Capital and net debt	**1,767,404**	**1,574,511**
Gearing ratio (%)	**14.60**	**(1.06)**

23 Commitments and contingent liabilities

Accounting policies

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

Guarantees

The total value of guarantees granted as at 31 December 2020 is €2,330 thousand (31 December 2019: €2,371 thousand).

The guarantees granted are as follows:

		2020	
Debtor	**Purpose**	**Valid until**	**Guarantee** *€ thousands*
SWS spol. s r.o.	customs guarantee	indefinite period	2,200
SLOVNAFT MONTÁŽE A OPRAVY a.s.	trade payables	December 2022	130

		2019	
Debtor	**Purpose**	**Valid until**	**Guarantee** *€ thousands*
SWS spol. s r.o.	customs guarantee	31 December 2020	2,200
ADOM. M STUDIO, s.r.o.	loan	14 December 2020	41
SLOVNAFT MONTÁŽE A OPRAVY a.s.	trade payables	7 November 2020	130

Capital and contractual commitments

The total value of capital commitments as at 31 December 2020 is €47,083 thousand (31 December 2019: €81,656 thousand) and relates to obligations to purchase property, plant and equipment in the amount of €44,473

thousand (31 December 2019: €79,470 thousand) and intangible assets in the amount of €2,610 thousand (31 December 2019: €2,186 thousand).

Other inspections

The Company is subject to various inspections performed by the state authorities. Although the Company cannot exclude that any of these proceedings discovers irregularities in its activities based on which the Company could be penalized, the management cannot determine any amount for which a provision should be recognized because of such proceedings. Due to that reason, there was no provision booked for that purpose as at 31 December 2020.

Environmental liabilities

The Company's operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. The Company is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, the Company has established a provision of €46,657 thousand for the estimated cost as at 31 December 2020 (31 December 2019: €47,778 thousand) for probable and quantifiable costs of rectifying past environmental damage (Note 19). 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.

24 Earnings per share

Accounting policies

Basic earnings per share are calculated by dividing the profit/loss for the period attributable to ordinary shareholders (profit/loss for the period less dividends on preference shares) by the weighted average number of ordinary shares outstanding during the period.

The Company does not have any potential ordinary shares and therefore the diluted earnings per share are the same as the basic earnings per share.

	2020	2019
Profit/(loss) for the period (€ thousands)	(81,886)	17,228
Weighted average number of shares	20,625,229	20,625,229
Basic/diluted earnings/(loss) per share (€)	(3.97)	0.84

25 Related party transactions

The Company is controlled by MOL Nyrt. Following the integration process within the MOL Group the Company undertook significant transactions with other companies within the MOL Group.

Mr. Oszkár Világi, Chairman of the Company's Board of Directors and C-CEO, is a partner in the legal company RUŽIČKA AND PARTNERS s. r. o.

Mr. Marek Senkovič, CEO of the Company, is a member of the Board of Directors at Agentúra pre núdzové zásoby ropy a ropných výrobkov.

Companies reported as other related parties are under the controlling influence of the key management members.

The transactions with related parties:

in € thousands	**2020**	**2019**
Sales - products, goods and materials		
SLOVNAFT Group	133,316	152,769
MOL Group (w/o SLOVNAFT Group companies)	502,244	752,485
Associated companies	398,167	531,468
Agentúra pre núdzové zásoby ropy a ropných výrobkov	31,795	88,872
Other related parties	65	79
Sales - services and other operating revenues		
SLOVNAFT Group	4,380	3,829
MOL Group (w/o SLOVNAFT Group companies)	10,849	11,993
Associated companies	2,008	2,135
Agentúra pre núdzové zásoby ropy a ropných výrobkov	996	1,494
Other related parties	4	3
Sales - financial assets measured at fair value through other comprehensive income		
MOL Group	29	-
Interest revenue		
SLOVNAFT Group	89	153
MOL Group (w/o SLOVNAFT Group companies)	173	17
Associated companies	46	46
Other finance revenues		
SLOVNAFT Group	24	13
MOL Group (w/o SLOVNAFT Group companies)	8,865	-
Dividends received		
SLOVNAFT Group	711	2,087
MOL Group (w/o SLOVNAFT Group companies)	-	550
Associated companies	270	725

in € thousands	**2020**	**2019**
Purchases - raw materials, goods and energy		
SLOVNAFT Group	638	1,105
MOL Group (w/o SLOVNAFT Group companies)	235,684	406,519
Associated companies	45,440	34,523
MET Slovakia a.s.	-	33,307
Agentúra pre núdzové zásoby ropy a ropných výrobkov	31,710	88,785
Purchases - services and other operating expenses		
SLOVNAFT Group	93,048	105,533
MOL Group (w/o SLOVNAFT Group companies)	9,890	7,858
Associated companies	32	45
Agentúra pre núdzové zásoby ropy a ropných výrobkov	52,531	58,375
RUŽIČKA AND PARTNERS s. r. o.	218	260
Other related parties	24	58
Purchases - property, plant and equipment		
SLOVNAFT Group	21,430	98,577
MOL Group (w/o SLOVNAFT Group companies)	13,760	13,437
Other related parties	-	16
Purchases - intangible assets		
SLOVNAFT Group	20	-
MOL Group (w/o SLOVNAFT Group companies)	17,378	14,616
Interest expense		
MOL Group (w/o SLOVNAFT Group companies)	92	26
Associated companies	180	201
Other finance costs		
MOL Group (w/o SLOVNAFT Group companies)	-	20,282

in € thousands	**2020**	**2019**
Receivables		
SLOVNAFT Group	11,090	19,388
MOL Group (w/o SLOVNAFT Group companies)	46,665	85,688
Associated companies	31,174	42,664
Agentúra pre núdzové zásoby ropy a ropných výrobkov	-	8,934
Other related parties	5	7
Loans granted		
SLOVNAFT Group (Note 12 and 15)	482	26,776
MOL Group (w/o SLOVNAFT Group companies) (Note 15)	242,498	-
Associated companies (Note 12)	2,233	2,203
Payables		
SLOVNAFT Group	25,398	59,524
MOL Group (w/o SLOVNAFT Group companies)	70,842	60,777
Associated companies	5,490	1,930
Agentúra pre núdzové zásoby ropy a ropných výrobkov	4,129	4,558
RUŽIČKA AND PARTNERS s. r. o.	29	78
Other related parties	2	8
Loans received		
Associated companies	3,694	4,160
MOL Group (w/o SLOVNAFT Group companies)	641	786

Statutory boards of the Company

According to an extract from the Commercial Register of District Court in Bratislava I as at 31 December 2020 the Company's statutory boards had the following composition:

The Board of Directors: Oszkár Világi, Chairman of the Board
Gabriel Szabó
Marek Senkovič
Ferenc Horváth
Zsolt Huff
Timea Reicher
Zsuzsanna Éva Ortutay
Zsolt Pethö

The Supervisory Board: Zoltán Áldott, Chairman of the Board
Ákos Székely
Richard Austen
Slavomír Hatina
Matúš Horváth
Martina Darnadiová

Emoluments of the members of the Board of Directors and the Supervisory Board

The Board of Directors' total remuneration amounted to €24 thousand in 2020 (2019: €80 thousand). The total remuneration of members of the Supervisory Board amounted to €174 thousand in 2020 (2019: €174 thousand).

Key management compensation

in € thousands	**2020**	**2019**
Salaries	580	1,071
Legal and voluntary retirement contributions	80	104
Public health insurance	96	186
Other social insurance	24	83
Other personnel expenses	120	131
Provision for retirement and jubilee benefits	(63)	167
Expenses of share-based payments	(178)	(1)
Total	**659**	**1,741**

Details of the share option rights granted to key members of management during the period are as follows:

	2020		2019	
	Shares in option rights	**Weighted average exercise price per share**	**Shares in option rights**	**Weighted average exercise price per share**
	number of shares	*€*	*number of shares*	*€*
Outstanding at the beginning of the period	171,200	8.00	243,760	6.69
Granted during the period	54,320	8.01	59,200	9.23
Forfeited during the period	-	-	-	-
Exercised during the period	(52,800)	4.57	(131,760)	5.79
Expired during the period	-	-	-	-
Outstanding at the end of the period	**172,720**	**8.30**	**171,200**	**8.00**
Exercisable at the end of the period	59,200	8.51	52,800	5.05

Long-term incentive schemes for management

A long-term incentive scheme for management consists of long-term interest in increase of the parent company's MOL Nyrt. share price (Note 4).

General incentive schemes for management

The incentive aim involves the Company and organizational level financial and operational targets, evaluation of the contribution to the strategic goals of the Company and determined individual tasks in the Performance Management System (PMS). The incentives for the year 2020 will be paid to managers based on the evaluation of indicators and tasks defined in the individual agreements.

Loans granted

No loans have been granted to key management and members of the Board of Directors and the Supervisory Board.

26 Events after the reporting period

No events have occurred after 31 December 2020 that would require adjustment to, or disclosure in the financial statements.

CORPORATE GOVERNANCE

Corporate Governance principles are an integral part of SLOVNAFT Group's operations.

SLOVNAFT, a.s. is well aware of the fact that clearly defined relationships and effective communication between the Company management and its employees are the prerequisites for good corporate governance.

In 2020, the Company adhered to the Corporate Governance Code for Slovakia. The Company's declaration on compliance with the Code is available at www.slovnaft.sk.

The Company insists on ethical business principles as stated in MOL Group's Code of Ethics and Business Conduct, which is also available on the above-mentioned website.

More information can be found at:
http://www.slovnaft.sk/sk/o_nas/

The Company is included in the consolidated financial statements of MOL Magyar Olaj- és Gázipari Nyilvánosan Működő Részvénytársaság.

The Company does not have an organisational unit established abroad and is not an unlimited liability partner in other accounting entities.

As at 31 December 2020, the Company did not acquire its own shares, interim certificates, business interests, stocks, interim certificates and business interests in the parent accounting entity.

Neither bonds nor employee shares were issued by the Company as at 31 December 2020.

No significant event occurred after the end of the accounting period.

As at the date of preparation of the Annual Report, the Board of Directors of SLOVNAFT, a.s. did not submit a proposal for the settlement of the 2020 economic result of SLOVNAFT, a.s.

Shareholder's structure as at 31 December 2020:

MOL Magyar Olaj- és Gázipari Nyilvánosan Működő Részvénytársaság 100%

THE COMPANY'S MANAGEMENT SYSTEM

SLOVNAFT, a.s., is an integral part of MOL Group, which operates a matrix management model based on a system of process-based regulations. Management of the Company is executed by two parallel interconnected groups of units – Business Units and Functional Units. The task of Business Units is to create and implement competitive strategies that increase business value in compliance with SLOVNAFT Group strategy and to operate under internal as well as external regulations and legal requirements. Functional Units perform tasks that involve supporting business processes and increasing individual units' effectiveness.

The main MOL Group management documents are the Operational & Organisational Rules, which describe the basic MOL Group operative rules and standard principles, the Description of Tasks & Responsibilities, which defines the organisational structure of Business and Functional Units and the List of Decision-making Authorities, which defines the most important decision points and authorities for decision-making. These operative regulations are continually evaluated and revised in cooperation with the Business and Functional Units to conform to the current MOL Group objectives and strategies.

Operative regulations are detailed documents containing specific activities that represent the basis of the Operative Regulation System. These regulations assign responsibilities to organisational units, document information systems pertaining to specific steps of processes and contain any additional information required for the proper performance of a process. In 2020, the Company continued to minimise the number and narrow the scope of each operative regulation to the smallest group of professional staff possible.

The Internal Management & Audit System comprises of several interconnected management and control mechanisms – organisation, communication and personnel relations, administration and regulations, operations and monitoring. Risks associated with these management and control mechanisms are regularly assessed by specialised internal departments, based on which corrective measures are proposed and implemented.

At its operational level, the Company maintains and develops certified management systems based on standards in all areas where customers expect this. To ensure that the quality of its services and products is high, the Company has a certified quality mana-

gement system in place. In 2020, Slovnaft continued improving the quality of established management systems, and had its efforts confirmed by outcomes of supervisory audit in accordance with ISO 9001:2015, ISO 14001:2015 standard, and certification audit in accordance with ISO 45001:2018 standard carried out by the company SGS Slovakia spol. s. r. o. ISO certificates of the company prove to the partners, that the Company has established processes securing high level and continuous improvement in the field of quality, environment, health and safety at work.

THE COMPANY BODIES' WORK PRINCIPLES AND RELATIONS WITH SHAREHOLDERS

GENERAL MEETING

In compliance with the Company's Articles of Association, the General Meeting is the highest Company body. The Annual General Meeting of the Company takes place at least once a year.

As the Company has been a private joint-stock company since 23rd of December 2019, the powers of the Company's general meeting are exercised by the sole shareholder. The Company has one sole shareholder – MOL Magyar Olaj- és Gázipari Nyilvánosan Működő Részvénytársaság which owns 100% of its share capital.

BOARD OF DIRECTORS

The supreme body of the Company is the Board of Directors, which is collectively responsible for the Company's affairs, unless reserved by Company's Articles of Association or by legal regulations to other Company bodies. The Board of Directors performs its activities in the interest of the shareholder, with due care and in accordance with the legal regulations.

The professional backgrounds of the Board of Directors' members cover the most important areas of the Company's operations and underpin the competent performance of the Board of Directors' duties.

In compliance with the Company's Articles of Association, the Board of Directors is the Company's statutory body. It is entitled to act on behalf of the Company in all matters and represents the Company vis-à-vis third parties and before courts of law and other authorities.

Members of the Board of Directors comply with the ban on competitive conduct stipulated by the Commercial Code, as amended. The members of the Board of Directors are elected by the General Meeting and election to the Board requires a majority of votes of the shareholders present. Members are elected for a five-year term of office.

The Board of Directors is not entitled to decide on the issues of shares or the redemption of shares.

SUPERVISORY BOARD

The Supervisory Board monitors corporate governance, together with the Internal Audit Department.

Supervisory Board Members, except for Members elected by employees, and the Board of Directors Members are elected by the General Meeting through a majority of votes of the shareholders present. All Supervisory Board and Board of Directors Members have direct access to all the relevant information relating to the Company. At present, two Supervisory Board Members are elected by Company employees.

The main role of the Internal Audit Department is to provide independent and objective assessment of the internal audit system instituted in the Company and to enhance processes for the purpose of improving efficiency in risk management, management and control mechanisms, and corporate governance. Based on risks identified by the Risk Management Department and inputs from senior management, the Internal Audit Department prepares annual audit plans. The Internal Audit Department's reports also include a list of corrective measures. The Internal Audit Department maintains relationships with external auditors and internal departments of the Company (i.e. HSE Department, Protection & Defence Department, etc.).

No agreements are concluded between the Company and members of its bodies or employees to compensate them if their positions or employment are terminated by resignation on the part of the employee, by their dismissal, notice given on the part of the employer without stating a reason or if the position or employment relationship is terminated due to a takeover bid.

INFORMATION DISCLOSURE AND TRANSPARENCY

The Company regularly informs the public about its economic results as well as significant events and its activities, both through the media and various electronic channels and its website – www.slovnaft.sk.

In accordance with legal regulations, SLOVNAFT, a.s. published the Annual Report in 2020.

COMPANY BODIES

BOARD OF DIRECTORS

Oszkár Világi
Chairman of the Board of Directors and CEO

Gabriel Szabó
Vice-Chairman of the Board of Directors since 15 July 2020

Marek Senkovič
Member of the Board of Directors since 9 November 2020 and CEO

Ferenc Horváth
Member of the Board of Directors

Zsolt Pethő
Member of the Board of Directors

Tímea Reicher
Member of the Board of Directors

Zsolt Huff
Member of the Board of Directors since 21 April 2020

Zsuzsanna Éva Ortutay
Member of the Board of Directors since 21 April 2020

SUPERVISORY BOARD

Richard Austen
Member of the Supervisory Board

Ákos Székely
Member of the Supervisory Board since 21 April 2020

Matúš Horváth
Member of the Supervisory Board elected by employees

Martina Darnadiová
Member of the Supervisory Board elected by employees

Slavomír Hatina
Member of the Supervisory Board

Zoltán Áldott
Chairman of the Supervisory Board

Oszkár Világi

- Chairman of the Board of Directors since April 2009
- CEO of SLOVNAFT, a.s., since March 2006

Mr. Világi graduated from the Faculty of Law of Comenius University in Bratislava (in 1985). In 1991, he earned the academic degree Doctorate in Law "JUDr." and in 1992, he cofounded the law firm Csekes, Világi, Drgonec & Partners law practice. In 1990 – 1992, he was a Member of the Czechoslovak Parliament. From 1996, he was a member of supervisory and governing bodies of several leading Slovak companies, including Poľnobanka, Slovenská poisťovňa, Slovak Railways (ŽSR) and health insurance company Apollo In 1994, he cooperated in the establishment of the Central European Foundation and is currently a member of its Board. He was a legal adviser to foreign investors in major Slovak industrial restructuring projects (U.S. Steel; France Telecom; OTP Bank; MOL Group). Before becoming a member of the Board of Directors at Slovnaft in 2005, he was a member of its Supervisory Board. On the 6th of March 2006, Mr. Világi was appointed as the CEO of Slovnaft. In April 2009, Mr. Világi was appointed the Chairman of the Board of Directors of SLOVNAFT, a.s. and in April 2010, he became a member of MOL Group's Executive Board. In addition, he was appointed a member of the Board of Directors of MOL Nyrt. in May 2011. On 1st of May 2011 he became a member of the Supervisory Board of INA d.d. Mr. Világi is the Chairman of the Slovak-Hungarian Chamber of Commerce and Industry, founded in 2012 and is also a member of the Board of Directors of the Slovak Chamber of Commerce and Industry. On 1st of December 2016, Mr. Világi was appointed the Executive Vice President of MOL Group.

Ferenc Horváth

- Member of the Board of Directors since May 2007
- Vice Chairman from April 2019 to July 2020

Since July 2020, Mr. Horváth has been a Special Envoy of MOL Group's Chairman of the Board and CEO, focusing on the further development of international stakeholder relations, talent management and corporate culture. Since November 2003, Ferenc Horváth has been the Executive Vice President of MOL Group's Refining & Marketing Division and since 1st of May 2011 the Executive Vice President of MOL Group's Downstream Division. Between 2011 and 2015 he was a member of the Board of Directors of TVK. He became the Chairman of the Board of Directors of IES Mantova in November 2007 and has been a member of the Board of Directors of SLOVNAFT, a.s., since May 2003. Since 2012, he has been a member of the Supervisory Board of INA, d.d. Since June 2018, he has been a member of the Supervisory Board of MPK Zrt. He started his professional career in Mineralimpex, a Hungarian foreign trading company dealing in oil and mining products, where he worked from 1984 to 1991. From 1991 to 1997, he was the Executive Director of ALLCOM Trading Co., the Hungarian Mineralimpex-Phibro Energy joint venture, a company trading in crude oil and petroleum products in Europe. He began working at MOL Group in 1998 as the director of the LPG business unit. From January 2001, he served as the Sales Director responsible for MOL's entire product line. In 2002 and 2003, he was the Commercial Director, expanding his activities to include the purchasing of crude oil and raw materials needed for crude oil processing.

Gabriel Szabó

- Member of the Board of Directors since April 2010
- Vice Chairman since July 2020

Mr. Szabó graduated from the Faculty of Economy & Business in Košice and the Bratislava University of Economics in 1999. His career started in 2000 at Kovohuty, a.s. He joined SLOVNAFT, a.s., in 2001, working as an economist in Resource Allocation. In 2002, he became the Director of Finance & Accounting at Slovnaft's subsidiary SLOVNAFT MONTÁŽE A OPRAVY, a.s. In 2006, he became Slovnaft's Corporate Services Director. In 2009, he became the Director of Procurement Services for INA in Croatia. In 2010, he has been appointed the Vice President of MOL Group's Corporate Services in Budapest. Since July 2012, he has been the Vice President of Downstream at SLOVNAFT, a.s., being responsible for the following units: Production, Logistics, Trading, Downstream Sales, Asset Supply & Optimization, Securing Supply & Market Optimisation, Securing Supply & Petrochemicals Optimisation, Retail, Energy & Heat Production, Optimisation of Processes and Project Management. Since December 2016, Mr. Szabó was appointed of the Chief Executive Officer of SLOVNAFT, a.s. and in July 2020, he became the Executive Vice President of MOL Group's Downstream. Gabriel Szabó has been a member of MOL Group's Management Committee since February 2019.

Marek Senkovič

- Member of the Board of Directors since November 2020
- Executive Director of SLOVNAFT, a.s. since July 2020

Mr. Senkovič graduated from the Faculty of Business at the University of Economics in Bratislava in 1997. He joined Slovnaft in 2006 as the Chief Economist who monitored developments in the financial and commodity markets and was also part of various business activities. In June 2018, he became Slovnaft's CFO. In July 2020, he took over the operational management of Slovnaft as CEO and is also responsible for the management of Slovnaft's Downstream. Furthermore he is representing domestic oil companies on the Board of Directors of the Slovak Emergency Oil Stocks Agency. Marek Senkovič is a member of MOL Group's Management Committee.

Zsolt Pethő

- Member of the Board of Directors since June 2017

Mr. Pethő started his career at Prímagáz Zrt. In 1998, he joined MOL Group as LPG sales manager. Holding several positions in commercial area, he became the Commercial Director of MOL Group. In 2011, he was appointed CEO for MOL Petrochemicals (formerly TVK), and he also successfully managed MOL Hungary's Oil Processing Division, established in 2012, including production, petrochemicals, sales and retail sectors. In 2016, he was appointed MOL Group's Vice-President for Supply, Trading & Optimisation. After a year, the scope of his organisation was extended to include sales-related activities. In May 2017, Zsolt Pethő became MOL Group's Vice-President for Downstream Commerce & Optimisation and since 2020, he has been leading the Circular Economy Services division.

Tímea Reicher

- Member of the Board of Directors since April 2013

Mrs. Reicher graduated from the Faculty of National Economy at the University of Economics in Bratislava in 1998. Since 2006, she has been with MOL Group. In March 2006, she took a managerial position at the Corporate Centre in SLOVNAFT, a.s. From 2009 to 2011, she worked as Head of Asset & Service Management, and from 2011 to May 2014 she was Corporate Services Director. From May 2015, she has been the Director of Retail. At the same time, from May to November 2015, she was a member of the Board of Directors of SLOVNAFT MONTÁŽE A OPRAVY, a.s. In 2007, she obtained an MBA degree from the University of Minnesota – Carlson School of Management and from Wirtschaftsuniversität, Vienna.

Zsolt Huff

- Member of the Board of Directors since 21st of April 2020

Mr. Huff started his career in MOL Duna Refinery in 1993. At the beginning of his career in MOL he held managerial positions in several production units, and later on he became project manager in several CAPEX projects. Between 2008 and 2010, he was Executive Production Director of Mantova Refinery in MOL Group Italy. From 2010, he directed the MOL Group SCM Planning and Optimisation department. In 2014, he moved from MOL Group Refining to Petrochemicals division, where he first worked as the Production Director, and later was appointed the Chief Executive Officer of MOL Petrochemicals. In 2017, he was appointed the Vice-President of Downstream MOL Hungary and in 2019, he became the Vice-President of MOL Group Downstream Production. Zsolt Huff graduated from the University of Veszprém, majoring in chemical engineering and attended the Leadership programme for top MOL-LEAD managers.

Zsuzsanna Éva Ortutay

- Member of the Board of Directors since 21st of April 2020

Ms. Ortutay joined MOL Group in 1998. During her twenty-year career, she has been holding various finance and treasury managerial positions. In TVK, MOL Group's petrochemical division, she was responsible for Investor Relations and Treasury departments. Between 2003 and 2006, she worked as a treasury adviser to the Chief Financial Officer of the Croatian company INA, a member of MOL Group. Since 2007, she has been working in different finance-related positions in MOL Group: Head of Retail Controlling, Project Manager for the INA Integration and Efficiency Improvement project, and the Chief Financial Officer of Petrolszolg – MOL's maintenance service subsidiary. Between 2013 and 2018, she was leading MOL Group's Treasury. Zsuzsana Ortutay graduated from Baker University, Kansas, USA and the University of Miskolc, Hungary. She finished her postgraduate studies with DESS degree in Banking and Finance at Panthéon-Assas University, Paris.

REPORT ON THE SUPERVISORY BOARD OF SLOVNAFT, A.S., ACTIVITIES IN THE FISCAL YEAR 2020

The report submitted by the Supervisory Board for the fiscal year of 2020 has been prepared based on the reports of the Board of Directors and the Company auditor in respect of the ordinary individual financial statements for the year 2020 and the regular evaluation of the Company's business activities.

The Supervisory Board has been regularly informed about the economic results of the Company by the Chief Executive Officer. The Supervisory Board has reviewed the reports on activities carried out by the Internal Audit Department, concerning the administration of the HSE Department (Sustainable Development, Occupational Safety & Health and Environmental Protection).

The Supervisory Board has actively pursued information whether the Company's operation was being carried out in accordance with the relevant laws, Articles of Association and previous General Meeting resolutions.

The employee representatives of the Supervisory Board attended every meeting of the Supervisory Board.

The Supervisory Board examined and verified the independent auditor's report on the ordinary individual financial statements of SLOVNAFT, a.s., for the year 2020, prepared in accordance with International Financial Reporting Standards adopted by the EU and audited by Ernst & Young Slovakia, spol. s. r. o., in accordance with International Standards on Auditing.

According to the Supervisory Board, the ordinary individual financial statements of SLOVNAFT, a.s. express the financial situation of the Company as of 31st of December 2020 and its financial results and cash flows for the year in all of the important respects.

After reviewing and discussing the report of the Board of Directors on the Company's activities in 2020, the Supervisory Board recommends that the General Meeting approves the ordinary individual financial statements of SLOVNAFT, a.s., for 2020, in accordance with the proposal of the Board of Directors of SLOVNAFT, a.s.

Zoltán Áldott
Chairman of the Supervisory Board

CONTACT DETAILS

COMPANY ADDRESS

SLOVNAFT, a.s.
Vlčie hrdlo 1
824 12 Bratislava
Slovakia
E-mail: info@slovnaft.sk
Tel.: + 421 2 4055 1111, 5859 1111
Fax: + 421 2 4524 3750