

**MVM Energetika Zártkörűen Működő Részvénytársaság**

**Interim Condensed Consolidated Financial Statements  
of the MVM Group**

**Prepared in Accordance with International Financial Reporting Standards as  
Adopted by the EU**

**For the period ended  
30 June 2021**

Budapest, 29 September 2021

György Kóbor  
President-CEO

László Fazekas  
Financial Deputy CEO

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

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## **Contents**

<b>I.</b>	<b>INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>3</b>
1.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	3
2.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	5
3.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS .....	6
4.	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	8
<b>II.</b>	<b>NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – GENERAL.....</b>	<b>10</b>
<b>III.</b>	<b>NOTES TO THE FINANCIAL STATEMENT ITEMS .....</b>	<b>12</b>
1.	TANGIBLE AND INTANGIBLE ASSETS.....	12
2.	INVENTORIES .....	13
3.	OTHER NON-FINANCIAL ASSETS .....	14
4.	RESTRICTED CASH .....	15
5.	CASH AND CASH EQUIVALENTS .....	15
6.	SHARE CAPITAL AND RESERVES.....	15
7.	LOANS AND BORROWINGS .....	17
8.	PROVISIONS.....	20
9.	OTHER CURRENT NON-FINANCIAL LIABILITIES .....	22
10.	SALES REVENUE.....	23
11.	PURCHASE COST OF RESOLD ENERGY .....	24
12.	STAFF COSTS .....	25
13.	OTHER OPERATING EXPENSES .....	25
14.	NET FINANCE COST .....	27
15.	INCOME TAXES.....	28
16.	CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS .....	30
17.	BUSINESS COMBINATIONS .....	39
18.	CONTINGENT LIABILITIES AND COMMITMENTS.....	41
19.	RELATED PARTIES.....	41
20.	SEGMENT INFORMATION .....	42
21.	SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD.....	48

## I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Interim condensed consolidated statement of financial position

Consolidated statement of financial position (in HUF million)	Note III.	30.06.2021 unaudited	31.12.2020 audited
Property, plant and equipment	1.	2,223,169	2,164,737
Investment property		246	246
Goodwill	1.	95,156	95,029
Other intangible assets	1.	239,379	249,773
Interests in associates and joint ventures		4,737	4,098
Interests in other entities		2,066	1,745
Non-current loans and receivables		10,152	5,345
Derivative financial assets	16.	31,195	11,572
Deferred tax assets		11,537	18,260
<b>Non-current assets</b>		<b>2,617,637</b>	<b>2,550,805</b>
Inventories	2.	139,454	151,721
Derivative financial assets	16.	386,915	94,494
Trade receivables and other non-derivative financial assets	16.	513,644	327,258
Other non-financial assets	3.	159,577	100,681
Current tax assets		2,659	3,201
Non-current assets held for sale		1,258	888
Restricted cash	4.	33,711	28,011
Cash and cash equivalents	5.	72,412	244,097
<b>Current assets</b>		<b>1,309,630</b>	<b>950,351</b>
<b>Total assets</b>		<b>3,927,267</b>	<b>3,501,156</b>

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**

(All figures are in HUF million except if otherwise indicated)

<b>Consolidated statement of financial position (in HUF million)</b>	<b>Note III.</b>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Share capital	6.	588,613	566,696
Capital reserve	6.	51,892	51,892
Retained earnings	6.	189,540	170,368
Other reserves	6.	924,932	822,494
<b>Equity attributable to the owners of the Company</b>		<b>1,754,977</b>	<b>1,611,450</b>
Non-controlling interests		7,367	8,025
<b>Equity</b>		<b>1,762,344</b>	<b>1,619,475</b>
Non-current loans and borrowings	7.	197,631	465,234
Non-current derivative financial liabilities	16.	27,917	2,946
Non-current recultivation provisions	8.	111,980	123,779
Non-current other provisions	8.	101,835	102,959
Deferred tax liabilities		502,430	457,290
Liabilities related to long-term employee benefits		24,945	26,486
Other non-current financial liabilities		17,633	18,777
<b>Non-current liabilities</b>		<b>984,371</b>	<b>1,197,471</b>
Current loans and borrowings	7.	51,653	56,858
Current derivative financial liabilities	16.	231,344	24,618
Trade payables and other non-derivative financial liabilities	16.	517,533	300,823
Current recultivation provisions	8.	7,691	5,322
Other current provisions	8.	37,490	15,080
Liabilities related to short-term employee benefits		17,954	19,263
Current tax liabilities		16,569	15,142
Other current non-financial liabilities	9.	300,318	247,104
<b>Current liabilities</b>		<b>1,180,552</b>	<b>684,210</b>
<b>Liabilities</b>		<b>2,164,923</b>	<b>1,881,681</b>
<b>Total equity and liabilities</b>		<b>3,927,267</b>	<b>3,501,156</b>

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

## 2. Interim condensed consolidated statement of comprehensive income

Consolidated statement of comprehensive income (in HUF million)	Note III.	2021 H1 unaudited	2020 H1 unaudited
Sales revenue	10.	1,086,883	671,055
Other operating income		12,315	6,518
<i>Operating expenses</i>		<i>1,040,727</i>	<i>656,695</i>
Purchase cost of resold energy	11.	637,647	336,544
Expenses related to system operation activity		49,179	26,837
Costs of electric energy and energy used for heat production		6,869	6,209
Maintenance costs		18,341	14,957
Other material costs		35,375	9,172
Staff costs	12.	104,821	86,879
Depreciation		109,872	90,304
Recognition and release of provisions		-12,207	4,671
Recognition and reversal of impairment		2,631	4,332
Payment to Central Nuclear Financial Fund (hereinafter referred to as: CNFF)		13,265	12,733
Other operating expenses	13.	93,507	83,887
Own performance capitalised		-18,573	-19,830
<b>Operating profit</b>		<b>58,471</b>	<b>20,878</b>
Finance income	14.	34,731	31,445
Finance costs	14.	38,797	35,586
<b>Net finance costs</b>		<b>-4,066</b>	<b>-4,141</b>
Share of profit/loss of associates and joint ventures		1,010	1,191
<b>Profit before tax</b>		<b>55,415</b>	<b>17,928</b>
Income tax expense	15.	27,122	9,315
<b>Profit after tax</b>		<b>28,293</b>	<b>8,613</b>
<b>Profit after tax attributable to the owners of the Company</b>		<b>28,731</b>	<b>7,935</b>
<b>Profit/Loss after tax attributable to non-controlling interests</b>		<b>-438</b>	<b>678</b>
<b>Other comprehensive income that cannot be accounted for in profit or loss in subsequent periods:</b>		<b>52,162</b>	<b>-56,243</b>
Revaluation of tangible assets (net of tax)		51,762	-55,703
Revaluation of employee benefits (net of tax)		400	-540
<b>Other comprehensive income that can be accounted for in profit or loss in subsequent periods:</b>		<b>49,990</b>	<b>4,191</b>
Foreign currency translation differences (net of tax)		-1,780	262
Change in cash flow hedge (net of tax)		51,687	4,060
Changes in fair value of financial assets measured at fair value through other comprehensive income (net of tax)		83	-131
<b>Other comprehensive income for the year, net of tax</b>		<b>102,152</b>	<b>-52,052</b>
<b>Total comprehensive income</b>		<b>130,445</b>	<b>-43,439</b>
<b>Total comprehensive income attributable to the owners of the Company</b>		<b>130,883</b>	<b>-44,112</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>-438</b>	<b>673</b>

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

### 3. Interim condensed consolidated statement of cash flows

Consolidated statement of cash flows (in HUF million)	Note III.	2021 H1 unaudited	2020 H1 unaudited
Profit for the period (profit after tax)		28,293	8,613
Depreciation		109,872	90,304
Impairment and scrapping of property, plant, equipment and intangible assets		178	1,938
Grant received for operations		-4,171	-2,615
Impairment of inventories (+) and reversal thereof (-)		321	520
Impairment of receivables (+) and reversal thereof, derecognition of bad debts		2,132	1,874
Gain (-)/Loss (+) on the derecognition of property, plant and equipment and other intangible assets		5,286	3,878
Gain (-)/Loss (+) on the derecognition of non-current assets held for sale		-875	-164
Changes in allocated CO <sub>2</sub> allowances		425	119
Green certificate generated in the reporting year		-586	-261
Share of profit (-)/loss (+) of equity-accounted investees, net of tax		-1,010	-1,191
Unrealised foreign exchange gains (-)/losses (+)		56	-1,287
Interest income	14.	-102	-61
Interest expense	14.	5,580	3,729
Income tax expense		27,122	9,315
		<b>172,521</b>	<b>114,711</b>
Changes in inventories	2.	11,973	50,575
Changes in trade receivables and other non-derivative financial assets	16.	-187,074	-12,048
Changes in other non-financial assets	3.	-58,703	-11,304
Changes in trade payables and other non-derivative financial liabilities	16.	217,603	-34,559
Changes in provisions	8.	10,336	4,884
Changes in other non-current financial liabilities		15	265
Changes in other non-financial liabilities	9.	51,517	16,186
Changes in liabilities related to employee benefits		-2,384	2,147
Changes in derivative financial assets and liabilities	16.	3,285	-1,074
Changes in restricted cash	4.	-5,700	20,853
Grant received for operations		2,768	1,628

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

<b>Consolidated statement of cash flows (in HUF million)</b>	<b>Note III.</b>	<b>2021 H1 unaudited</b>	<b>2020 H1 unaudited</b>
<b>Cash flows from operating activities</b>		<b>216,157</b>	<b>152,264</b>
Income tax paid		-40,255	-30,952
<b>Net cash flows from operating activities</b>		<b>175,902</b>	<b>121,312</b>
Dividends received		365	298
Interest received		31	121
Acquisition of property, plant and equipment, intangible assets		-72,857	-53,789
Sale of property, plant and equipment, intangible assets		913	59
Sale of non-current assets held for sale		1,382	640
Development grant received	9.	1,985	172
Granting and repayment of loans		1,525	-532
Acquisition of subsidiaries and business units, net of cash received (including current account overdrafts)	17.	-3,957	-40,345
Acquisition of interests in associates and joint ventures		-	-14
Sale of interests in other entities		-	5
Acquisition of interests in other entities		-232	-
<b>Cash flows from investing activities</b>		<b>-70,845</b>	<b>-93,385</b>
Dividends paid		-220	-7,727
Interest paid		-3,809	-2,700
Capital increase	6.	4,000	-
Transactions with shareholders	17.	4,221	-
Loans and borrowings	7.	384,131	467,251
Repayment of loans and borrowings	7.	-680,665	-482,571
Payment of lease liability		-3,603	-2,783
<b>Cash flows from financing activities</b>		<b>-295,945</b>	<b>-28,530</b>
Net increase/decrease in cash and cash equivalents		-190,888	-603
Cash and cash equivalents at the beginning of the year		238,904	-21,706
Effect of movements in exchange rates on cash held		-1,290	1,249
<b>Cash and cash equivalents at the end of the year</b>	<b>5.</b>	<b>46,726</b>	<b>-21,060</b>

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

**4. Interim condensed consolidated statement of changes in equity**  
**2020 H1**

(in HUF million)	Attributable to the owners of the Company											Attributable to non-controlling interests	Total
	Share capital	Capital reserve	Retained earnings	Reserves							Total		
				Allocated reserve	Cash flow hedges	Revaluation reserve of tangible assets	Fair value reserve	Translation reserve related to foreign currencies	Reserve for employee benefits	Total other reserves			
Balance at 31 December 2019 - audited	336,956	31,257	204,348	1,139	-12,063	694,108	79	413	-2,439	681,237	1,253,798	7,932	1,261,730
Profit for the reporting period	-	-	7,935	-	-	-	-	-	-	-	7,935	678	8,613
Other comprehensive income	-	-	-	-	4,060	-55,703	-131	262	-536	-52,048	-52,048	-4	-52,052
Revaluation of tangible assets net of tax	-	-	-	-	-	-55,703	-	-	-	-55,703	-55,703	-	-55,703
Valuation of employee benefits	-	-	-	-	-	-	-	-	-536	-536	-536	-4	-540
Currency translation difference	-	-	-	-	-	-	-	262	-	262	262	-	262
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-131	-	-	-131	-131	-	-131
Cash flow hedge	-	-	-	-	4,060	-	-	-	-	4,060	4,060	-	4,060
Total comprehensive income	-	-	7,935	-	4,060	-55,703	-131	262	-536	-52,048	-44,113	674	-43,439
Reclassification from other comprehensive income to retained earnings	-	-	-52	-	-	-	40	-	12	52	-	-	-
Change due to acquisition/loss of control	-	-	-	-	-	-	-	-	-	-	-	651	651
Recognition/Release of allocated reserve	-	-	-172	172	-	-	-	-	-	172	-	-	-
Derecognition of revalued assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-515	-	-	-	-	-	-6	-6	-521	521	-
Dividend payment	-	-	-7,500	-	-	-	-	-	-	-	-7,500	-227	-7,727
Balance at 30 June 2020 - unaudited	336,956	31,257	204,044	1,311	-8,003	638,405	-12	675	-2,969	629,407	1,201,664	9,551	1,211,215



**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

2021 H1

(in HUF million)	Attributable to the owners of the Company											Attributable to non-controlling interests	Total
	Share capital	Capital reserve	Retained earnings	Reserves							Total		
				Allocated reserve	Cash flow hedges	Revaluation reserve of tangible assets	Fair value reserve	Translation reserve related to foreign currencies	Reserve for employee benefits	Total other reserves			
<b>Balance at 31 December 2020 - audited</b>	566,696	51,892	170,368	1,419	47,127	769,334	176	7,477	-3,039	822,494	1,611,450	8,025	1,619,475
<i>Profit for the year</i>	-	-	28,731	-	-	-	-	-	-	-	28,731	-438	28,293
<i>Other comprehensive income</i>	-	-	-	-	51,687	51,762	83	-1,779	399	102,152	102,152	-	102,152
Revaluation of tangible assets net of tax	-	-	-	-	-	51,762	-	-	-	51,762	51,762	-	51,762
Valuation of employee benefits	-	-	-	-	-	-	-	-	399	399	399	1	400
Currency translation difference	-	-	-	-	-	-	-	-1,779	-	-1,779	-1,779	-1	-1,780
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	83	-	-	83	83	-	83
Cash flow hedge	-	-	-	-	51,687	-	-	-	-	51,687	51,687	-	51,687
<b>Total comprehensive income</b>	-	-	28,731	-	51,687	51,762	83	-1,779	399	102,152	130,883	-438	130,445
Capital increase	21,917	-	-	-	-	-	-	-	-	-	21,917	-	21,917
Reclassification from other comprehensive income to retained earnings	-	-	21	-	-	-	-	-	-21	-21	-	-	-
Recognition/Release of allocated reserve	-	-	-307	307	-	-	-	-	-	307	-	-	-
Transactions with owners	-	-	-1,773	-	-	-	-	-	-	-	-1,773	-	-1,773
Dividend payment	-	-	-7,500	-	-	-	-	-	-	-	-7,500	-220	-7,720
<b>Balance at 30 June 2021 unaudited</b>	588,613	51,892	189,540	1,726	98,814	821,096	259	5,698	-2,661	924,932	1,754,977	7,367	1,762,344

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## II. Notes to the interim condensed consolidated financial statements – General

### Introduction of the Group

MVM Energetika Zártkörűen Működő Részvénytársaság (formerly MVM Magyar Villamos Művek Zártkörűen Működő Részvénytársaság, hereinafter referred to as MVM Zrt., Company or the Parent company) was formed on 31 December 1991 through transformation of its legal predecessor Magyar Villamos Művek Tröszt.

MVM Zrt. is a Hungarian-registered private company limited by shares. Its owner is the Hungarian State which holds 100% of its shares; ownership rights and obligations pertaining to the shares of the State have been exercised by the Minister without Portfolio for the Development of Public Assets (hereinafter referred to as: NVTNM) since 25 June 2018. Previously this role was carried out by Magyar Nemzeti Vagyonkezelő Zrt. (hereinafter referred to as: MNV Zrt.)

Registered office of MVM Zrt.: 1031 Budapest, Szentendrei út 207-209.

MVM Zrt. and the companies controlled by it (hereinafter referred to as MVM Group or Group) form together a vertically integrated national energy group, the operation of which covers the entire Hungarian energy sector.

With its power plants, electricity transmission network, natural gas and electricity distribution network as well as its natural gas trading and electricity trading (from wholesale to direct sale to consumers), as a competitive strategic holding the MVM Group is a dominant participant of the Hungarian electricity and natural gas market who undertakes a role in the energy sector of the region and in ensuring secure gas supply for Hungary by operating its four underground natural gas storing facilities.

In 2020, through the acquisition of the operations in the Czech Republic of the German innogy, the MVM Group became the market leader on the Czech natural gas trading market and obtained a significant interest in the Czech electricity trading.

### Statement of compliance and basis of preparation

The interim condensed consolidated financial statements have been prepared based on IAS 34 Interim financial reporting and in accordance with the International Financial Reporting Standards as adopted by the European Union (hereinafter referred to as EU) (hereinafter referred to as EU IFRSs).

The interim condensed consolidated financial statements is unaudited information.

The interim condensed consolidated financial statements include the consolidated unaudited figures for the six-month period ended 30 June 2020, the consolidated audited figures for the financial year ended 31 December 2020 and the consolidated unaudited figures for the six-month period ended 30 June 2021 of the MVM Group.

The significant accounting policies applied by the Group and the critical accounting estimates are the same as those used in the consolidated annual financial statements for the year ended 31 December 2020, except for the following:

Initial application of new and amended IFRS standards and interpretations in the reporting period:

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

<b>IASB AND IFRS IC DOCUMENTS</b>	<b>Adopted by the EU effective from</b>
<i>Interest rate benchmark reform – phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020)</i>	1 January 2021
<i>Extension of the Temporary Exemption from Applying IFRS 9: Amendment to IFRS 4 Insurance Contracts (issued on 25 June 2020)</i>	1 January 2021

As part of phase 2 of the Interest Rate Benchmark Reform, IASB amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments have no significant impact on the financial statements of the Group in the current or future reporting periods or on foreseeable future transactions.

IASB amended IFRS 4 Insurance Contracts whereby the temporary exemption from applying IFRS 9 was extended. The amendment does not affect the financial data of the Group, because it has no contracts within the scope of IFRS 4.

### **Seasonality**

Some of the MVM Group's activities, particularly the sale of natural gas and electricity, may be characterised by seasonality. Revenue from storage and sale of natural gas is higher in the winter heating season and the annual peak loads of the electricity system are usually in winter, although the use of air conditioners generates an increasing volume of electricity consumption in summer as well. These seasonality-related effects have to be considered when analysing the half-year financial information.

### **Significant impacts affecting operation**

The MVM Group continuously monitors the social and economic impacts of the virus (COVID-19). Based on current knowledge the medium- and long-term financial effects of the virus are difficult to estimate. The fast spread of the COVID-19 virus and the social and economic effects in Hungary and around the world may require revision of assumptions and estimates, which may lead to material adjustments to the carrying amounts of assets and equity and liabilities in the next financial year.

### **III. Notes to the financial statement items**

#### **1. Tangible and intangible assets**

##### **Assets under construction**

In the first half of 2021 the Group purchased tangible and intangible assets in an amount of HUF 63,537 million, while the corresponding amount for 2020 H1 was HUF 46,764 million.

The reporting-year increase in assets purchased relative to the first half of 2020 is mainly due to the higher volume of assets under construction at MVM Démász Áramhálózati Kft., MVM Paksi Atomerőmű Zrt., Magyar Földgáztároló Zrt., MVM Mátra Energia Zrt. and MAVIR ZRt.

The HUF 127 million rise in goodwill in the reporting year relates to the acquisition of MVM ZG SOLAR STAR Kft. in 2021.

##### **Disposals**

There were no significant disposals in the six-month periods reported.

##### **Impairment**

The MVM Group performed the annual impairment test in December 2020 and the necessary impairments were recognized. In June 2021 the Group assessed whether there is any indication of impairment, but it did not identify circumstances which would have necessitated a detailed impairment test.

In addition to the assessment of indications of overall impairment, which did not result in booking overall impairment, in the first half of 2021 the Group accounted for HUF 123 million impairment/reversal in relation to its individual assets, while the respective amount in 2020 H1 was HUF 1,943 million. The reporting-period impairment mainly related to tangible and intangible assets scrapped or written down at MVM Paksi Atomerőmű Zrt., while in the same period in 2020 impairment had to be booked on the real estate and movable properties of the site at Kiskunfélegyháza owned by MVM Titán Zrt., due to the deterioration of income generating capacity.

##### **Purchase commitments**

Contractual commitments of the MVM Group to purchase tangible and intangible assets amounted to HUF 46,318 million on 30 June 2021 and to HUF 41,424 million on 31 December 2020. Commitments as at the end of the reporting period mainly relate to network development and nuclear power plant renovations.

## 2. Inventories

<i>(in HUF million)</i>	<b>30.06.2021</b> unaudited	<b>31.12.2020</b> audited
Goods	121,727	133,866
Raw materials	8,079	9,129
Finished products and work in progress	4,956	4,858
Other materials	4,692	3,868
<b>Total</b>	<b>139,454</b>	<b>151,721</b>

### Goods

The decrease in goods was primarily influenced by the natural gas inventories of the MVM Group. Its value within goods totalled HUF 120,483 million in the period (in 2020: HUF 132,652 million), the 86.99% of which (HUF 104,804 million) is owned by MVM CEEnergy Zrt. This is a decrease compared to the previous year, due to the fact that the weather in spring was colder than average, therefore the volume of removed inventories was higher and preparations for the winter period have not yet been performed.

In addition to MVM CEEnergy Zrt., MFGK Austria GmbH, innogy Energie s.r.o, MVM Next Energiakereskedelmi Zrt. and MFGK SLOVAKIA s.r.o have significant inventories of natural gas.

### Raw materials

Raw materials include power plant fuels (HUF 1,928 million) and auxiliary materials (HUF 6,151 million).

Power plant fuels comprise fuel oil, mainly at stock at MVM Balance Zrt. and in a smaller part at MVM Mátra Energia Zrt.; it accounts for 23.86% of raw materials.

Major items within auxiliary materials include metallurgical materials and metal ware, construction and insulation materials, as well as electric and control technology materials.

The majority of auxiliary materials comprises auxiliary material inventories at MVM Paksi Atomerőmű Zrt., MVM OVIT Zrt., MVM Démász Áramhálózati Kft. and MVM Főgáz Földgázhálózati Kft.

### Finished products and work in progress

A significant part of the inventories of finished goods is owned by MVM Mátra Energia Zrt. (HUF 857 million).

Main items within work in progress include HUF 835 million work in progress of MVM OVIT Zrt. related to industrial and construction activities, HUF 1,890 million property of MVM Paksi Atomerőmű Zrt. developed for sale and HUF 842 million lignite fuel of MVM Mátra Energia Zrt.

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

### 3. Other non-financial assets

<b>(in HUF million)</b>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Trade creditors with debt	40,156	931
VAT on advances received from customers	30,186	32,556
Spare parts and accessories	22,117	20,670
Receivables from authorities	20,960	16,712
Advances on inventories	17,244	7,320
Prepayments	14,863	10,018
Advances on services	2,650	7,060
Payments on account	2,264	2,079
Receivables arising from Electricity Act settlements	1,268	1,353
Other advances given	198	211
Incremental costs of obtaining contracts with customers*	133	144
Miscellaneous receivables	7,538	1,627
<b>Total</b>	<b>159,577</b>	<b>100,681</b>

\* In the first half of 2021 HUF 11 million impairment was booked on incremental costs of obtaining contracts with customers.

The HUF 58,896 million growth in other non-financial assets as compared to the previous year was caused by the following factors:

- Trade creditors with debts increased by HUF 39,225 million, mainly due to the HUF 31,804 million change in overpayment of trade payables of MAVIR ZRt. arising from exchange transactions.
- The HUF 4,248 million rise in receivables from authorities results mainly from the change in value added tax receivables.
- Advances on inventories were HUF 9,924 million up on 2020 year-end, due to the increase in advances given by MVM CEEnergy Zrt. in relation to purchase of natural gas molecule, which was mitigated by the decrease in the advances of MVM Paksi Atomerőmű Zrt. related mainly to nuclear fuel inventories.
- HUF 6,033 million of the increase in miscellaneous receivables is attributable to the receivable of MFGK Croatia d.o.o. from the use of the LNG terminal in Krk.

#### 4. Restricted cash

<i>(in HUF million)</i>	30.06.2021 unaudited	31.12.2020 audited
Fees to support the stranded costs of conversion of the cogeneration process	10,108	12,839
Feed in Tariff restricted deposit account	8,668	2,600
MÁK GINOP account (EU grant)	6,615	6,765
Other restricted cash	8,320	5,807
<b>Total</b>	<b>33,711</b>	<b>28,011</b>

The increase in restricted cash was mainly caused by the cash movement due to the outstanding exchange sales in June 2021.

Of the reporting date balance of restricted cash, a significant item is the amount gross of interest of fees collected by MAVIR ZRt. as part of the system control activity based on the provisions of the Act on Electric Energy (fees collected to support discount-rate electricity supply, fees to support the stranded costs of conversion of the cogeneration process) to be transferred.

Other restricted cash did not change significantly.

#### 5. Cash and cash equivalents

<i>(in HUF million)</i>	30.06.2021 unaudited	31.12.2020 audited
Petty cash	53	41
Bank deposits	72,359	244,056
<b>Cash and cash equivalents</b>	<b>72,412</b>	<b>244,097</b>
Overdraft facilities (see Note III.7.)	-25,686	-5,193
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>46,726</b>	<b>238,904</b>

The fall in cash is attributable to the fact that in 2021 the Group used the majority of the funds from the capital increase at the end of December 2020 to prepay its non-current revolving credits.

#### 6. Share capital and reserves

##### Share capital

Share capital of the MVM Group consists of 73,576,623 ordinary shares, which are fully paid to the Group. The face value of shares is HUF 8,000 each.

All of the shares of the Company is owned by the Hungarian State, since 25 June 2018 through NVTNM as a sole shareholder.

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

In 2021 share capital was increased in total by HUF 21,917 million, through cash contribution by the owner (HUF 4,000 million) and through in-kind contribution of Tiszavíz Vízerőmű Kft. (HUF 17,917 million).

In 2020 capital was increased by HUF 229,740 million partly through cash contribution by the owner (HUF 229,020 million), and through contributing Nemzeti Üzleti Szolgáltató Zrt. shares as in-kind contribution (HUF 720 million).

<i>(number)</i>	Ordinary shares	of which Treasury shares
<b>Number as at 31 December 2019 - audited</b>	<b>42,119,487</b>	-
<b>Number as at 31 December 2020 - audited</b>	<b>70,837,053</b>	-
<b>Number as at 30 June 2021 – unaudited</b>	<b>73,576,623</b>	-

### Capital reserve

The capital reserve comprises on the one hand the HUF 31,257 million originated upon the transformation of MVM Tröszt into a business association, on the other hand, the HUF 20,635 million transferred from retained earnings to the capital reserve in 2020. The value of the capital reserve rarely changes because the capital reserve is not directly distributable, the amount can change only in certain cases (withdrawal from capital reserve accompanied by asset withdrawal and transfer to other components of equity).

### Retained earnings

Retained earnings of the Group comprises the accumulated earnings of previous years less dividends paid to owners.

The following dividends were paid by MVM Zrt.:

<i>(in HUF million)</i>	30.06.2021 unaudited	2020 audited
Dividends paid	7,500	7,500
Dividend per share at MVM Zrt. (HUF/share)	102	106

Based on its Resolution 34/2020 (VI.26.), in 2020 the sole shareholder of MVM Zrt. decided to pay HUF 7,500 million dividend in cash.

Based on its Resolution 27/2021 (V.27.), in 2021 the sole shareholder of MVM Zrt. decided to distribute HUF 7,500 million dividend as a non-cash benefit, of which HUF 4,600 million will be distributed through the transfer of shares embodying 100% ownership interest in Nemzeti Üzleti Szolgáltató Zrt., while HUF 2,900 million will be distributed through the transfer of the business share embodying 100% ownership interest in VB Szolgáltató Központ Kft. in Q4 of 2021.

### Allocated reserve

The allocated reserve comprises equity components of the Group to be recognised as allocated reserve in accordance with the law.



Other reserves – Fair value reserve

The Group primarily records its interest in PannErgy Nyrt. as FVOCI assets.

Other reserves – Revaluation reserve of tangible assets

Revaluation reserve includes the result from revaluing the nuclear technology assets of MVM Paksi Atomerőmű Zrt. using the revaluation method; it is non-distributable.

Other reserves – Cash flow hedge valuation reserve

To mitigate its financial risks the Group enters into hedging derivative (typically commodity and foreign exchange) transactions and designates them as cash flow hedging relationships. The Group performed a hedge effectiveness test for hedging derivative transactions open as of the reporting date, based on which all transactions are considered effective.

Other reserves – Reserve for employee benefits

Actuarial gains and losses arising from defined benefit plans (post-employment benefits) are accounted for in other comprehensive income.

## 7. Loans and borrowings

### Non-current loans and borrowings

<i>in HUF million</i>	Non-current bank loans
<b>31 December 2020 - audited</b>	<b>465,234</b>
Increase	379,231
Increase due to acquisition/loss of control*	3,487
Repayment	-635,866
Reclassification	-14,040
FX revaluation	-415
<b>30 June 2021 – unaudited</b>	<b>197,631</b>

*\*In February 2021 MVM Zöld Generáció Kft. acquired MVM ZG SOLAR STAR Kft. (formerly Dantooine Kft.) which thus became a member of the MVM Group.*

Non-current loans of the Group outstanding at end of reporting period: HUF 197,631 million, influenced by the following main loan contracts:

- Includes the amount drawn in two instalments (EUR 97.2 million) under the project financing facility agreement concluded with the European Investment Bank (EIB) in 2010 for a term of 15 years. The credit facility agreement is for the financing of the strengthening and expansion of seven major electricity transmission networks owned by MAVIR ZRt. Based on the owner loan agreement concluded with the company, the above amount was drawn

by the company. Repayment of the loans was started in 2015, non-current loans outstanding as at the end of the period amounted to HUF 11 billion.

- Of the HUF loan portfolio, loans were drawn previously based on the project financing credit facility agreements concluded with EIB in previous years for the financing of the strengthening and expansion of the electricity transmission network owned by MAVIR ZRt. and the renovation of the storage facilities owned by Magyar Földgáztároló Zrt.; a new loan was drawn in the reporting period for the purpose of network development of MAVIR ZRt. The purpose of the loan concluded with EIB and drawn in September 2020 is to finance network development projects of MVM Démász Áramhálózati Kft. (formerly NKM Áramhálózati Kft.). Furthermore, loan agreements for a term of 15 years were concluded in the reporting period with International Investment Bank (IIB) and Magyar Fejlesztési Bank (MFB) in order to finance the natural gas network development projects of MVM Főgáz Kft. (formerly NKM Földgázhálózati Kft.) and MVM Égáz-Dégáz Zrt. (formerly NKM Észak-Dél Földgázhálózati Zrt.) for the period 2020-2023. Taken all these into account, the total amount of HUF loans existing as at the reporting date is HUF 62 billion.
- The Group concluded with the Bank of China (Hungária) Zrt. a general corporate financing multi-currency revolving loan agreement in 2018 for a term of 7 years, which was repaid in an amount of HUF 66 billion in the period.
- HUF 305 billion was drawn in the reporting year under the refinancing and general corporate financing revolving loan agreement concluded in 2017 for a total amount of HUF 347 billion (with UniCredit Bank as the agent and 12 banks) and expiring in 2024, then it was repaid together with the HUF 290 billion opening balance during the period.
- HUF 100 billion was drawn under the loan agreement concluded with OTP Bank Nyrt. in 2021 for a term of 10 years, of which HUF 10 billion was reclassified into current loans.
- The non-current portion as at the end of the period of the project loan concluded by MVM ZG Solar Kft. with MFB amounts to HUF 23.3 billion.
- Unwinding of borrowing costs charged on credit facilities is accounted for in profit or loss taking planned drawdowns and repayments into account and using the effective interest rate method.

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

**Current loans and borrowings**

<i>in HUF million</i>	Overdraft facility	Portion of non-current loans reclassified into current loans	Other current borrowings and loans	Accrual of interest payable	Total
<b>31 December 2020 - audited</b>	<b>5,193</b>	<b>6,964</b>	<b>43,938</b>	<b>763</b>	<b>56,858</b>
Increase	20,494	-	4,900	-	<b>25,394</b>
Increase due to acquisition/loss of control	-	391	-	99	<b>490</b>
Decrease	-	-	-	-202	<b>-202</b>
Decrease due to acquisition/loss of control	-	-	-	-	-
Reclassification	-	14,040	-	-	<b>14,040</b>
Repayment	-	-3,361	-41,438	-	<b>-44,799</b>
FX revaluation	-1	-127	-	-	<b>-128</b>
<b>30 June 2021 – unaudited</b>	<b>25,686</b>	<b>17,907</b>	<b>7,400</b>	<b>660</b>	<b>51,653</b>

Other current borrowings include liabilities to companies not in the MVM Group. In the base period this item included HUF 25 million liability of CYEB S.r.l, which was repaid in the period.

Other current loans include revolving loans of MVM Zrt. received from Erste Bank and CIB Bank in an amount of HUF 2,500 million and HUF 4,900 million, respectively.

As at the reporting dates of the reported periods the Group met all loan covenants. Based on the loan agreements, the ratio of adjusted EBITDA to interest expenses must exceed 3, the ratio of adjusted net debt to net asset value must be less than 0.9, and the ratio of net debt to EBITDA must be less than 4.5.

## 8. Provisions

<b>Total current and non-current (in HUF million)</b>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Recultivation and environmental protection obligations	119,671	129,101
Onerous contracts	96,950	98,178
Co2 allowance	28,351	5,814
Litigations and settlement disputes	1,714	1,701
Other	12,310	12,346
<b>Total</b>	<b>258,996</b>	<b>247,140</b>

### **Recultivation provisions**

Recultivation provisions were recognised due to liabilities of the Group arising from legal regulations related to environmental protection. In the first half of 2021, in the case of recultivation provisions there were significant changes in the provision for the recultivation of the storage facilities of Magyar Földgáztároló Zrt. (HUF 5,736 million decrease) and in the provision recognised by MVM Next Energiakereskedelmi Zrt. for the recultivation of Óbudai Gázgyár (HUF 2,050 million decrease).

#### *Provision for recultivation of Magyar Földgáztároló Zrt. storage facilities*

The provision for the full recultivation of the four storage facilities of Magyar Földgáztároló Zrt. (Hajdúszoboszló, Zsana, Kardoskút, Puszttaederics) amounts to HUF 40,633 million within the total balance (in 2020: HUF 46,369 million). Specific data (liquidation of wells, recultivation costs) for the calculation of the recultivation provisions did not change relative to the end of 2020. A 3% long-term inflation rate was taken into account in the calculations in line with the business plan of the MVM Group (2020: 3%). The total number of wells to be liquidated is 246 (2020: 246), which includes active and observation wells.

The date of the recultivation of the storage facilities did not change as compared to the business assumptions used in previous years, the expected year of the recultivation is 2030 for Hajdúszoboszló, 2030 for Puszttaederics, 2031 for Kardoskút and 2047 for Zsana. The risk-free HUF yield curve was used as discount rate in the calculations, which grew to 2.70% in 2021 H1 and increased significantly as compared with 2020 (in 2020 it was 1.55%). The value of the provision increased by HUF 485 million as a result of interest effect, and it decreased by HUF 6,221 million as a result of change in the estimate due to the change in interest.

In addition, HUF 125 million (2020: HUF 125 million) well recultivation provision was recognised in the first half of 2021 for one well in connection with expected field abandonment work. Furthermore, HUF 733 million (2020: HUF 733 million) environmental protection provision was recognised in relation to site soil contamination, based on measurements and expert opinions.

#### *Provision for recultivation of Óbudai Gázgyár*

The provision for expected costs of remediation intervention of the soil and groundwater contamination in the area of the former Óbudai Gázgyár (and in a smaller part at the sites in South Pest) recognised by MVM Next Energiakereskedelmi Zrt. amounted to HUF 26,976 million as at the end of 2020. In 2020 HUF 8,807 million provision was recognised based on a current cost

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

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estimate prepared by the engineer-auditor, while HUF 34 million provision was used and HUF 239 million interest effect was accounted for. A further increase in the amount of the provision was caused in 2020 by the presentation effect whereby HUF 2,569 million claim for reimbursement due based on a contract following the termination of the remediation was included in the consolidated statement of financial position, as a part of the expenses necessary for the settlement of the provision is expected to be reimbursed by the Municipality of Budapest and RWE GAS International N.V. The amount of the recultivation provision was increased by the amount of the reimbursement receivable.

In the first half of 2021 the value of the provision increased by HUF 193 million as a result of interest effect, while it decreased by HUF 2,213 million as a result of the change in estimate due to the increase in the long-term risk-free interest rate; its balance was HUF 24,926 million.

### **Provisions for onerous contracts**

The provision for the costs of the capacity allocated in the Szeged-Arad gas pipeline until 2030 that are not likely to be recovered is recognised on these grounds, discounted as of the reporting date (2021 H1: HUF 3,290 million, 2020: HUF 3,529 million). The provision was recognised in 2013 after the partner of MVM CEEnergy Zrt. – which had so far reimbursed the costs – took advantage of an option in the contract and terminated the agreement. As a result, since then MVM CEEnergy Zrt. has been transporting only very low quantities through this natural gas pipeline, however, it has to pay to the owner of the pipeline the transport costs of the full capacity allocated previously. The release of the provision was continued parallel to the actual loss incurred in the first half of 2021, and accumulated interest was added to the provision due to the lapse of time.

Furthermore, this title also includes the provision recognised in connection with long-term natural gas sale contracts (2021 H1: HUF 93,660 million, in 2020: HUF 94,649 million). The provision was recognised because based on the premises of the business plan the MVM Group is expected to incur losses during 2022-2025 in relation to the supply of the universal service provision customers in the natural gas division in Hungary. In the first half of 2021 HUF 1,709 million provision was used and HUF 719 million interest effect was accounted for.

### **CO2 allowance**

Based on emission data, in the first half of 2021 a significant amount of provision was recognised to cover CO2 allowances; MVM Mátra Energia Zrt. recognised HUF 26,044 million, while MVM Balance Zrt. HUF 1,721 million provision. The provision recognised in 2020 was used in an amount of HUF 1,932 million for MVM Balance Zrt. and HUF 2,995 million for MVM Mátra Energia Zrt. The reason behind the significant increase in the provision for CO2 allowances is primarily the considerable growth in the price of the allowances and the exchange rate of EUR, as well as the fact that a part of the companies settles the allowances held already at the end of the year.

## 9. Other current non-financial liabilities

<i>(in HUF million)</i>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Liabilities related to contracts with customers	133,692	106,557
Advances for grants received in relation to assets and deferral thereof	86,948	84,180
Related to central budget	47,453	42,523
VAT	33,025	29,448
<i>Other taxes and contributions related to employees</i>	5,325	4,968
<i>Tax on public utilities</i>	3,963	-
PIT	2,121	4,686
Energy tax	1,557	1,973
Water use fee	1,384	1,331
Other tax liability	78	117
Liabilities from FIT settlement	27,062	7,229
Accrual of capacity auction gain/loss	738	2,111
Other	4,425	4,504
<b>Total</b>	<b>300,318</b>	<b>247,104</b>

The change in other current non-financial liabilities as compared with the previous period resulted primarily from the increase in liabilities related to contracts with customers and liabilities from FIT settlement.

### **Grants**

In the first half of 2021, advances for grants amounted to HUF 8,183 million, of which the main item is the HUF 7,836 million unsettled part of grant advances related to EU projects of MVM NET Zrt. Furthermore, in 2021 H1 deferrals related to grants and network development contributions totalled HUF 69,155 million, while deferrals related to other assets was HUF 9,610 million.

The Group recognises grants received from the European Union, as well as network development contributions received from consumers as deferred income, and they are released in proportion to the depreciation of assets purchased with the use of the grant as other operating income. The grants are subject to terms and conditions contained in the relevant decision of the European Commission.

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

Company	30 June 2021
	Deferrals related to grants, network development contributions (in HUF million)
	unaudited
MVM Démász Áramhálózati Kft.	21,202
MVM ZG Solar Kft.	13,664
MAVIR ZRt.	6,943
MVM Zöld Generáció Kft	5,139
MVM NET Zrt.	4,985
MVM Égáz-Dégáz Földgázhálózati Zrt.	4,976
MVM ESCO Zrt.	2,880
MVM Főgáz Földgázhálózati Kft.	2,803
e-Mobi Nonprofit Kft.	1,971
MVM OTSZ Zrt.	1,098
Other companies	3,494
<b>Total</b>	<b>69,155</b>

In 2021 H1 HUF 2,456 million state and EU grant was disbursed (of which development grant received amounted HUF 1,985 million).

In addition, the reasons behind the change in the 2021 H1 amount of the part of the grants accounted for as liabilities included the disbursement of other than state or EU grants and the amount of release against other income in proportion to the depreciation of assets purchased from the grants.

There was no significant condition related to the grants in the period under review which the Group failed to satisfy.

## 10. Sales revenue

<i>(in HUF million)</i>	2021 H1 unaudited	2020 H1 unaudited
Sale of natural gas	640,174	314,580
Electric energy trade	288,456	205,325
Transmission, system operation, system-level services	101,326	97,068
Economic, IT, engineering and other services	38,928	26,002

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

<i>(in HUF million)</i>	<b>2021 H1 unaudited</b>	<b>2020 H1 unaudited</b>
Revenue from natural gas and electricity distribution	8,477	9,443
Sale of heat	4,966	5,823
Network, technological installation	2,679	7,468
Storage revenue	1,877	5,346
<b>Total</b>	<b>1,086,883</b>	<b>671,055</b>

The sales revenue of the Group was HUF 415,828 million up on the previous period. The acquisition of the innogy Group in the second half of 2020 resulted in HUF 145,185 million increase in the revenue from natural gas sales and HUF 54,422 million increase in electricity trade. The acquisition of MVM EGI Zrt. (formerly ENEXIO Hungary Zrt.) and its two Chinese subsidiaries increased the revenue from Economic, IT, engineering and other services by HUF 3,095 million.

In addition to the above, the revenue from the sale of natural gas of the MVM CEEnergy Zrt. group grew by HUF 158,510 million. One of the main reasons behind is that the volume of natural gas sold increased by 40% relative to the same period in the previous year due to the colder spring, and in January 2021 MFGK Croatia d.o.o. started its trading activity by its involvement in the LNG terminal in Krk.

On the other hand, TTF prices were higher by 116% in average in the first half of 2021 than in the same period in 2020, and this affected the natural gas sale and purchase prices of the Group as well resulting in prices higher by 30% on the sale side and by 37% on the purchase side.

## **11. Purchase cost of resold energy**

<i>(in HUF million)</i>	<b>2021 H1 unaudited</b>	<b>2020 H1 unaudited</b>
Purchase of natural gas	519,469	252,111
Purchase of electric energy from the EU	95,920	53,238
Purchase of electric energy in Hungary	18,249	24,458
Purchase of electric energy from outside the EU	4,009	6,737
<b>Total</b>	<b>637,647</b>	<b>336,544</b>

Purchase cost of resold energy increased by HUF 301,103 million as compared to the previous period. HUF 104,919 million of the increase in the purchase cost of natural gas and HUF 47,943 million of the cost of purchase of electric energy from the EU resulted from the acquisition of the innogy Group in the second half of 2020.



**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

In addition to the above, the purchase cost of natural gas of the MVM CEEnergy Zrt. group increased by HUF 177,065 million; the reason behind is described in Note III.10. Sales revenue.

## 12. Staff costs

<i>(in HUF million)</i>	2021 H1 unaudited	2020 H1 unaudited
Wage costs	78,172	62,619
Wage contributions	15,099	12,659
Other staff costs	11,550	11,601
<b>Total</b>	<b>104,821</b>	<b>86,879</b>

The main reasons for the change in staff costs are on the one hand the increase in the average headcount, on the other hand the inclusion in the consolidated financial statements of MVM Mátra Energia Zrt. and subsidiaries effective from March 2020, the innogy Group effective from October 2020, the Enxio Group effective from January 2021 and several smaller companies.

Amounts paid to pension and other welfare funds based on defined contribution plans are recognised as other staff costs. Expenses accounted for based on defined contribution plans amounted to HUF 4,008 million in 2021 H1 (2020 H1: HUF 3,419 million).

In the first half of 2020 a 4%+1% average wage increase was carried out within the MVM Group; in 2021 H1 wages were not increased.

### Average Group-level headcount

<i>Average headcount (persons) Staff category *</i>	2021 H1 unaudited	2020 H1 unaudited
Manual	5,716	4,942
Non-manual	10,843	8,683
<i>Total payroll staff</i>	<i>16,559</i>	<i>13,625</i>
<i>Not on the payroll</i>	<i>107</i>	<i>87</i>
<b>Total</b>	<b>16,666</b>	<b>13,712</b>

\* The average headcount is the average over 12 months of the average monthly headcount, irrespective of the operation period of the member firm in the reporting year.

## 13. Other operating expenses

<i>(in HUF million)</i>	2021 H1 unaudited	2020 H1 unaudited
Fees paid to authorities, insurance premiums, membership fees and taxes	19,176	18,140
Costs of technical, IT and operating services	18,845	11,590
Subcontractors' performance, mediated services, cost of materials sold	18,390	26,293

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021**

(All figures are in HUF million except if otherwise indicated)

<i>(in HUF million)</i>	<b>2021 H1 unaudited</b>	<b>2020 H1 unaudited</b>
Public utility charges, telecommunication services	13,295	7,290
Marketing costs	5,403	4,764
Expenses related to distribution and universal service provision	5,128	3,749
Advisory costs	3,545	3,273
Penalties, indemnity, fines, repair costs paid and other punitive expenses	1,628	839
Rental and other fees	702	1,056
Financial support granted	266	407
Other operating expenses	7,129	6,486
<b>Total</b>	<b>93,507</b>	<b>83,887</b>

The HUF 9,620 million increase in other operating expenses relative to the previous period resulted mainly from the acquisition of the innogy Group in the second half of 2020.

Fees paid to authorities, insurance premiums, membership fees and taxes

Fees paid to authorities, insurance premiums and taxes (HUF 19,176 million) included the following major items: water use fee, water pollution fee, fees paid to authorities, supervisory fees, property, liability and business interruption insurance premiums, tax on public utility lines, building tax. The items listed above predominantly relate to MVM Démász Áramhálózati Kft. (20.3%) and MVM Égáz-Dégáz Földgázhálózati Zrt. (12.3%).

Costs of technical, IT and operating services

In 2021 the majority (28%) of technological operating costs (HUF 3,158 million) was incurred by MVM NET Zrt. and it includes operating costs of telecommunication transmission. In addition, significant operating costs were also incurred by MVM Paksi Atomerőmű Zrt. (supervision of electrical operational equipment) and MAVIR Zrt. Costs of IT services (HUF 9,658 million) were incurred mainly (27.1%) in relation to the activities of MVMI Zrt. in 2021 as well and primarily include licence subscription fees and IT support fees. Technical planning costs (HUF 923 million) mainly arose at MVM Paksi Atomerőmű Zrt. (HUF 782 million).

Subcontractors' performance, mediated services, cost of materials sold

A major part in the reporting year (18.7%) of subcontractors' performance was incurred in connection with the activity of MVM XPert Zrt. MVM XPert Zrt. uses subcontractors to perform substation construction work, various engineering and construction work as well as maintenance, error detection and error correction of electric networks and distribution equipment. Another major part (25.7%) was incurred in connection with the activity of MAVIR Zrt.

Public utility charges, telecommunication services

42.5% of public utility charges and telecommunication services (HUF 13,295 million) comprises postal and telecommunication costs (MVM NET Zrt: HUF 3,862 million), and 54.8% includes costs of electric energy, natural gas and heat energy purchased for other than resale (innogy Group: HUF 3,371 million).

### Marketing costs

Marketing costs mainly include advertisements and promotion (HUF 4,732 million) and costs of events (HUF 548 million). Marketing costs are incurred primarily by MVM Zrt. (advertisement and services related to communication) and MVM Paksi Atomerőmű Zrt.

### Expenses related to distribution and universal service provision

Main items within expenses related to distribution and universal service provision include fees for consumer cash transfer orders, costs of network and metering losses, meter reading fee and fees related to billing and receivables management.

### Advisory costs

Advisory costs include legal, business, engineering, advisory, IT and accounting services. The most significant item is business advisory costs which were incurred mainly by MVM Zrt. (HUF 1,137 million).

## 14. Net finance cost

### Finance income

<i>(in HUF million)</i>	2021 H1 unaudited	2020 H1 unaudited
Gain on FX and interest rate swap transactions not subject to hedge accounting	18,244	13,273
Foreign exchange gain	15,285	17,240
Interest income	102	61
Other finance income	1,100	871
<b>Total</b>	<b>34,731</b>	<b>31,445</b>

Finance income increased as compared with the previous period, largely due to the HUF 4,971 million increase in the gain on FX and interest rate swap transactions not subject to hedge accounting, which in turn results from the rise in the volume of transactions not subject to hedge accounting and more favourable market prices compared to the dealing prices.

Another major item within finance income is foreign exchange gain, which resulted from financial settlement of FX assets and liabilities, and to a smaller extent from revaluation as at the reporting date.

Interest income derives from fixed deposits and from interest income from non-current loans to non-consolidated related companies.

A significant part of other financial income comprises booked default interest and compensation for recovery costs.

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

**Finance costs**

<i>(in HUF million)</i>	2021 H1 unaudited	2020 H1 unaudited
Loss on FX and interest rate swap transactions not subject to hedge accounting	17,443	13,320
Foreign exchange loss	14,609	17,264
Interest expense on loans, borrowings	3,706	2,929
Interest expense due to change in the time value of provisions	1,814	798
Other interest expense	60	2
Other finance expenses	1,165	1,273
<b>Total</b>	<b>38,797</b>	<b>35,586</b>

Finance costs were up on the previous period, resulting mainly from the HUF 4,123 million growth in the loss on derivative transactions not subject to hedge accounting, which is due to the increase in the volume of transactions not subject to hedge accounting and less favourable market prices compared to the dealing prices.

Interest expenses paid on loans and borrowings increased owing to the higher average loan portfolio.

The main item within interest expenses due to the change in the time value of provisions is the change in the time value of provisions for purchase of MVM CEEnergy Zrt.

Main items within other finance expenses are bank charges and default interest paid.

## 15. Income taxes

### **Income tax recognised in profit or loss for the period**

In the interim consolidated financial statements the income tax recognised in profit or loss for the period in 2020 H1 and 2021 H1 comprises the following elements:

<i>(in HUF million)</i>	2021 H1 unaudited	2020 H1 unaudited
Tax for the period	42,481	29,392
Effect of tax loss	-572	-1,017
Adjustments for prior years	178	31
<b>Total current tax</b>	<b>42,087</b>	<b>28,406</b>
Deferred tax	-14,965	-19,091
<b>Total income tax</b>	<b>27,122</b>	<b>9,315</b>

The current tax for the period includes the income taxes payable for the given year, calculated net of tax losses (tax loss carry-forwards) and prior-year tax effects. The effect of tax loss line item includes the tax effect of the tax loss carry-forward in the given year, which shows the amount by which the tax loss carry-forward used in the year reduced the current-year tax payment liability.

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

**Income tax recognised in other comprehensive income**

<i>(in HUF million)</i>	2021 H1 unaudited			2020 H1 unaudited		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation of property, plant and equipment	86,271	-34,509	51,762	-92,838	37,135	-55,703
Cash flow hedges	83,631	-31,944	51,687	6,766	-2,706	4,060
Employee benefits	588	-188	400	-844	296	-548
Interests measured through other comprehensive income	89	-6	83	-136	5	-131
<b>Total</b>	<b>170,579</b>	<b>-66,647</b>	<b>103,932</b>	<b>-87,052</b>	<b>34,730</b>	<b>-52,322</b>

Revaluation of property, plant and equipment arises from the revaluation of nuclear technology assets of MVM Paksi Atomerőmű Zrt. which can be considered in the tax base only upon accounting for the value of the tangible assets in profit or loss.

The value of cash flow hedges accounted for in other comprehensive income can be considered in the tax base only upon accounting for the transaction in profit or loss, therefore the Group recognises deferred tax assets and deferred tax liabilities related to the transactions and accounted for in other comprehensive income.

The value of employee benefits accounted for in other comprehensive income is the actuarial profit or loss on benefits related to retirement; it can be taken into account in the tax base in the period of actual payment.

The impact on profit or loss of revaluation of interests measured at fair value through other comprehensive income is at the same time taxable income up to the extent of impairment reversal recognised by tax laws as well as of gain or loss on sale; the attributable current tax is presented in the comprehensive income. Furthermore, the deferred tax liability attributable to the portion of revaluation exceeding the impairment reversal recognised by tax laws, as taxable temporary difference, is also included in other comprehensive income.

Of the above items, primarily the deferred tax recognised in relation to nuclear technology assets and cash flow hedges changed; the reason behind is the increase in the fair value of these assets and liabilities.

**Income tax accounted for directly in equity**

In the first half of 2021 the Group accounted for HUF 208 million deferred tax liability recorded upon the first consolidation of Tiszavíz Vízierőmű Kft. directly in equity.

**Deferred tax acquired in business combination**

In the first half of 2021 the Group accounted for HUF 127 million deferred tax liability as a result of the acquisition of MVM ZG SOLAR STAR Kft. The HUF 306 million deferred tax liability recorded in the first half of 2020 arose on the acquired photovoltaic power plants/projects.

## 16. Carrying amount and fair value of financial instruments

### a) Market risk

Market risk is the risk that changes in market prices – such as exchange rates, interest rates and commodity prices – will affect the Group's profit or loss and the fair values of financial instruments reported in the financial statements. The objective of market risk management is to ensure that the planned profit or recovery that can be achieved during the performance of the individual business activities (energy trading, services, implementation, etc.) should not be influenced by relevant market factors, such as exchange rates, interbank interest rates or changes in commodity prices. Own-account trading is an exception to this, where the desired yield and the extent of market risk assumed deliberately in exchange of it are optimised.

Market risk policy and guidelines are specified at group level involving the companies concerned and are reviewed periodically.

It is the joint and coordinated responsibility of the Risk Management Department of MVM Zrt. and the companies to ensure management of market risks as well as full compliance with internal procedures and legal regulations.

In terms of market risk the Group is primarily exposed to risks arising from changes to the price of electric energy, natural gas, primary energy resources and emission allowances, currency risks as well as cash-flow risks derived from changes in interest rates.

#### Commodity price risk

##### Electric energy trading business line

Due to its electric energy trading activity the MVM Group faces various market commodity risks during its operation, such as risks arising from changes to the price of electric energy, primary energy resources and emissions allowances. The risk deriving from electricity price fluctuations affects both divisions of the electric energy activities: wholesale covered by assets and own-account trading. Open positions from wholesale activity covered by assets do not meet the definition of a derivative transaction included in IFRS 9, as the purpose of such activity is the sale of electric energy produced by power plants belonging to the Group. Therefore the commodity risk arising from these transactions is not part of the commodity risk derived from financial instruments. In contrast, own-account trading is aimed at achieving short-term exchange gains thus these are considered financial instruments held for trading and are measured at fair value through profit or loss.

In order to manage risks effectively, both short-term and long-term market commodity risks are measured, valued and reported on a daily basis. Regularly applied risk measurement techniques include volatility analysis, MtM (Mark to Market) evaluations, sensitivity analysis, scenario analysis and stress tests of the products on different markets.

To mitigate the commodity price risk of the electric energy trade business line, some part of the open positions are regularly closed basically on OTC market or on stock exchange with forward and future commodities. Sale auctions organised quarterly have the same objective.

Due to different risks and accounting treatment, risks of own-account trading are measured separately from asset-based trading according to a separate limit structure - except for credit risk limits.

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

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The Group developed a Value at Risk (VaR) type risk measurement technique to measure market risks of own-account trading. VaR estimates the potential highest loss of open positions at a statistical confidence level determined for a given period, assuming “normal” market conditions. The currently used system enables one-day VaR calculation on a historical basis with the following parameters:

- 100 and 200 days historical observation;
- 95% and 99% confidence level.

For measuring market risks of own-account trading the 100-day VaR calculated at 95% was approved. The Group calculates VaR on a daily basis for both individual deals, areas, books and on a portfolio level; however, VaR-type limit is set only at portfolio level.

On 30 June 2021 the portfolio-level daily VaR limit of own-account trading amounted to EUR 750,000 (HUF 264 million). This means that the (estimated) market risk of the MVM Group from own-account trading at 95% confidence level and considering the historical price of 100 days amounted to EUR 750,000 (HUF 264 million). On 31 December 2020 the portfolio-level VaR of own-account trading amounted to EUR 750,000 (HUF 274 million).

#### Natural gas trading business line

Typically three pricing methods are common on the current Hungarian natural gas market: TTF indexing (TTF is the Dutch gas exchange), the oil-indexed formula, whereby the price of the gas is indexed to the prices of diesel and heat oil, and trading at fixed prices for the whole delivery period. Fixed price is not common for wholesale and purchase transactions, but the two types of variable prices are both widespread on the market.

Measuring and managing market risks of natural gas trade is very important for the Group, as the pricing of products requested by consumers often differs from the pricing of purchasing sources.

In contrast to competitive trade, through regulatory prices relating to the sale to universal service providers the Group incurs significant risk due to the fact that the recognised specific natural gas price taken into account when determining the justified amount of the purchase cost of natural gas differs from the actual purchase cost, because due to the logic of price regulation this risk cannot be hedged fully and effectively.

Measuring and managing market risks of natural gas trade is very important for the Group, as the pricing of products requested by consumers often differs from the pricing of purchasing sources. For this reason the Group continuously monitors the composition of its purchase and sales portfolios and manages it actively while adhering to the set limit structure.

Typically, the Group enters into swap transactions for these exposures, that is it swaps fix price for a transaction with floating price, or vice versa.

To mitigate its financial risks the Group enters into hedging derivative (typically commodity and foreign exchange) transactions and designates a part of them as cash flow hedging relationships. Derivative transactions entered into with hedging purpose are designated as hedges when these transactions are entered into, that is, the related hedged item and the type of risk intended to be hedged are clearly designated. Application of hedge accounting commences on the date of the establishment of the hedging relationship, which is the date of entering into the derivative transaction. The Group prepares hedging documentation on hedges and performs effectiveness tests monthly and upon the expiry of the transaction.

#### Foreign exchange risk

The Group is exposed to foreign exchange risk primarily through its electric energy and gas trading activities due to the particular features of the pricing methods applied. The foreign currency positions of the Group (foreign currency income, foreign currency loans, liabilities linked to foreign currency, including foreign currency contractual liabilities that are payable in forints) are also sources of foreign exchange risk.

#### Natural gas trading business line

In its natural gas trading activity the Group is also exposed to foreign exchange risk. The exposure derives from the differences between the pricing of the purchase and sales portfolio and is reviewed regularly by the Group.

It is very widespread to set prices in HUF, EUR and USD. Fixed prices can be found in all three currencies; TTF-indexed prices are typically EUR-based, while oil-indexed prices are typically denominated in USD and diesel and heat oil are quoted in USD.

#### Electric energy trading business line

Within the electric energy trading business line the management of currency risks arising when performing asset-based activities are an integral part of the continuous portfolio optimisation: parameters of the comprehensive optimisation model include current exchange rates and expectations, thus at company level exchange rate considerations materialise in optimum production and channel allocation. Furthermore, the electric energy division strives to increase the natural coverage ratio in its portfolio, thus reducing currency risks, within the market regulatory contractual framework.

For the company as a whole, forecasts by currency are prepared in accordance with group-level provisions, and the company tries to balance expected future cash flows between currencies based on such forecasts by entering hedging forward FX transactions not subject to hedge accounting, if necessary.

#### Other business lines

Market risks arising in other areas and business lines of the MVM Group are managed on an ad-hoc basis, i.e. previous decisions are revised based on information that became available in the given period. The objective of the MVM Group is to respond to current events through its currency risk hedging strategy.

#### Interest risk

Interest risk is derived from the volatility of the interest rates on the assets and liabilities held by the Group that bear floating interest.

The Risk Management Department of MVM Zrt. measures interest rate exposure due to the deposit and loan portfolios of the MVM Group, and if necessary, it proposes – as agreed with the Financing and Treasury Director – to the Financial Deputy CEO of MVM Zrt. to enter into transactions aimed at managing risks related to interest rate exposure. If necessary, the MVM Group enters into interest swap transactions to hedge the effects of interest rate risks arising from floating rate loans on cash flows. A significant portion of the Group's loan liabilities bears floating interest, consequently it is exposed to risks deriving from changes in interest rates.



### Share price risk

The Group is exposed to share price risk which derives from the change of listed price of financial assets measured at fair value through other comprehensive income. These interests are companies listed on the Budapest Stock Exchange; in 2020 the Group held interest in PannErgy Nyrt.

#### **b) Credit risk (counterparty risk)**

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations in full and/or on time. For the Group this primarily means risk from non-payment/non-performance by its commercial or financial partners. The risk arises primarily from financial - economic factors, such as insolvency of the partner, or for technical - commercial or administrative reasons.

Because of increasing outstanding receivables due to increasing sales volumes, the market buyers of electric energy and natural gas as well as banks and investment partners, where the current liquidity surplus of variable amount and composition is deposited represent the main credit risk for the Group.

To mitigate the above risk the Group implemented various procedures and measures:

- preliminary and/or periodic review of creditworthiness of new and existing partners;
- establishing individual credit risk partner limits and ongoing checking of adherence to such limits;
- preliminary check of treasury partners' rating assigned by independent external rating agencies, establishing partner limits and continuous monitoring thereof;
- regular review and modification if necessary of the recorded partner limits, taking into account past experience and available information relating to the partner;
- continuous reconciliation of cash flows required from the partner and cash flows that can actually be realised;
- continuous check of the ageing of outstanding receivables;
- application of collection measures;
- requesting financial collateral in advance to secure the outstanding receivable in the case of partners considered risky and those who fail to meet the required rating category.

Based on the internal credit risk management procedures of the Group in certain cases collateral may be requested from the debtor to secure an existing or future outstanding receivable. Collaterals securing outstanding receivables are mainly bank guarantees or sureties provided by the partner's parent company/related company, as well as advances which in Hungary are required by the Group primarily from partners considered risky (the innogy Group requires advances from the majority of customers) and in all cases when the requested credit facility of the given partner is not sufficient with regard to the given partner/transaction.

### Collection policy

The Group continuously monitors overdue outstanding receivables and sends reminders to its partners in default. If the partner fails to pay the outstanding receivables despite several reminders, the Group uses all legal means to ensure recovery of past due receivables to the greatest extent possible.

### c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when they fall due.

#### Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group prescribes for its entities that they must maintain a strong liquidity position and shape the liquidity profiles of their assets, liabilities and contingent liabilities to ensure balanced cash flows and the settlement of all obligations when due.

The objective of the Group is that the aggregated value of its cash, cash equivalents and other easy-to-sell investments exceed at all times the amount of expected cash outflows related to its financial liabilities. Compliance with the above objective is continuously monitored with the help of regular cash flow forecasts, based on which amounts, maturities and dates of performance of expected cash inflows related to receivables and cash outflows related to liabilities are compared.

To ensure efficient and as cost-effective as possible management of liquidity risk the Group uses cash pool accounts which ensure daily liquidity of the members involved in the cash pool; bank credit facilities are also available for the members of the Group to cover potential unexpected illiquidity. The available financing portfolio provides appropriate conditions to ensure liquidity as well as financial flexibility for the Group.

Unused credit facilities of the Group at the end of the periods under review:

Credit facility	Expired (30 June 2021)	30.06.2021 unaudited		31.12.2020 audited	
		Original currency, million*	in HUF million	Original currency, million	in HUF million
EUR credit facility	2021-2036	429,091	150,997	328,765	120,042
HUF credit facility	2021-2035	443,793	443,793	169,187	169,187
USD credit facility	2021-2022	4.46	1,319	3.94	1,171
Multi-currency credit facility	2022-without expiry	132,191	132,191	76,795	76,795

\*In the case of the multi-currency credit facility the amount of the credit facility is shown in HUF in the 'Original currency' column.

### d) Fair value of financial instruments

The following table presents fair values and carrying amounts of financial instruments:

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

<i>(in HUF million)</i>	30.06.2021 unaudited		31.12.2020 audited	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans and receivables	10,152	10,057	5,345	5,345
Trade receivables and other non-derivative financial assets	513,644	513,645	327,258	327,258
Restricted cash	33,711	33,711	28,011	28,011
Cash and cash equivalents	72,412	72,412	244,097	244,097
<b>Total financial assets measured at amortised cost</b>	<b>629,919</b>	<b>629,825</b>	<b>604,711</b>	<b>604,711</b>
Interests in other entities	2,066	2,066	1,745	1,745
<b>Total financial assets measured at fair value through other comprehensive income</b>	<b>2,066</b>	<b>2,066</b>	<b>1,745</b>	<b>1,745</b>
Derivative financial assets (non-current)	31,195	31,195	11,572	11,572
Derivative financial assets (current)	386,915	386,915	94,494	94,494
Non-current derivative financial liabilities	27,917	27,917	2,946	2,946
Current derivative financial liabilities	231,344	231,344	24,618	24,618
<b>Total derivative financial assets and liabilities</b>	<b>158,849</b>	<b>158,849</b>	<b>78,502</b>	<b>78,502</b>
Non-current loans and borrowings	197,631	188,939	465,234	461,888
Other non-current financial liabilities	17,633	17,633	18,777	18,777
Current loans and borrowings	51,653	51,924	56,858	56,541
Trade payables and other non-derivative financial liabilities	517,533	517,533	300,823	300,823
<b>Total other financial liabilities</b>	<b>784,450</b>	<b>776,029</b>	<b>841,692</b>	<b>838,029</b>

In the periods reported there were no changes in the classification of financial assets as a result of changes in the purpose or use of these assets.

The table below analyses financial instruments measured at fair value, by valuation method. The different levels of the fair value hierarchy have been defined as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability either directly (i.e. as prices) or indirectly (i.e. can be derived from prices);
- Level 3: inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

Description	30.06.2021 unaudited			31.12.2020 audited		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interests in other entities	2,066	-	-	1,745	-	-
Derivative financial assets (non-current)	-	31,195	-	-	11,572	-
Derivative financial assets (current)	-	386,915	-	-	94,494	-
<b>Total financial assets measured at fair value</b>	<b>2,066</b>	<b>418,110</b>	<b>-</b>	<b>1,745</b>	<b>106,066</b>	<b>-</b>
Long-term debt securities	5,116	-	-	-	-	-
Debt securities held for trading	704	-	-	-	-	-
<b>Total financial assets not measured at fair value where fair value is measured for disclosure purposes</b>	<b>5,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-current derivative financial liabilities	-	27,917	-	-	2,946	-
Current derivative financial liabilities	-	231,344	-	-	24,618	-
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>259,261</b>	<b>-</b>	<b>-</b>	<b>27,564</b>	<b>-</b>
Fixed-rate loans and borrowings	-	97,372	-	-	101,156	-
<b>Total financial liabilities not measured at fair value where fair value is measured for disclosure purposes</b>	<b>-</b>	<b>97,372</b>	<b>-</b>	<b>-</b>	<b>101,156</b>	<b>-</b>

In the periods reported there were no transfers between the individual levels of the fair value hierarchy used to measure the fair value of the financial instruments.

**e) Financial assets and liabilities**

Derivative financial assets and liabilities

<b>Non-current and current derivative financial assets (in HUF million)</b>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Natural gas derivatives	305,275	69,808
Electricity derivatives	108,857	22,686
FX derivatives	3,971	13,572
Other	7	-
<b>Total</b>	<b>418,110</b>	<b>106,066</b>

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021**

(All figures are in HUF million except if otherwise indicated)

<b><i>Non-current and current derivative financial liabilities (in HUF million)</i></b>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Natural gas derivatives	173,643	9,555
Electricity derivatives	82,618	16,693
FX derivatives	2,867	809
Other	133	507
<b>Total</b>	<b>259,261</b>	<b>27,564</b>

#### Electricity derivatives

Electricity derivatives are entered into by MVM Partner Zrt. On both the receivable and liability side the market values of derivative transactions increased significantly, since the beginning of 2021 saw a steep rise in forward transaction prices across Europe after an initial fall, following a mild January and February compared to normal. This was the combined result of several processes. It was due to the cold-misty period for about 2 months from March, when renewable energy production was low across Europe (no wind, and sun could not penetrate the mist either), and then the water shortages in the Balkans also had a negative impact on production. This is why energy production by fossil-fuelled power plants was necessary, which drove CO<sub>2</sub> prices up and kept electricity prices high at the end of Q2. In the remaining part of the year, the Hungarian product closed at a rate in excess of EUR 90/MWh in Q3 and Q4.

#### Natural gas derivatives

It is clear from the above tables that a major part of the change was caused by the change in the price of natural gas, within both derivative financial assets and derivative financial liabilities. The reason for this is that by 30 June 2021 the price of the TTF natural gas more than doubled as compared to the 2020 year-end closing price. This price increase is the reason for the fact that, although the volume of the position taken by the Group decreased slightly as compared to the end of the year, open transaction values grew within both assets and liabilities.

#### Trade receivables and other non-derivative financial assets

<b><i>Trade receivables and other non-derivative financial assets (in HUF million)</i></b>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Trade receivables	128,973	164,876
Accrued revenue	161,342	86,016
Other receivables related to forward transactions	135,333	31,536
Bail, deposit and other receivables	54,365	26,750
Cash as per the Electricity Act - receivables	16,037	1,758
Other	17,594	16,322
<b>Total</b>	<b>513,644</b>	<b>327,258</b>

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

Trade receivables and accrued revenue increased most significantly at the following companies: at MVM CEEnergy Zrt. by HUF 15,833 million, at MAVIR ZRt. by HUF 21,881 million. The increase in the balance of MAVIR ZRt. was caused primarily by the rise in market coupling and Xbid turnover, while in the case of MVM CEEnergy Zrt. the growth was mainly due to the increase in the price of natural gas.

The growth in Other receivables related to forward transactions is caused by price increases described in the section on derivative transactions.

<b>Trade payables and other non-derivative financial liabilities (in HUF million)</b>	<b>30.06.2021 unaudited</b>	<b>31.12.2020 audited</b>
Trade liabilities	56,416	155,252
Accruals	198,186	62,474
Liabilities related to forward transactions	228,861	56,596
Fees to support the stranded costs of conversion of the cogeneration process	10,528	14,456
Security deposit	8,692	3,971
Short-term finance lease	5,484	5,616
Other	9,366	2,458
<b>Total</b>	<b>517,533</b>	<b>300,823</b>

Trade liabilities and accruals changed most significantly at the following companies: at MVM CEEnergy Zrt. increased by HUF 36,548 million, at MAVIR ZRt. increased by HUF 32,285 million and at MVM Partner Zrt. increased by HUF 11,460 million, which was partly counterbalanced by the HUF 13,914 million decrease at innogy Energie s.r.o. The increase in the balance of MVM CEEnergy Zrt. was caused mainly by the significant rise in the price of natural gas, while for MAVIR ZRt. it was caused by the rise in turnover of market coupling, Xbid and system level services. At MVM Partner Zrt. the majority of the increase was due to the fact that in June 2021 there was regulation capacity shortfall in the Hungarian market and the company was successful in tendering with a power plant, which resulted in a high accrued portfolio, unlike at the end of 2020, when there was no such significant cooperation. Another significant increasing factor was the fact that spot exchange purchases were paid at the end of the year, while it is included in accruals at half year. The decrease at innogy Energie s.r.o was due to seasonal effect, it resulted from lower purchase of natural gas in the summer months.

In addition to the price changes mentioned above, the increase in liabilities related to forward transactions was caused by the fact that the Group exercised HUF 51,860 million margin call in the first half of the year in connection with the open position of derivative transactions against its external partners, while this balance at the end of the year amounted to HUF 11,239 million.

## 17. Business combinations

### a) Acquisition of MVM ZG SOLAR STAR Kft.

In February 2021 MVM Zöld Generáció Kft. acquired MVM ZG SOLAR STAR Kft. that is engaged in the operation of photovoltaic power plants.

A part of the contractual purchase price is an “earn-out payment” which is determined taking into account electricity generated by the solar power plants in a given period. The estimated value of the future payment is HUF 186 million.

The table below presents the calculation of goodwill related to the acquisition:

Data in HUF million	MVM ZG SOLAR STAR Kft.
Consideration paid (cash) - (including assumed loan)	4,286
Cash and cash equivalents	-329
<b>Net cash flow</b>	<b>3,957</b>
<b>Other assets and liabilities of the subsidiary:</b>	
Property, plant and equipment	7,984
Trade receivables and other non-derivative financial assets	70
Current tax assets	2
<b>Assets (1)</b>	<b>8,056</b>
Deferred tax liabilities	127
Non-current loans and borrowings	6,192
Current loans and borrowings	490
Trade payables and other non-derivative financial liabilities	27
Liabilities related to short-term employee benefits	1
Current tax liabilities	1
Other current non-financial liabilities	4
<b>Liabilities (2)</b>	<b>6,842</b>
Consideration paid (cash)	4,286
Estimated “earn-out payment” (other non-derivative financial liabilities)	186
Amount of the shareholder loan and its interest taken into account in the purchase price	-2,802
<b>Consideration – 30 June 2021 (A)</b>	<b>1,670</b>
<b>Net asset value net of cash (1-2)</b>	<b>1,214</b>
<b>Net asset value including cash (B)</b>	<b>1,543</b>
<b>Goodwill (A)-(B)</b>	<b>127</b>

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

After the acquisition MVM ZG SOLAR STAR Kft. realised HUF 350 million revenue until 30 June 2021, while it had HUF 161 million profit after tax after the acquisition.

**b) Acquisition of Tiszavíz Vízerőmű Kft.**

In May 2021 the sole shareholder of MVM Zrt. provided to the company the 100 % ownership of the shares of Tiszavíz Vízerőmű Kft. engaged in electricity production, under capital increase, in the form of in-kind contribution, in an amount of HUF 17,917 million.

The transaction with the shareholder resulted in HUF 1,773 million, which was accounted for by the Group as an item decreasing retained earnings.

The table below presents the main data related to the acquisition:

Data in HUF million	Tiszavíz Vízerőmű Kft.
Cash and cash equivalents	-4,221
<b>Net cash flow</b>	<b>-4,221</b>

<b>Other assets and liabilities of the subsidiary:</b>	
Property, plant and equipment	4,674
Other intangible assets	5
Non-current loans and receivables	6,741
Other inventories	44
Trade receivables and other non-derivative financial assets	967
Other non-financial assets	8
Current tax assets	51
<b>Assets (1)</b>	<b>12,490</b>

Deferred tax liabilities	207
Liabilities related to long-term employee benefits	65
Trade payables and other non-derivative financial liabilities	146
Liabilities related to short-term employee benefits	40
Other current non-financial liabilities	109
<b>Liabilities (2)</b>	<b>567</b>

<b>Cost of the interest received (A)</b>	<b>17,917</b>
<b>Net asset value net of cash (1-2)</b>	<b>11,923</b>
<b>Net asset value including cash (B)</b>	<b>16,144</b>
<b>Result of the transaction with the shareholder (A)-(B)</b>	<b>1,773</b>

After the acquisition Tiszavíz Vízerőmű Kft. realised HUF 382 million revenue until 30 June 2021, while it had HUF 118 million profit after tax after the acquisition.



## 18. Contingent liabilities and commitments

### Contingent liabilities

The Group does not account for provisions for contingent liabilities, because the management does not consider it likely that significant payments would be made in relation to these, or the amount of the liability cannot be estimated with sufficient reliability. The Group has no contingent liabilities for which an outflow of economic benefits would be likely and significant.

### Guarantees

The MVM Group is exposed to the risk that the following guarantees would be called from it on 30 June 2021.

Description	Amount	Currency
Bank guarantees given	0.00	CHF million
Bank guarantees given	1,481.04	CZK million
Bank guarantees given	220.06	EUR million
Bank guarantees given	42.84	HRK million
Bank guarantees given	28,681.92	HUF million
Bank guarantees given	0.83	PLN million
Bank guarantees given	8.69	RON million

These guarantees were provided by banks on behalf of the companies of the MVM Group as a security of certain contractual liabilities. The purpose and value of the guarantees did not change significantly in the first half of 2021 relative to the items presented in the consolidated IFRS financial statements as at the end of 2020.

So far the Group has met its contractual liabilities, therefore no such guarantees were called in 2020 or in the first half of 2021, nor is it expected in the future either.

## 19. Related parties

Related parties of the MVM Group are the following companies and persons:

- Hungarian State (as owner)
- Institutions and companies majority owned by the Hungarian State
- Associates and joint ventures of the MVM Group
- Key management personnel of the MVM Group

In the first half of 2021 transactions with related parties did not change in their nature relative to 2020, but their volume changed as follows.

- Effective from 1 April 2020, MVM Partner Zrt. transferred the retail electricity and natural gas sales business to MVM Next Energiakereskedelmi Zrt., thus in 2021 no sales were performed any more to the Hungarian State and institutions and companies majority owned by the Hungarian State (pro-rated decrease - HUF 3,396 million).

- MVM Next Energiakereskedelmi Zrt. sells electricity and natural gas to Magyar Állam Vasutak Zrt. (pro-rated decrease - HUF 8,262 million), sells electricity to Dunamenti Regionális Vízmű Zrt., Dunántúli Regionális Vízmű Zrt., Tiszamenti Regionális Vízművek Zrt., Északdunántúli Regionális Vízmű Zrt., and Északmagyarországi Regionális Vízművek Zrt. (pro-rated decrease - HUF 2,622 million).

## 20. Segment information

In the first half of 2021 during the day-to-day operating and strategic assessments the Board of Directors of the MVM Group reviews the effectiveness of the following 9 largest companies:

- MVM Partner Zrt.  
*Electricity trade, natural gas trade*
- MVM CEEnergy Zrt.  
*Natural gas trading activity for residential and corporate gas suppliers*
- MAVIR Zrt.  
*System operation, network development, electricity market integration*
- MVM Paksi Atomerőmű Zrt.  
*Generation of electricity*
- Magyar Földgáztároló Zrt.  
*Natural gas storage*
- MVM Zrt.  
*Strategic holding, group integration*
- MVM Next Energiakereskedelmi Zrt.  
*Electricity and natural gas trade*
- MVM Mátra Energia Zrt.  
*Generation of electricity from lignite fuel extracted from mines owned by the company*
- innogy Energie s.r.o  
*Retail trade of natural gas and electricity*

The scope of the companies reviewed expanded relative to the first half of 2020. In October 2020 MVM Zrt. acquired 100% interest in innogy Česká republika a.s. and its subsidiaries (hereinafter referred to as the innogy Group). As a result of the transaction, the number of Group companies increased by ten subsidiaries and one entity in which the Group has a significant equity share; furthermore, the leading natural gas trader in the Czech Republic is now under the management of the Group, which increased further its influence on the Czech electricity market as well. From the innogy Group innogy Energie s.r.o is presented among the major segments.

Operation and strategy analyses are performed using the data of the nine key Group companies, as these jointly represent a decisive part of the Group performance.

In the decision-making processes the management of the Group regularly reviews the financial statements of the key member companies prepared in accordance with Hungarian accounting regulations. The financial information monitored by the decision makers is based on Hungarian accounting regulations, therefore it differs from the financial information according to IFRSs

**MVM Energetika Zártkörűen Működő Részvénytársaság  
and Subsidiaries Interim Condensed Consolidated Financial Statements  
for the period ended 30 June 2021  
(All figures are in HUF million except if otherwise indicated)**

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disclosed in these financial statements. Adjustments are quantified in a separate column within the tables on the next page.

Intra-group transactions between the individual companies are significant in volume and arise primarily between MVM Paksi Atomerőmű Zrt., MVM Partner Zrt., Magyar Földgáztároló Zrt., MVM Next Energia Zrt., MVM CEEnergy Zrt. and MAVIR ZRT.

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

<i>(in HUF million)</i>	30.06.2021 - unaudited														
	MVM Partner Zrt.	MVM CEEnergy Zrt.	MAVIR Zrt.	MVM Paksi Atomerőmű Zrt.	MVM Zrt.	Magyar Földgáz-tároló Zrt.	MVM Next Energia-kereskedelmi Zrt.	MVM Mátra Energia Zrt.	innogy Energie s.r.o	All other segments	TOTAL	Intersegment eliminations, consolidation adjustments	Consolidated figures according to Hungarian accounting regulations	IFRS adjustments	IFRS consolidated figures
Sales to third parties	207,382	252,166	245,552	621	54	1,470	424,265	2,221	273,702	120,418	1,527,851	-	1,527,851	-440,968	1,086,883
Intersegment sales	147,433	230,388	11,531	96,872	12,398	13,856	14,981	28,139	2,955	190,488	749,041	-749,041	-	-	-
Other operating income	576	493	668	2,933	137	584	1,843	5,492	2,333	15,895	30,954	-1,009	29,945	-17,630	12,315
Total operating expenses	-340,507	-469,875	-253,140	-78,261	-19,348	-8,594	-433,755	-58,931	-253,022	-303,009	-2,218,442	737,169	-1,481,273	440,546	-1,040,727
<i>Depreciation and amortisation</i>	-28	-14	-10,288	-3,954	-549	-2,754	-1,206	-3,773	-530	-21,098	-44,194	-8,634	-52,828	-57,044	-109,872
<i>Recognition and reversal of impairment</i>	-	-	-7	-10	-1	-167	-982	-2	-5	191	-983	-429	-1,412	-1,219	-2,631
Operating profit/loss	14,884	13,172	4,611	22,165	-6,759	7,316	7,334	-23,079	25,968	23,792	89,404	-12,881	76,523	-18,052	58,471
Finance income	118,473	14,163	1,716	509	257,841	19	5,145	4,249	2,200	39,178	443,493	-261,565	181,928	-147,197	34,731
Finance costs	-99,417	-21,888	-1,695	-616	-219,325	-452	-1,548	-288	-4,837	-12,338	-362,404	187,579	-174,825	136,028	-38,797
Share of profit/loss of associates and joint ventures	-	-	-	-	325	-	40	-	-	-	365	654	1,019	-9	1,010
Profit/Loss before tax	33,940	5,447	4,632	22,058	32,082	6,883	10,971	-19,118	23,331	50,632	170,858	-86,213	84,645	-29,230	55,415
Income tax payment liability	-9,642	-1,734	-19	-7,779	-35	-471	-3,133	-	-4,330	-4,144	-31,287	-291	-31,578	4,456	-27,122

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

(in HUF million)	30.06.2021 – unaudited														
	MVM Partner Zrt.	MVM CEEnergy Zrt.	MAVIR Zrt.	MVM Paksi Atomerőmű Zrt.	MVM Zrt.	Magyar Földgáz-tároló Zrt.	MVM Next Energia-kereskedelmi Zrt.	MVM Mátra Energia Zrt.	innogy Energie s.r.o	All other segments	TOTAL	Intersegment eliminations, consolidation adjustments	Consolidated figures according to Hungarian accounting regulations	IFRS adjustments	IFRS consolidated figures
Assets	388,139	410,652	607,082	233,294	1,774,252	186,228	406,844	96,142	300,295	1,230,509	5,633,437	-2,506,133	3,127,304	799,963	3,927,267
<i>Interests in associates and joint ventures</i>	-	-	-	-	3,922	-	481	-	-	98	4,501	-492	4,009	728	4,737
<i>Assets under construction</i>	5	-	17,395	30,381	3,778	3,574	472	3,502	-	39,574	98,681	-8,910	89,771	27,699	117,470
Liabilities	347,280	272,013	291,875	89,410	777,804	75,290	156,555	64,022	251,705	475,781	2,801,735	-1,044,974	1,756,761	408,162	2,164,923

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

(in HUF million)	30.06.2020 – unaudited													
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Sales to third parties	206,808	71,173	118,418	535	9	1,603	348,381	1,169	84,869	832,965	-	832,965	-161,910	671,055
Intersegment sales	96,729	206,181	8,695	92,732	13,121	14,115	23,609	14,107	166,573	635,862	-635,862	-	-	-
Other operating income	50	1,151	609	1,328	346	209	3,088	2,927	28,243	37,951	-9,229	28,722	-22,204	6,518
Total operating expenses	-291,334	-274,608	-127,128	-76,278	-18,445	-8,713	-380,059	-25,467	-273,723	-1,475,755	642,380	-833,375	176,680	-656,695
<i>Depreciation and amortisation</i>	-97	-13	-10,129	-3,309	-746	-2,562	-1,640	-2,364	-17,324	-38,184	1,061	-37,123	-53,181	-90,304
<i>Recognition and reversal of impairment</i>	-1	-1	-16	-224	-750	-	-1,287	-	-2,033	-4,312	80	-4,232	-100	-4,332
Operating profit/loss	12,253	3,897	594	18,317	-4,969	7,214	-4,981	-7,264	-5,962	31,023	-2,711	28,312	-7,434	20,878
Finance income	50,096	37,448	1,662	1,663	165,500	19	5,677	168	4,341	266,574	-139,753	126,821	-95,376	31,445
Finance costs	-48,688	-31,409	-1,498	-98	-105,062	-437	-2,232	-187	-2,315	-191,926	74,068	-117,858	82,272	-35,586
Share of profit/loss of associates and joint ventures	-	-	-	-	248	-	50	-	-	298	47	345	846	1,191
Profit/Loss before tax	13,661	9,936	758	19,882	55,717	6,796	-1,486	-7,283	7,988	105,969	-68,349	37,620	-19,692	17,928
Income tax payment liability	-3,963	-2,826	-90	-7,161	63	-250	-839	-	-2,498	-17,564	-152	-17,716	8,401	-9,315

**MVM Energetika Zártkörűen Működő Részvénytársaság**  
**and Subsidiaries Interim Condensed Consolidated Financial Statements**  
**for the period ended 30 June 2021**  
**(All figures are in HUF million except if otherwise indicated)**

(in HUF million)	31.12.2020 - audited														
	MVM Partner Zrt.	MVM CEEnergy Zrt.	MAVIR ZRt.	MVM Paksi Atomerőmű Zrt.	MVM Zrt.	Magyar Földgáztároló Zrt.	MVM Next Energia-kereskedelmi Zrt.	MVM Mátra Energia Zrt.	Innogy Energie s.r.o	All other segments	TOTAL	Intersegment eliminations, consolidation adjustments	Consolidated figures according to Hungarian accounting regulations	IFRS adjustments	IFRS consolidated figures
Assets	152,523	269,114	534,155	232,799	1,751,158	184,245	386,896	97,264	335,223	1,155,923	5,099,300	-2,251,954	2,847,346	653,810	3,501,156
<i>Interests in associates and joint ventures</i>	-	-	-	-	3,922	-	481	-	-	103	4,506	-1,262	3,244	854	4,098
<i>Assets under construction</i>	12	-	19,610	23,909	3,280	2,037	339	2,453	-	30,476	82,116	-6,082	76,034	26,210	102,244
Liabilities	131,174	180,087	217,549	86,618	801,174	68,869	162,949	46,026	283,455	500,709	2,478,610	-864,572	1,614,038	267,643	1,881,681

Reconciliation of revenue, profit or loss, assets, liabilities and other significant items of operation:

Within items affecting sales revenue the most significant IFRS adjustments derive from different treatment of derivative commodity transactions and of tariff corrections, netting of income related to market coupling and other mediated income, as well as from different classification of income between accounting regulations.

Within IFRS adjustments affecting profit or loss, main items include profit or loss modifying effects related to tariff corrections, the depreciation attributable to valuation of nuclear technology assets of MVM Paksi Atomerőmű Zrt., the profit or loss modifying effect of provisions for onerous contracts of MVM CEEnergy Zrt., as well as the difference deriving from changes in estimates of provisions for recultivation and from time value.

Within assets, the most significant IFRS adjustments is the re-measurement of nuclear technology assets of MVM Paksi Atomerőmű Zrt. to fair value, which is partly counterbalanced in the IFRS financial statements by the fact that telecommunication and transmission assets are not measured at fair value as during accounting as per Hungarian accounting regulations.

Within liabilities the most significant IFRS adjustment is the deferred tax liability as well as tariff correction adjustments.

## **21. Significant events after the end of the reporting period**

After the end of reporting period MVM Zrt. and E.ON Beteiligungen GmbH signed an agreement for the purchase of 25% shares in E.ON Hungária Zrt. The base purchase price HUF 159 billion (excluding purchase price adjustments). The closing is expected in Q4 2021.