

MOL GROUP ANNUAL REPORT 2009

0102





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MOL GROUP AT A GLANCE

MOL Group is a leading integrated oil and gas group in Central and Eastern Europe with extended international upstream portfolio. We are market leaders in each of our core activities in Hungary, Slovakia and Croatia.

Our market capitalisation was around USD 9.4 bn at the end of 2009. Our shares are listed on Budapest, Luxembourg and Warsaw Stock Exchanges and the Depository Receipts are traded on London's International Order Book and on OTC in the US.

Our main objective is to provide sustainable growth exploiting potential in our captive and new markets.

OUR CORE ACTIVITIES IN A SNAPSHOT

The Exploration and Production segment has oil and gas exploration activities in 15 countries and producing assets in seven countries with 665.1 MMboe SPE 2P reserves (as of 31 December 2009). Hydrocarbon production amounted to 142.5 Mboe/day in Q4 2009. We have recorded several discoveries in Hungary, Russia, Pakistan, Syria, Kurdistan Region of Iraq, Egypt and Kazakhstan in recent years.

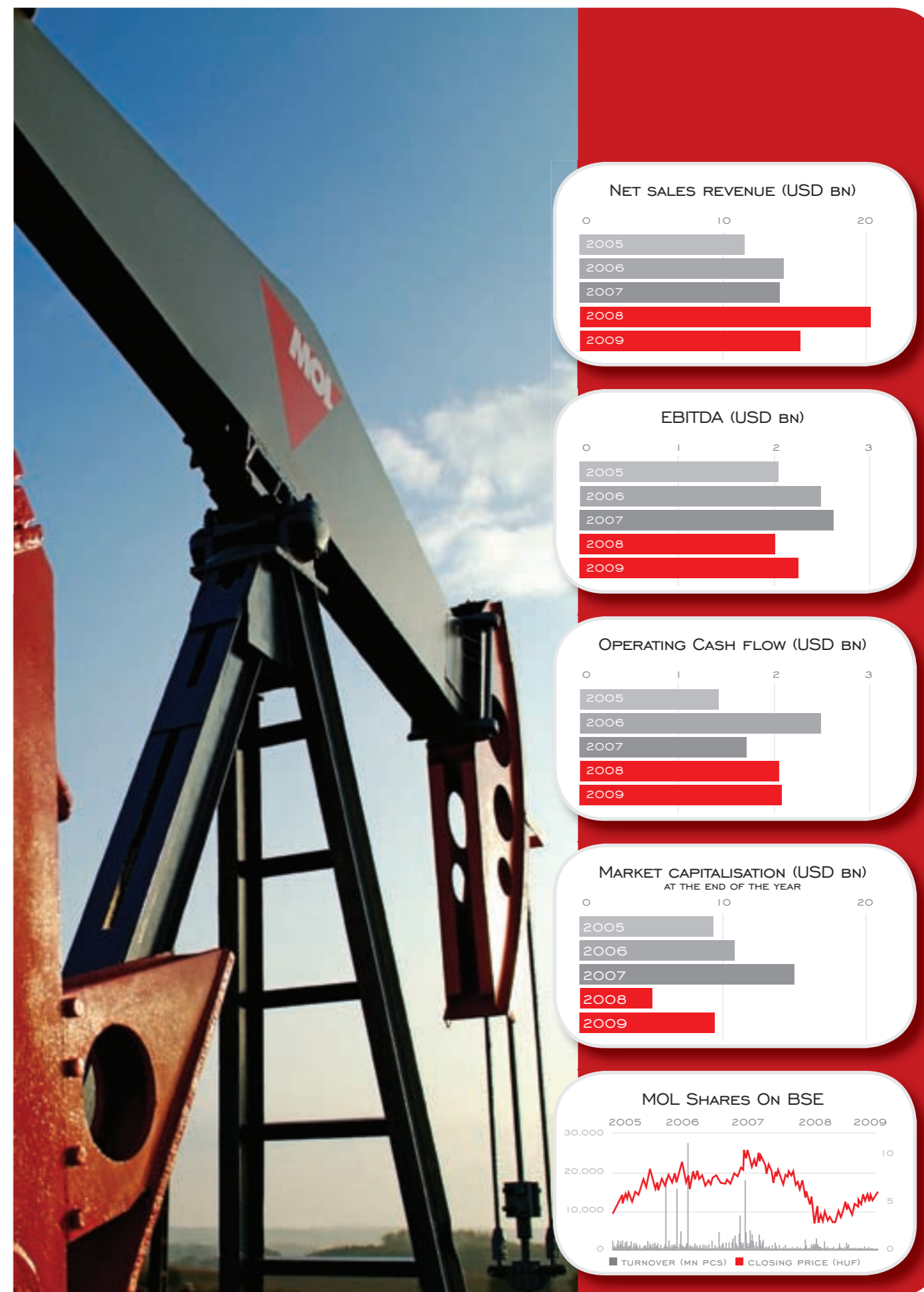
The Refining and Marketing segment operates five refineries in the CEE region under joint supply-chain optimisation with 23.5 mtpa capacity on adjacent markets. Crude supply and product distribution are supported by an extensive pipeline and depot network. Retail Services Division operates a modern filling station network, providing captive channels for the refineries within their supply radius.

The Petrochemical segment is a leading polyolefin player in CEE and one of the top ten polyolefin market players in Europe. Production facilities are integrated with MOL refineries and supports the Downstream segment as captive market. Plants are located in Tiszaújváros (TVK Plc.) and Bratislava (Slovnaft Petrochemicals, s.r.o.).

Natural Gas Transmission: FGSZ Ltd. is the exclusive holder of the natural gas transmission licence and the transmission system operator licence in Hungary. The company owns and maintains full operational control of the total domestic high-pressure pipeline system. In addition to domestic natural gas transmission operations, FGSZ also transmits natural gas to Serbia and Bosnia and Herzegovina.

The Gas and Power segment consists of the Power and Heat Generation and the Supply and Trading Division. The activities of the division enable MOL to take full advantage of the synergies between the supply and trading of crude oil, gas, power, CO₂ and other commodities. Our Group is again an active participant in the gas storage business via MMBF Ltd. with the completion of 1.2 bcm strategic storage. MOL is analysing the opportunity to create an attractive power portfolio.

The EBITDA (excluding special items) contribution of the various segments in 2009 was: Exploration and Production 52%, Refining and Marketing 28%, Gas and Power (including FGSZ) 19% and Petrochemicals 1%.



KEY FINANCIAL AND OPERATIONAL DATA



KEY EXPLORATION AND PRODUCTION DATA	2008	2009	09/08 (%)
Gross crude oil reserves (MM bbl) ¹	247.4	293.4	18.6
Gross natural gas reserves (MM boe) ^{1/2}	285.2	371.7	30.3
Total gross hydrocarbon reserves (MM boe) ¹	532.6	665.1	24.9
Average crude oil production (M bbl/day) ³	46.2	54.1	17.1
Average natural gas production (M boe/day) ³	40.1	53.9	34.4
Total hydrocarbon production (M boe/day) ³	86.3	108.0 / 142.5 ⁹	25.1
KEY REFINING AND MARKETING DATA	2008	2009	09/08 (%)
Total refinery throughput (kt) ⁸	18,141	19,700	8.6
Total crude oil product sales ^{4/8} (kt)	17,735	19,365	9.2
Gas and heating oil fuel yield (%) MOL+SN+IES+INA ^{5/8}	40.5	39.5	(2.5)
Gasoline yield (%) MOL+SN+IES+INA ^{5/8}	18.3	19.4	6.0
Fuel oil yield (%) MOL+SN+IES+INA ^{5/8}	1.1	2.2	100.0
Total number of filling stations ^{6/8}	1,076	1,658	54.1
KEY PETROCHEMICAL DATA	2008	2009	09/08 (%)
Olefin sales (kt)	240	193	(19.6)
Polymer sales (kt)	1,118	1,153	3.1
KEY NATURAL GAS TRANSMISSION DATA	2008	2009	09/08 (%)
Hungarian natural gas transmission (m cm)	15,140	14,913	(1.5)
Transit natural gas transmission (m cm)	2,427	1,768	(27.2)
ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA	2008	2009	09/08 (%)
CO ₂ emissions under EU ETS (Mt) ⁷	6.39	5.14	(20)
Lost time injury frequency	0.99	1.18	19

¹Gross reserves according to SPE 2P rules. In case of INA, d.d. reserves data include MOL's share proportionate to its ownership (47.16%) from reserves of INA, d.d. in 2008. Due to full consolidation of INA, d.d. reserves data for 2009 include 100 % of INA's reserves.

²Including condensate

³Excluding the production of MMBF Ltd., including production of INA, d.d. from July 1, 2009

⁴Excluding LPG and gas products but including feedstock transfer to Petrochemical segment

⁵In case of the yields, the deviation is measured in percentage point.

⁶Only fully consolidated subsidiaries

⁷Slovnaft Thermal Power Plant was outsourced to CEZ-MOL European Power Slovakia JV company and is operated by JV from 1 April 2009, from this date data is excluded. Data from 2008 has been restated according to the verified data.

⁸ MOL Group with INA from 1 July, 2009

⁹ Total hydrocarbon production amounted to 142.5 M boe/day in Q4 2009.

KEY FINANCIAL DATA - IFRS CONTINUING OPERATION (HUF BN)	2008	2009	09/08 (%)	2009 (USD MN) ⁴
Net revenue	3,535.0	3,226.0	(8.7)	15,947
EBITDA	351.1	467.7	33.2	2,312
EBITDA excluding special items ¹	345.9	384.9	11.3	1,903
Operating profit	199.2	248.6	24.8	1,229
Operating profit excluding special items ²	194.0	170.5	(12.1)	843
Profit before tax	158.0	188.1	19.1	930
Profit for the year attributable to equity holders of the parent	141.4	117.4	(17.0)	580
Profit for the year attributable to equity holders of the parent excluding special item ²	137.2	47.2	(65.6)	233
DISCONTINUING OPERATION (HUF BN)	2008	2009	09/08 (%)	2009 (USD MN) ⁴
Profit for the year attributable to equity holders of the parent	-	(1.6)	n.a.	(8)
TOTAL OPERATION (HUF BN)	2008	2009	09/08 (%)	2009 (USD MN) ⁴
Profit for the year	141.4	115.8	(18.1)	572
Operating cash flow	347.2	411.2	18.4	2,032
Capital expenditures and investments	578.9	380.7	(34.2)	1,882.0
Basic EPS - HUF and USD	1,604	1,357	(15.4)	6.7
Return On Equity (ROE) %	12.7	8.8	(30.7)	n.a.
Return On Capital Employed (ROACE) % ³	10.2	8.8	(13.7)	n.a.
Clean ROACE % ^{2/3}	9.9	5.4	(45.5)	n.a.

¹EBITDA excluding the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively), a HUF 54.6 bn one-off non-cash revaluation gain, related to consolidating INA into MOL Group for the first time as required by IFRS 3R.

²Operating profit excluding the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively), a HUF 54.6 bn one-off non-cash revaluation gain, related to consolidating INA into MOL Group for the first time as required by IFRS 3R and the impairment of IES goodwill recognized in Q4 2009 (HUF 4.7 bn).

³Based on NOPLAT

⁴In converting HUF financial data into USD, the following average NBH rates were used for FY 2009: 202.3 HUF/USD.

LETTER FROM THE CHAIRMAN – CEO AND THE GROUP CEO

DEAR SHAREHOLDERS, DEAR STAKEHOLDERS!

2009 was a roller-coaster year full of challenges. At the beginning of the year, the risk of imminent financial and economic collapse seemed very real. However, driven by the improving economic climate and receding fears of a double-dip recession, economic activity, trade and investment began to surge again. The macro oil environment showed a mixed picture; oil prices nearly doubled, although refining margins remained very depressed throughout 2009, thus oil and petrochemical sectors faced an extremely challenging external environment.

Our management team devoted itself to developing fast and full responses to these crises. We remained disciplined by sticking to our 2009 reduced capital expenditure plan, financing it through operating cash flow. Our management team implemented a range of cost-reduction measures to bolster our recognized leadership in efficiency and these included setting limits to management remuneration and bonuses. As a result of these measures and our balanced, integrated business model, we succeeded in maintaining a strong financial position. Even with the full consolidation of INA, our gearing ratio decreased further at the end of 2009 compared to the prior year. Moreover, we were able to increase our EBITDA and our operating cash flow versus the preceding year, underlining MOL's strong cash-producing ability even in a very difficult environment. We are naturally highly committed to maintaining this strong financial position in the coming years, and our investments are still expected to be financed through operating cash flow.

We believe that MOL is well positioned to deliver outstanding shareholder returns in the next few years. We have strong and distinctive competitive advantages over our peers, we have maintained our solid financial position, which provides a strong basis for further growth during the upturn period and we gained management control and commenced the full consolidation of INA in mid-2009. Our key tasks now include significantly developing INA operations, increasing its profitability and efficiency to meet MOL Group standards and enhancing its market position in Croatia, South-East Europe and in the Adriatic region by leveraging our joint know-how and expertise. Our strategic objective for the coming years is to maximize the value of our extended portfolio by harmonizing operations and exploiting existing synergies. A number of additional projects should ensure long-term MOL Group growth.

2009 was a key milestone in MOL's Upstream history, dramatically redrawing MOL's Upstream map. Following several relatively small acquisitions in recent years, MOL has added noticeable momentum to its further growth. The Group significantly increased its proven and probable hydrocarbon reserves and also increased its daily average hydrocarbon production by two-thirds by the end of 2009 through the consolidation of INA. As a result, the current Upstream portfolio has become more extended, diversified and balanced. MOL has dedicated a significant investment plan to building a platform for future growth. The focus will be on completing high-return early cash-generating appraisal and development projects in Syria, CEE, Pakistan, Russia and the Kurdistan Region of Iraq to increase production levels that will contribute significantly to Group-level EBITDA. At the same time, we are carrying out extensive and intensifying exploration activities to further increase our reserve base and create a foundation for further production growth beyond 2013. Finally, we intend to extend MOL's outstanding efficiency performance to the whole Upstream portfolio. We have identified several projects to be implemented during the coming years which should contribute to decreasing Unit operating costs in order to exploit synergies and to extend efficiency to the whole Upstream business.

Together with INA's Downstream capacity, MOL's refining capacity has now increased by 40% to 23.5 million tonnes per annum. Our aim is to become the premium refinery group in Europe by 2012 through the operation of efficient, state-of-the-art refineries. Another target is to build on past successful integration strategies, as achieved with Slovnaft, TVK and IES, through significant performance improvements that elevate newly-consolidated asset efficiency to MOL's well-known standards. We will therefore continue to support ongoing upgrade projects that will eliminate low-margin products and increase the number of more valuable motor fuels at both INA refineries. We will optimize and harmonize investment decisions at MOL Group level as they apply to the extended refinery pool. We aim to improve joint supply-chain optimization among the five refineries and two petrochemical units. We will maintain focus on our activities' unit costs, increased asset utilization and the maximization of assets in our distribution and commercial channels. We will also exploit cross-border synergies such as feedstock and product transfer optimization, harmonized business activities and procurement and Group-level risk management in order to enhance Group-level efficiency. Our expanded Retail network and our petrochemical units provide solid captive markets for our refining activities.

MOL plays a key role in the development of the Hungarian natural gas transmission system, creating a regional hub. As a result of the implementation of Hungarian-Romanian and Hungarian-Croatian gas interconnections, the security of regional gas supplies will significantly improve.

In addition, MOL is an active participant in the gas storage business through the building up of strategic capacity. The 1.2 bcm strategic mobile gas stock had been injected by the end of 2009. Through this investment, from 2010 onwards, MOL will not just generate stable, euro-denominated cash-flow on a long-term basis, but will also strengthen security of supply in Hungary and across the region.

Our efforts towards Sustainable Development were also viewed positively by the capital markets, as MOL – exclusively in the Central-Eastern-Europe region – has become eligible for inclusion in the Sustainability Yearbook 2010 (bronze class), published by Dow Jones Sustainability Index's analyst, SAM. The acknowledgement that MOL is among the top 15% of Sustainability performers in the oil and gas industry is the direct result of our long-term focus on those environmental and social areas that are critical to our sector such as climate change, transparency, occupational health and safety, attracting and retaining top talent and customer relationship management. In addition, our managers' incentive bonus scheme is partly based on performance indicators related to their individual Sustainable Development targets.

On behalf of MOL Group Management, we should like to thank all our employees for their dedication, hard work and commitment and our shareholders for their support. We are sure that our efforts in 2009, undertaken in a challenging environment, have further strengthened the basis for the organic growth of MOL Group over the coming years.


Zsolt Hernádi
Chairman & CEO


György Mosonyi
Group CEO



OVERVIEW OF THE ENVIRONMENT



A rollercoaster year for the world economy

As far as the global economy is concerned, 2009 was a rollercoaster year. At the beginning of it, the risk of an imminent financial and economic collapse seemed very real. Economic activity, trade and investment were declining steeply. Asset prices were volatile and still on a downward trend. Policymakers globally reacted by an extreme loosening of fiscal and monetary policies and in many countries by de facto guaranteeing the financial system. The result was a turnaround in economic activity after the first quarter, and a spectacular recovery in asset prices. Emerging markets in general led the economic recovery, while (mostly rich) countries burdened with high debt were lagging. Despite the economic upturn, unemployment continued to increase throughout

the year in OECD countries, and there is a broad consensus among analysts that the recovery remains fragile as many of the factors behind it are temporary. The extreme monetary loosening has increased inflation risks and may have contributed to incipient new asset price bubbles in some areas. The unprecedented fiscal deficits raised concerns regarding the long-term sovereign solvency of some economies.

The return of high oil prices

Driven by the improving economic climate and receding fears of a double-dip recession, oil prices nearly doubled throughout 2009 surging from around USD 40/bbl in January to just below USD 80/bbl by the year-end. The price climb was more or less gradual with only two notable corrections

in July and November as a combined result of several upward and some strong downward pressures on oil prices. The remarkable discipline of OPEC which maintained a compliance level of over 80% with its agreed production cuts during most of H1 2009 supported the stabilization of oil prices in the USD 40-50/bbl range. The gradual increase which started around March was fuelled by the slowly improving economic outlook as stimulus programs worldwide began to take effect. Moreover, uninterrupted oil demand growth in emerging Asia could partly offset the vast demand loss in the OECD, indicating that a tight oil market can soon return. In addition, financial investors – mainly driven by inflation fears and the steady weakening of the dollar from late-March – also returned to dollar-denominated commodities and

invested heavily in oil derivatives, which may also have increased the upward pressure on oil prices. On the other hand, some key fundamentals remained persistently weak throughout 2009, which limited the rate of price increases. The collapse of demand in developed economies drove inventories to record-high levels, and the sluggish demand recovery in the OECD kept commercial stocks (esp. middle distillates) well above the 5-year average for the rest of the year. As a result of deep production cuts, OPEC's effective spare capacity exceeded 5 mb/d in most of 2009, a level not seen since 2002 and regarded by analysts as comfortable to shield against potential supply disruptions. Moreover, OPEC's strict compliance started to deteriorate along with the oil price recovery and dropped from over 90% in March to just 63% by December, acting as a drag on oil prices.

Weak margins reflecting the recessionary environment

Refining margins remained below the 5-year average in 2009. The slow rate of economic recovery kept diesel and jet fuel demand at very low levels (and resulted in persistently high inventory levels), while demand for the less cyclical gasoline and naphtha was more resilient at a time of lower refinery utilization rates. As a result, diesel and jet fuel crack spreads remained weak in 2009, while gasoline and naphtha crack spreads approached the 5-year average level. Historically negative fuel oil crack spreads remained much stronger than pre-crisis levels reflecting the recessionary environment characterized by low refinery utilization.

The Brent-Urals spread was historically low and averaged below the USD 1/bbl mark in 2009. The dramatic narrowing of the Brent-Urals spread since Q3 2008 was the result of the strengthening fuel oil crack spread (due to lower refinery utilization) and of OPEC's production cuts targeting heavy grades similar to Urals. Since Urals result in a higher fuel oil yield, the lower discount on fuel oil led to the decline in the discount of Urals relative to the lighter Brent, while OPEC cuts tightened the supply of comparable heavy grades, further narrowing the Brent-Urals spread.

CEE economies hit hard, but recovery underway

Most CEE countries, particularly small export oriented economies were hit hard by the global recession and suffered a sharp drop of GDP during 2009. Real sectors, especially industrial production, construction and domestic demand recorded significant losses throughout the CEE. After hitting the bottom in Q2 2009,

most CEE economies started to show signs of recovery thanks to the slow return of growth in the region's main Western export markets. Investor's confidence have since stabilized and the conditions of refinancing public debt eased sufficiently as credit default swap (CDS) spreads returned to comfortable levels. At the same time, domestic demand continue to remain weak and massive stimulus spending of governments increased budget deficits dramatically, although it still remains well below the EU15 average in CEE economies.

CEE fuel demand

The motor fuel demand drop remained moderate in the CEE region with gasoline decreasing by a mere 0.3% and diesel by 1.2%. This was mainly due to the Polish economy's resilience to the global recession, which resulted in a healthy growth in both diesel and gasoline consumption. Poland and the Czech Republic also enjoyed the benefits of large-scale fuel tourism of German motorists.

Hungary: Export-driven rebound expected

The Hungarian economy experienced a significant 6.3% GDP drop in 2009. The large drop in private consumption played a considerable role in the downturn. Fiscal austerity measures reined in government spending and helped to bring the 2009 budget deficit figure to 4% of GDP. The economic contraction likely bottomed out in Q4 only, later than in most CEE economies indicating that the massive debt reduction had a negative effect on growth. Weak household demand and high unemployment rate further constrains Hungary's growth prospects, and thus the economic recovery will be fuelled by external rather than domestic demand. Annual GDP growth will likely remain slightly negative in 2010, and return to firm growth in 2011 only.

Hungary: Absorbing part of the Slovakian demand

Hungarian motor fuel demand recorded only a marginal y-o-y decline in 2009, which is much better than could have been expected based on GDP data. Gasoline demand even improved by 0.2% while demand for diesel decreased by 0.6% in 2009. Fuel demand in the first half of 2009 was boosted by the weakening of the HUF against the EUR, which attracted fuel tourism from Slovakia and Austria, as well as increased purchases of international freight transporters. The VAT and excise tax increases on July 1 eroded some of this windfall demand by the second half. However, the well-performing agricultural sector, which remained largely unaffected by the crisis,

continued to support domestic diesel demand throughout the Fall.

Slovakia: Sharp contraction, but relief in late-2009

Slovakia's small open economy could not escape the negative effects of the global recession in 2009 as export orders from key Western European markets declined dramatically. Slovakia's real GDP contracted by around 5% in 2009, a sharp drop considering the previous year's 6.2% growth rate. The fall in export orders forced many companies to cut jobs driving unemployment rate to over 13%. At the same time, stimulus spending pushed budget deficit to exceed 6% of GDP. The last months of 2009, however, brought some relief for the economy as industrial production and export activity recorded gains for the first time since Q4 2008 due to the return of growth in Western Europe. Eurozone membership helped Slovakia throughout the recession to avoid turmoil in its financial markets and to keep borrowing costs at acceptable levels for both companies and the government.

Slovakia: Motor fuel demand hit by the Eurozone entry

Motor fuel demand was hit hard in Slovakia during 2009 with gasoline consumption falling by 9% and diesel consumption by 11.9% y-o-y. This significant decrease was only partly resulted by the recession, the other important contributing factor was the weakening of national currencies in neighboring countries against the Euro, which propelled fuel tourism from Slovakia and shifted fuel purchases of international freight transport to neighboring countries, particularly to Hungary.

Croatia: Moderating contraction in Q4 2009

The global economic crisis affected the Croatian economy badly, mainly via the loss of export demand. For the first three quarters of 2009, GDP was down by more than 6% y-o-y, but economic contraction moderated in the last quarter. Economic growth is expected to return in 2010 fuelled mainly by the return of external demand. The EBRD expects Croatia's GDP to expand by 0.6% in 2010 and by 2% in 2011.

Croatia: Only slight fuel demand decrease due to the strong holiday season

Motor fuel demand drop was modest in Croatia, where the stronger-than-expected holiday season resulted a 1.4% increase in gasoline consumption while the more cyclical diesel demand dropped by 4.7%. Croatian retailers also benefited from fuel tourism from neighboring Eurozone countries (Austria, Slovenia) due to their lower prices.





"DURING 2009, MOL NOT JUST SUCCESSFULLY KEPT ITS STABLE FINANCIAL POSITION THANKS TO THE EARLY ANSWER TO THE CRISIS, ITS WELL-RECOGNISED EFFICIENCY LEADERSHIP AND INTEGRATED BUSINESS MODEL BUT ALSO MOL CREATED A STRONG BASIS FOR FURTHER GROWTH. THE UPSTREAM PORTFOLIO BECAME MORE EXTENDED, DIVERSIFIED AND BALANCED WITH CONSIDERABLY INCREASING ITS SPE 2P RESERVE BASE AS OF THE END OF 2009 AND SIGNIFICANTLY INCREASING THE PRODUCTION. TOGETHER WITH THE NEWLY CONSOLIDATED DOWNSTREAM ASSETS IN CROATIA, MOL'S REFINING CAPACITY HAS INCREASED BY 40% TO 23.5 MILLION TONNES PER ANNUM. THE FIVE REFINERIES AND TWO PETROCHEMICAL UNITS OPERATED UNDER JOINT SUPPLY-CHAIN OPTIMISATION ON ADJACENT MARKETS PROVIDE OUTSTANDING FURTHER GROWTH OPPORTUNITY, WHILE OUR GAS AND POWER SEGMENT GRANTS STABLE CASH FLOW DUE TO THE PREVIOUS INVESTMENTS."

GYÖRGY MOSONYI
GROUP CHIEF EXECUTIVE OFFICER

EXPLORATION AND PRODUCTION

HIGHLIGHTS

Significant impetus added to further growth in 2009 through gaining operative control of INA and by other growth projects

Solid production base in the CEE region with significant growth potential from large scale field development activities in Syria, Russia, Pakistan and the Kurdistan Region of Iraq

Successful exploration activities with more than 70% success rate in Hungary and sizeable discoveries in the international arena in the Kurdistan Region of Iraq, Kazakhstan and Pakistan

One of the most efficient and profitable upstream players despite the challenging market environment

As MOL strongly believes in and relies on the power of partnerships, this year we established new partnerships, both in Hungary and abroad



2009 was a key milestone in MOL's upstream history dramatically redrawing MOL's upstream map. Following numerous relatively smaller acquisitions in recent years, MOL has added significant impetus to its further growth by gaining operative control of INA and through the acquisition of 10% in Pearl project. The current upstream portfolio consists of producing assets in 7 countries and assets with further exploration potential in all 15 countries where MOL Group is present. By the end of 2009 MOL Group increased significantly its 2P reserves to 665.1 MMboe from 532.6 MMboe at the end of 2008, as a result of our further successful exploration activities and full consolidation of INA. Average production was 108,000 boe/day in FY 2009 and it was 142,500 boe/day in Q4 2009. Despite the challenging market environment, MOL remained one of the most profitable upstream players as a result of several optimization and efficiency increasing programs carried out in 2009.

COMPETITIVE ADVANTAGE

MOL, INA and their legal predecessors have performed exploration and production activities in Hungary since the 1930s and in Croatia since 1952, therefore we accumulated vast exploration and production experience. In the last two decades, we have demonstrated our ability to our international and local partners as well as to the local authorities that we are able to operate various stages of projects in a professional, competent and effective way in very different parts of the world.

MOL achieved noticeable exploration performance in 2009, resulting in a chain of successes in both domestic and international exploration, with an overall 69.2% success rate on the drill-bit, underpinning the expertise and local knowledge of our staff.

Despite a difficult period in 2009, characterised by economic woes coupled with a broader financial crisis, MOL remained one of the most cost efficient operators amongst European players. The low unit production cost (without DD&A, without INA) of 5.2 USD/boe in 2009 is a result of our commitment to continuous technology development and implementation of different efficiency increasing programs. In addition our production related energy consumption was also decreased.

KEY DEVELOPMENTS IN 2009

Focusing on stable cash generation in Hungary...

Although MOL decided to cut back CAPEX budget in 2009 as a response to the financial crisis, MOL Upstream significantly contributed to Group level cash flows despite lower oil prices realized than in 2008. Our main focus was on field development projects with early cash generation and committed work programs in exploration activities.

In 2009, Hungarian oil and natural gas production was 57,500 boe/day, down by 7% compared to 2008. Hungarian crude oil production (without condensate) remained stable at 14,800 bbl/day, condensate output was 6,700 boe/day, while natural gas production (net dry) decreased to a rate of 36,000 boe/day. These production figures were in line with our expectations.

...while we developed further our Russian and Pakistani assets

In 2009, our share (50%) of crude production from West-Siberian Zapadno-Malobalik (ZMB) field, operated by our Joint Venture with RussNeft reached 15,000 bbl/day average production. During 2009 two new vertical wells were drilled. At the end of 2009, a total number of 216 wells (producing, injection and water wells) were in operation on ZMB field. In July 2009, Russian state mining authority "Rosnedra" examined fulfilment of license obligation by ZMB JV with the possibility of license revocation in case the required 95% utilization of produced associated gas in the field is not achieved. The Joint Venture approved a new work program to fulfil the obligations set out by the authorities, which includes installation of gas-fired power generation units. During 2010, 10 new wells are planned to be drilled. In addition the electricity generated will be utilized in the oil production process of the field after Q2 2010.

In 2009, our continued developments in Baitugan field resulted in a 3,000 bbl/day average daily production, a 40% increase compared to 2008. Altogether 38 new wells (including one horizontal well) have been added, and water injection has been started to increase the production rate while the reconstruction of the Central Processing Facility and the extension of the gathering and power systems are in progress. The processing and interpretation of 3D seismic was completed. Based on this, preparation of a new field development plan has commenced. The drilling program for 2010 includes 29 new production and injection wells. On the Matjushkinskiy Block daily production increased by 52% in 2009, reaching a 2,000 bbl/day average production rate. In 2009 we were focusing on the development of the Ledovoye field with 8 production wells drilled and capacity of the surface facilities extended, allowing us to further develop the block. In 2010 on the Ledovoye field 5 further production wells are planned while development of the Kvartovoye will commence in 2010 as well.

In 2009 MOL had its 10th year of successful presence in Pakistan. During this period MOL discovered 4 significant gas/condensate fields and executed sizeable surface development activities. The newly constructed Central Processing Facility on Manzalai Field was inaugurated in November 2009, resulting in a year-end production rate of 220 MMscf/day gas and 4,600 boe/day condensate. With the commissioning of further development wells production rate will surpass 250 MMscf/day gas and 5,500 boe/day condensate by early 2010 (out of which MOL's share is 8.42%), providing 6% of total gas supply of Pakistan.

Fourth consecutive year with more than 60% drilling success rate in CEE conventional exploration...

Our conventional exploration activity in Central Europe reached an outstanding 75% success rate in 2009: 8 exploratory wells were drilled and/or completed, out of which 6 encountered commercial quantities of hydrocarbons. Four of them (Jh-D-1, Kág-4, Vízvár-S-1, Zsáka-1) discovered new gas pools while two of them (Mbh-K-1, Ócsa-2) resulted in new oil reserves, adding approximately 8.5 million boe to our SPE 2P reserve base. This strong success ratio justifies our strategic decision to extend our exploration also towards smaller geologic prospects with lower technical risks, close to known petroleum accumulations. In 2009 we continued our successful cooperation with INA in the Mecsek-West, Podravska Slatina and Novi Gradac licence areas, and Hungarian Horizon Energy on the Darvas-Komádi and Vésztő licence areas, while in addition new partnerships have been established with Ascent Hungary and RAG.

...and further developments in CEE unconventional exploration

Since the end of 2007, MOL has built a multi-element unconventional gas exploration portfolio by establishing its presence in all Hungarian unconventional basins. During 2008 and 2009 an extensive work program was completed in the Makó basin (consisting of Makó-East and Makó-West areas) in partnership with ExxonMobil and TXM by drilling three and testing two exploration wells. The tests were technically successful, but the results have not justified the preliminary expectations yet. On the basis of the data gained, in February 2010 ExxonMobil and MOL decided to withdraw from the Makó-East project. In Makó-West area, there are no operational activities planned for 2010, decision about further activities is expected later this year.

In the Békés basin MOL drilled one well on its own exploration license in 2009, which has reached the initial targets, proved elements of the unconventional play and the presence of gas. The project will be continued after the analysis of the well results.

In the Derecske basin MOL has launched an exploration program by drilling two wells, which both proved the presence of hydrocarbons in tight reservoirs. Based on the positive results of these wells, MOL continues the exploration program in this promising basin without involving another partner at this stage.

Several successful high-impact wells drilled in the international arena with significant discoveries in the Kurdistan Region of Iraq, Kazakhstan and Pakistan

In Northern Iraq Shaikan Block (K-5), the Shaikan-1 exploration well (operated by GKP) was drilled successfully, reaching target depth of 2,950 meters. The well encountered oil, condensate and gas from 4 reservoir zones and had 3 successful tests with commercial volumes. During the test well over 7,000 bbl/day oil was produced from the Jurassic section, while the Triassic section had two successful tests with a production of 2 MMscf/day gas, 2,000 boe/day condensate, and 21 MMscf/day gas and 6,000 boe/day condensate, respectively. Based on the preliminary estimations, a significant discovery has been made, the size of which can be justified by the accelerated 2010 appraisal work program. In our other block, in the Kurdistan Region of Iraq (Akri-Bijeel), one exploration well (Bijell-1) was spudded in the first half of December 2009. The first tests have been successful. The well has produced 3,200 bbl/day oil and 0.9 MMcf/day (approx. 150 boe/day) of gas. The 2010 work program includes further deepening of Bijell-1 and the drilling of another exploratory well.

In the Pakistani Tal block we discovered our fourth field, the Maramzai field in 2009. In addition MOL has initiated multiple seismic surveys in its other blocks in the country in order to provide further organic growth opportunities. In the Tal block, a large, 630 sqkm 3D seismic survey has been commenced in September 2009. In the Margala and Margala-North blocks our focus was on processing and interpretation of the newly acquired 875 km 2D seismic - resulting in delineation of very promising drillable prospects within both blocks. In the Karak block location of an exploratory well has been defined after processing and interpretation of 220 km 2D seismic exploratory.

In Kazakhstan after a discovery made in 2008, the Rozh-U-12 appraisal well was spudded in January 2009 on Fedorovsky Block. During the well test 5.4 MMscf/day gas and 1,300 boe/day condensate was produced. Based on the discovery the partners were granted an appraisal license for a 4 years period to evaluate the commercial significance of the field. Trial production of the field is planned in the near future.

In Russia, MOL continued the testing and evaluation of Kvartovoye-11 well on Matyushkinsky Block in 2009, which gave light oil from the deeper Jurassic and Paleozoic formations, while in Surgut-7 block one exploration well, Atayskaya-2 gave oil from the Jurassic horizon.

In Cameroon and in Oman seismic activities and

G&G studies have been performed in 2009, while in India a well-site has been prepared for drilling.

Significant acquisition in the Kurdistan Region of Iraq

In May 2009 MOL acquired 10% stake in Pearl Petroleum Limited and reinforced its current portfolio in the Kurdistan Region of Iraq, where MOL has accumulated excellent knowledge and work experience during the last two years. Pearl Petroleum Company Ltd. is the sole license holder of two giant gas-condensate fields, Khor Mor and Chemchemal, out of which Khor Mor field is under development, already producing and supplying gas to local power plants.

INA's full consolidation had major effect on our upstream activities

By gaining operative control and fully consolidating INA, the upstream portfolio has been significantly increased in terms of reserve base, production and number of assets, while our position in the CEE region has been markedly strengthened. According to SPE standards, INA's 2P reserves amounted to 325.1 MMboe at the end of 2009, while average daily production was approximately 56,600 boe/day in the full year of 2009, out of which crude production amounted to 23,200 bbl/day (down by 5.5% compared to 2008) while gas production was 33,400 boe/day (down by 2.8% compared to 2008).

Croatian onshore activities were focusing on mitigation of natural decline in 2009...

During 2009 Croatian onshore field development operations contained mostly workovers of existing production wells of mature fields to enhance production level and recovery rate.

The implementation of these maintenance activities increased crude oil and condensate production by approx. 340 boe/day, while gas production was increased by approx. 700 boe/day, which only partially mitigated the natural decline of these fields. As a result, average crude oil and condensate production from Croatia was stabilized at 18,000 boe/day (59% crude oil) in the full year of 2009, while the Pannonian basin accounted 54% of total Croatian gas production, resulting in an average gas production of 16,500 boe/day in the full year of 2009 from onshore activities.

To further increase Croatian onshore production, INA considers to apply EOR methods on the Ivanić and Žutica fields, while the Vizvar gas condensate field will be put on stream in the upcoming years in co-operation with MOL.

...while Northern Adriatic offshore production is expected to ramp-up in the forthcoming years

The Northern Adriatic offshore area is covered by three contracts operated by two operating companies. Aiza-Laura and Ivana contract areas are operated by INAgip (50-50% owned by INA). Izabela contract area is operated by EdINA (30% owned by INA).

On Vesna and Irina offshore gas fields well completion activities and installation of gathering system have been finished, while on the Annamaria platform 6 new wells were drilled and completed, with production start-up from two wells in November 2009, which increased gas production by app. 270 boe/day. Besides, drilling activities have been started on Izabela South area as well.

As a result of development activities commenced in 2009, Northern Adriatic gas production increased to 14,100 boe/day (79% from the Northern Adriatic contract area and 21% from the Aiza-Laura contract area).

International production is increasing driven by the development of Syrian Hayan block

In Syrian Hayan block, following six discoveries made over the past five years, and after several successful drilling programs performed in 2009, the second stage of the field development has been finished with the construction of Jihar Oil and Gas Station in Autumn 2009. The capacity of the plant is 6,300 boe/day of oil and 3,900 boe/day of gas. Parallel with the completion of the oil technology, construction of the Gas Treatment Plant (GTP) has been continued, including an LPG Plant which is to be completed by the end of 2011, resulting in further production increase from the field.

In Egypt INA has interests in five concessions out of which four are producing hydrocarbons. On Sidi Rahman Development Lease (East Yidma block) INA is the operator, on the other three concessions INA has non-operating status. INA's share of production in Egypt was about 2,200 bbl/day in 2009.

In Angola, where INA has interest in offshore Block 3 – covering three production license areas, which produces high quality crude oil –, INA's share of production amounted to 1,700 bbl/day in average in the full year of 2009.

INA's CEE exploration activities are mainly pursued in partnerships

INA's main focus was on joint cross-border projects with MOL in the Drava concession to evaluate the additional hydrocarbon potential of Zalata-Dravica

East area, while joint exploration efforts with Eni on the offshore Northern-Adriatic resulted in a non-commercial gas discovery in 2009. To exploit further potential of the Northern Adriatic, in 2009 INA initiated investigation of thin-layer reservoirs based on a gas discovery made in 2008 on the Ika structure. In parallel evaluation of Ivana block's thin layer upfront gas potential has been initiated as well.

In its international exploration activities INA was focusing on committed programs

In Aphamia block in Syria new 3D seismic survey has been acquired. Based on seismic interpretations and G&G studies three prospects were mapped, location of two wells have been determined.

In Egypt, two exploration wells were drilled in 2009 on East Yidma Concession. Both wells proved oil accumulation in several intervals and have been successfully tested.

In the Angolan 3/05A Concession, one appraisal well has been spudded. Primary zones were perforated and successfully tested.

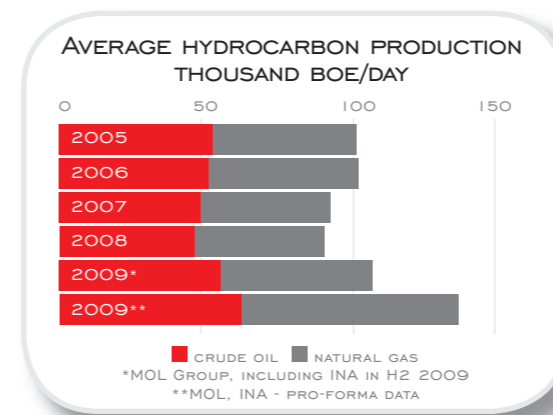
In the Namibian Zaris block and the Iranian Moghan 2 block reprocessing of 2D seismic data have been performed. Work program in Zaris block has been completed and the project will be terminated. In Moghan block an exploration program has been structured based on the interpretation of reprocessed seismic.

Commitment to efficiency improvement and strong emphasis on long term asset utilization

In cooperation with service companies new seismic processing technologies have been adopted in order to raise the probability of success on geologically complex areas. A significant step was taken on the area of reservoir characterization by introduction of a new model development of fractured reservoirs. Investigations related to the project development of screened EOR/IOR/MEOR/EGR target fields have been continued. Implementing the new technological and technical solutions, the geological and engineering preparation of low calorific gas utilization projects has been initiated.

We also progressed on the introduction and implementation of stimulation technologies of unconventional formations. In order to enhance the profitability of our reserves a new program has been launched targeting the adaptation of new lifting technologies. State of the art completion technologies were successfully applied with a success rate above the international average for some high productivity gas wells (gravel packed horizontal wells).

Energy rationalization programs of producing



assets generated significant cost savings in 2009.

Sustainable development and HSE have key priority in our operations

We had three major achievements in Hungary in terms of sustainable development in 2009. We have completed a complex process analysis for modernization of produced water treatment and disposal system in Szeged/Algyő region. A consortium was formed at the end of 2009 with the participation of MOL, MERT and MVM to prepare a pre-feasibility study of a possible CCS (Carbon Capture and Storage) project in Hungary aiming to receive an EU subvention for a future demonstration project. MOL also remained active in the so called ECCO (European Value Chain of CO₂) international project, which is subsidized by the EU with 50%.

In our domestic operation MOL Upstream launched several projects both in 2008 and 2009 under „ENRAC”– Energy Rationalization umbrella. Within this framework replacing compressor driving gas motors to electric ones and modernizing steam heating systems in gas technology have been implemented in 2009 resulting in less CO₂ emission and fresh water intake.

In our international activities we significantly increased the level of associated gas utilization in Russia and took several steps towards sustainable and infrastructural development in Pakistan as well. In addition we also focus on investing in development and retention of our professional staff. Besides introduction of a pilot version of PetroSkills (a professional competency

management system) in MOL Upstream, in Pakistan we support talents by awarding 50 scholarships in various disciplines.

Outlook

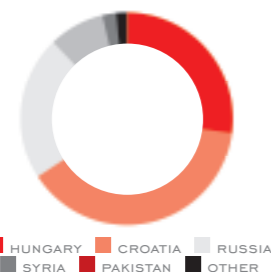
The difficult economic environment of late 2008 was aggravated further by a broader financial crisis in 2009. However, signs of a modest recovery are already visible in the development of oil prices. As a result of our last year's strategy that equipped the Group for the tougher climate, MOL has established a strong position for the upturn period. As a consequence we will be capable of implementing most of our last year's delayed work programs in 2010, while also putting a strong emphasis on exploration activities that can add further impetus to the Group's growth.

Our main task in 2010 is to maximise the value of our enlarged portfolio, with key focus on high return early cash generation development projects to increase the production level and contribute significantly to Group level EBITDA, while extending MOL's outstanding efficiency to the whole upstream portfolio and carry out extensive exploration to further increase reserve base. We are committed to maintain our current level of conventional activities in the CEE region by placing more emphasis on partner involvement. Regarding unconventional activity, in 2010 MOL focuses on the highly prospective Derecske tight gas project, where the presence of gas has already been proved in a multi-layered tight reservoir. The international portfolio is optimized by MOL on Group level. In 2010 our key development projects include the Syrian Hayan block and the Adriatic off-shore projects, as well as Pakistani and Russian development projects. All of these projects will have key importance to our upstream performance in the short run. At the same time, our 2010 exploration drilling activity, targeting significant resource potential in the Kurdistan Region of Iraq, Pakistan, Kazakhstan, Egypt, Syria and India, can add further contribution to our long-term growth.

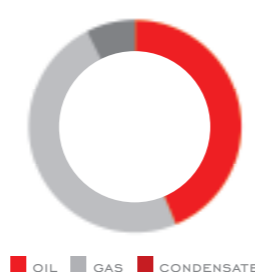
In order to preserve MOL's leading position and ensure stability of our future activities we plan to implement further efficiency improvements within the joint portfolio.

UPSTREAM PORTFOLIO ELEMENTS

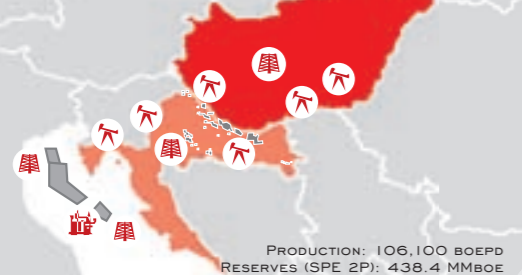
SPE 2P RESERVES (2009) - 665.1 MMBOE



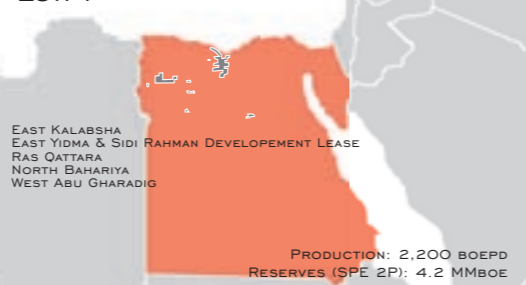
SPE 2P RESERVES (2009) - 665.1 MMBOE



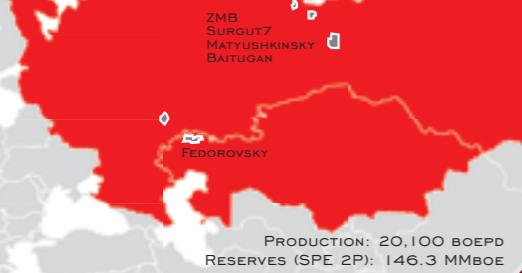
CEE REGION



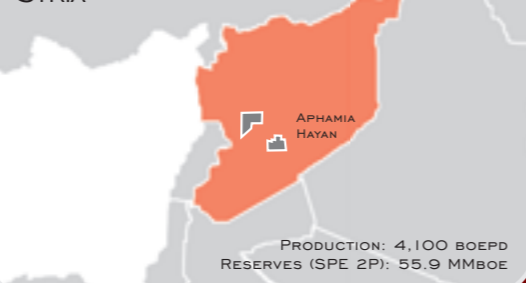
EGYPT



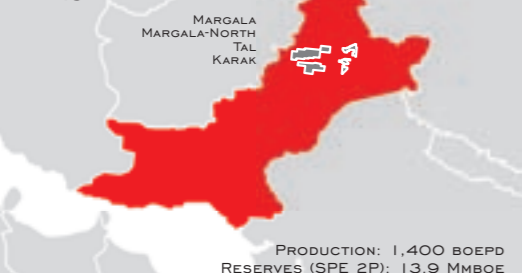
RUSSIA AND KAZAKHSTAN



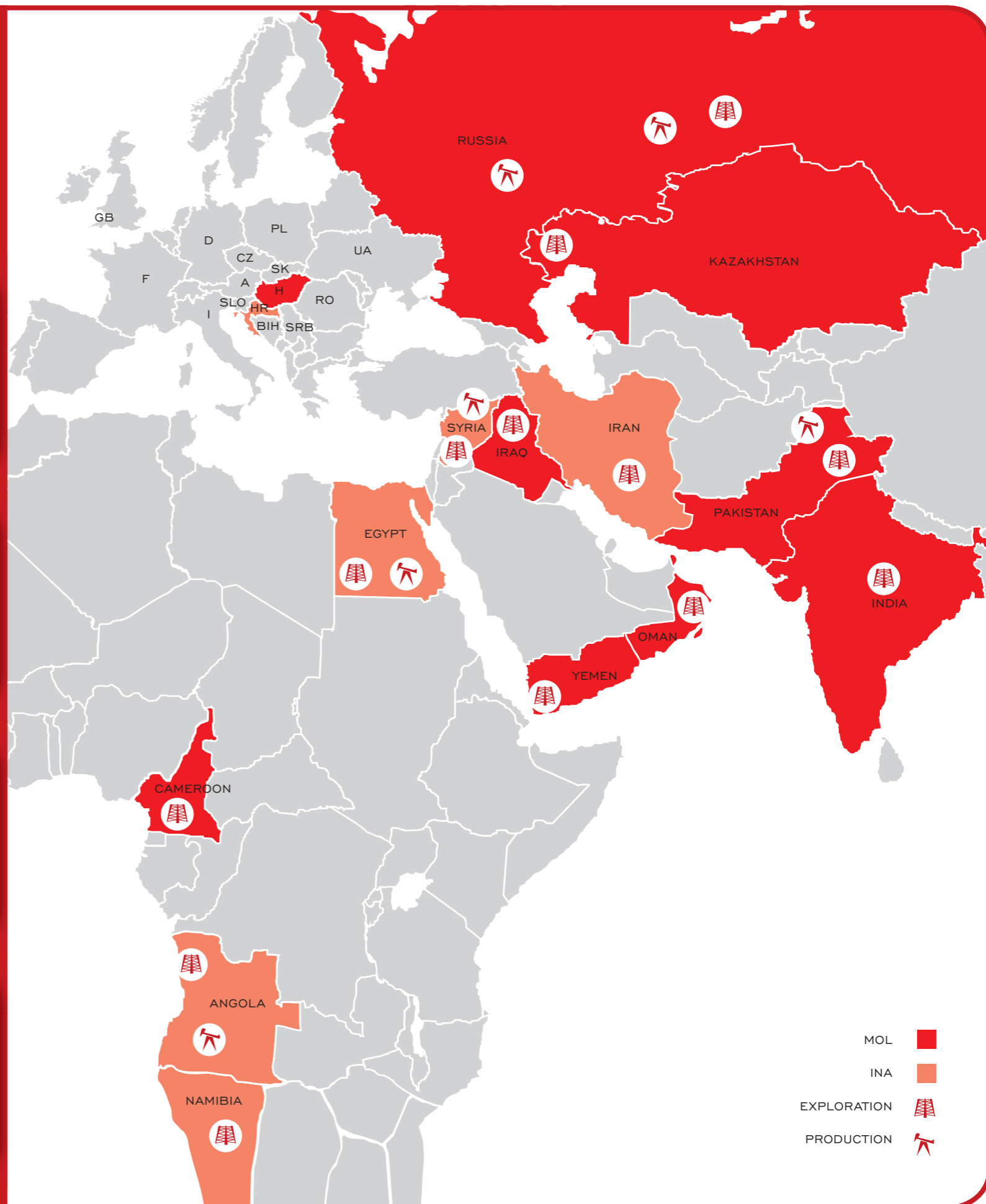
SYRIA



PAKISTAN



KURDISTAN REGION OF IRAQ



Data include full year daily production and 100% of SPE 2P reserves of INA d.d. for 2009.

REFINING AND MARKETING

HIGHLIGHTS

Despite the slight decrease in motor fuel demand caused by the economic crisis, with the consolidation of INA we have strengthened our regional position on all fields of downstream activity.

The integration of common framework of planning and optimisation processes with INA has been commenced.

Strict cost control, efficient daily operation and decreasing inventory levels positively affected our cash generation capabilities.

Retail Services exploited the possibilities of portfolio optimisation and continued the integration of previously acquired retail networks.

Cross-border knowledge sharing and the introduction of new services provide Retail Services Division with opportunities for growth and exploiting Group synergies.



Refining and Marketing Division operates five refineries in the CEE region under joint supply-chain optimisation with 23.5 mtpa capacity on adjacent markets. Bratislava and Duna refineries have outstanding complexity and efficiency. MOL has been fully consolidating INA from mid-2009, expanding the Group's refinery pool significantly with the coastal Rijeka and the landlocked Sisak refineries. The IES operated Mantova Refinery in North Italy has been member of the Group since 2007.

Crude supply and product distribution are supported by an extensive pipeline and depot network. Retail Services Division operates a modern filling station network of over 1,600 sites in 11 countries and manages 7 brands within its multi-brand strategy, providing captive channels for the refineries within their supply radius.

COMPETITIVE ADVANTAGE

The refineries of Bratislava and Duna are well-known for their high complexity, exceptional efficiency, quality leadership and outstanding operational excellence. These refineries have had one of the highest net cash margins in Europe year by year since 2003 according to Wood Mackenzie studies. The joint supply-chain optimisation among the refineries and petchem units is supported by extensive logistics, such as the crude and product pipeline system and storage depots. Though INA refineries are characterised by lower level of efficiency and complexity yet, MOL's proven track record of cutting edge asset development and operation competencies will provide significant further organic growth for the Group.

Retail Services Division provides strong captive market for the refineries. This Division has taken

advantage of market opportunities through the application of advanced micro-market pricing, retail knowledge gained on mature markets, the introduction of new services, the successful integration of new businesses and a focused investment program in markets with strong organic growth.

KEY ACHIEVEMENTS

Quick and adequate response to the economic crisis

The economic crisis hit Central and Eastern Europe, though to a lesser-than-expected extent in volume demand versus matured part of Europe. Motor fuel demand in our core sales region dropped by 1%, while EU average drop was 4%. MOL also

strengthened its market presence and market shares in adjacent markets with the consolidation of INA.

The company focused on cash generation performance in all activities. While inventory levels and operation unit costs have been lowered, strict control procedures have safeguarded credit performance. As part of the quick and adequate response to the economic crisis, MOL decided to cut its original CAPEX plan for this year, resulting in focused investments and revaluation of projects on MOL Group level. The large scale hydrocrack conversion project in Duna Refinery has been rescheduled to an early revisit in 2010. The review of the technical scope and timing of the project will be carried out in the light of new synergies in the larger group.

Solid base for organic growth

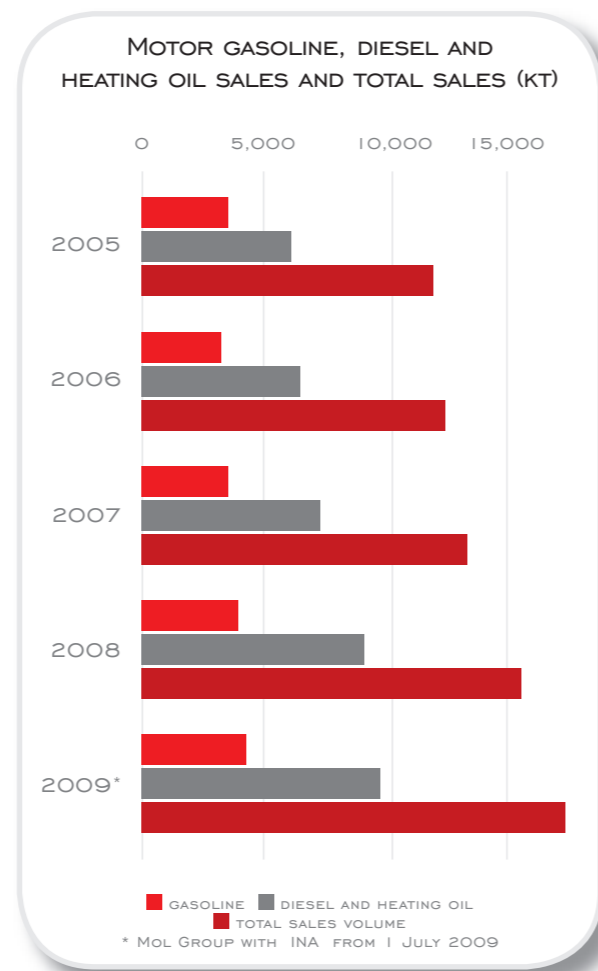
MOL operates five refineries in the CEE region under joint supply-chain optimisation with 23.5 mtpa capacity on adjacent markets. The refineries of Bratislava and Duna are well-known for their high complexity, exceptional efficiency and outstanding operational excellence. The operational control over INA brought two refineries to MOL's refinery pool. Rijeka Refinery provides direct connection to the Mediterranean region and gives the opportunity to procure and sell crude oil and oil products by cargo, while the landlocked Sisak Refinery is located in the vicinity of the main Croatian consumer market. INA also owns 11.8% interest in JANAFA, d.d., the company which owns and operates the Adria pipeline system providing an alternative source of crude supply and option for opportunity crudes for Duna, Bratislava and Sisak refineries as well. Although the new refineries have lower complexity and efficiency levels, MOL is committed to improve the efficiency level of the new portfolio elements to its standard level.

The extended portfolio also allows MOL to leverage all the development and operational synergies among the refineries and petrochemical units. MOL can optimise its asset developments on a higher level and can exploit the advantages of the joint stocking and scheduling of its units, the feedstock and product transfers among the refineries and harmonised logistics and commercial activity. Our vision is to develop a competitive refinery pool and product slate with an optimised supply chain management to meet the regional demand for high quality products and services and strengthen the regional market position with INA.

Common optimisation system to harmonize five refineries and two petrochemical units

The operation of five refineries and two

petrochemical units has significant synergies for the Group. A cutting-edge planning tool handling seven sites at same time was introduced in 2009 in order to implement the maximum exploitation of the operational opportunities and harmonising the investment decisions among the refineries. The operational structure has been modified to implement common planning and optimisation, increasing INA's efficiency to Group standard level. In the meantime, the knowledge transfer and sharing have been commenced.



Market driven investment program continued

INA Modernisation program Phase One continued. New units in Sisak Refinery have already come on stream both to produce Euro V motor gasoline and to reduce emission to local environment. New units in Rijeka are in construction to process Euro V motor fuels from 2010 and to comply with local environmental legislation.

IES Modernisation program continued with the addition of new hydrotreater capacities to serve local markets with Euro V gasoils.

MOL and Slovnaft refineries completed the planned diesel production revamps and their

capacities have been lifted to serve long term market dieselisation trends.

Slovnaft heavy-fuel-to-electricity upgrade project gained momentum. The increased capacity of the local power plant will satisfy the electricity and heat demand of the refinery thus providing value creating captive market for all Slovnaft processed heavy residue fuels.

Project EIFFEL (Efficiency Improvement Framework)

MOL Group continues and extends its Project EIFFEL (Efficiency Improvement Framework) in order to support its strategic pillars: growth, efficiency and capabilities. The strengthened cost conscious perspective of employees is the main driver of the program. The majority of savings is due to new creative and flexible solutions or small technology modification. Beside the significant direct cost savings, the real added value of Project EIFFEL is the creation of a self-improving organisation and establishment of a modern knowledge sharing environment, which supports the cooperation within MOL's multinational and -cultural operational area. In 2009, more than 1000 ideas came from the Division, initialising more than 25 solutions or modifications.

Renewable fuels added momentum

In line with the EU objectives and in order to secure our regional markets, the bio-component ratio of the marketed motor fuels continued to increase in 2009. MOL Group now offers bio-component containing motor fuel product portfolio in all relevant markets.

Preparation for a carbon constrained world has continued. MOL has successfully finished the first phase of developing its proprietary second generation bio-diesel production technology and is now lining up for pilot scale application. Focus was also spent on waste plastics recycling into light and middle distillate fractions. The pilot plant is expected to start up during 2010 in Bratislava with 10kt capacity.

Retail Business Development

MOL Group currently operates more than 1600 filling stations in 11 European countries in a multi-brand structure with 3 international (MOL, Slovnaft, INA) and 4 country-specific (IES, Tifon, Roth, Energopetrol) brands. The full consolidation of INA not only added approximately 500 filling stations to our retail portfolio, but also provided new markets for the products. MOL is moving forward via INA, Energopetrol and the formerly established InterMOL to expand operations in the South-Eastern European markets.

The retail visual identity of the MOL brand and regional partnership with Marché International further enhanced the brand awareness in 2009 and made the portfolio more attractive for customers.

The design and characteristics of MOL fuel card portfolio has been updated and a new MOL Group Cards logo has been introduced in order to help recognition and to make acceptance clearer. As a long term goal, MOL aims at extending MOL Group Card usage in the region by the introduction of mutual acceptance at all subsidiaries.

MOL strengthened its sustainability approach in the retail network through the implementation of energy saving lighting methods and by the application of renewable energy sources. The launch of organic food corners at retail stations, the driving safety campaign and the collection of recycled packaging materials are also tangible actions of MOL's commitment to responsible business operation.

Outlook

MOL has proven track record of cutting-edge development and operation practices and is committed to elevate newly consolidated assets to MOL standards. Our vision is to become the premium refinery group in Europe.

INA Modernisation Program Phase One will thus be completed in 2010 both in Sisak and Rijeka refineries. The most important part of the remaining investment of the Phase One program is the Mild Hydrocracker unit in Rijeka, with the expected completion by mid-2010. With the completion of these investments, Rijeka site will produce Euro V diesel and motor gasoline, while Sisak reaches Euro V gasoline production. With the EU standard motor fuel pool, the Group will be able to serve local markets. Continued focus will be given to the market driven planning of Phase Two to elevate conversion level and competitiveness of the refineries on mid-term.

MOL is keen on harmonising the strategic storage opportunities in regional core countries, by exploiting the benefits from common inventory optimisation.

The efficiency improvement actions will be continued at all locations supported by extensive knowledge transfer and harmonised operation across all business segments.

We keep focus on unit costs of our activities, asset maximisation of our production and distribution and commercial chains and will exploit cross-border synergies made available by the organic growth of the previous years.

DOWNSTREAM PORTFOLIO ELEMENTS


REFINERIES

	CAPACITY IN MT/Y	NCI INDEX
DUNA REFINERY	8.1	10.6
BRATISLAVA REFINERY	6.1	11.5
MANTOVA REFINERY	2.6	8.4
RIJEKA REFINERY	4.5	5.8
SISAK REFINERY	2.2	6.1

LOGISTICS

CRUDE PIPELINES	CAPACITY IN MT/Y
FRIENDSHIP I. (OWNED BY TRANSPETROL)	22.0
FRIENDSHIP II.	7.9
ADRIA (HUNGARIAN PART)	10.0
ALGYŐ	2.0
PORTO MARGHERA - MANTOVA	2.6
ADRIA - JANAF (12% OWNED BY INA)	34.0
DEPOT	PCS
MOL	21
INA	7

RETAIL

	NUMBER OF FILLING STATIONS
 MOL	564
 INA	488
 SLOVNAFT	237
 IES	224
 TIFON	43
 ROTH	38
 ENERGOPETROL	64

PETROCHEMICALS

PRODUCTION	CAPACITY IN KT/Y
TVK - OLEFIN	660
TVK - POLYOLEFIN	765
SPC - OLEFIN	219
SPC - POLYOLEFIN	433
PIPELINES	CAPACITY IN KT/Y
PETROCHEMICAL PIPELINE	2,700
ETHYLENE (KAZINCBARCIKA)	160
ETHYLENE (KALUSH)	100





PETROCHEMICALS

HIGHLIGHTS

Focus on regional markets in polyolefin sales

Streamline operation - major turnaround implemented with success

Rigorous control on CAPEX spending and cost saving program

Strategic focus on energy efficiency improvement

Our petrochemical business is a leading polyolefin player in CEE and among the top ten players in the European polyolefin market supplying polyolefins mainly to European plastic processing companies. Our production facilities are located in Tiszaújváros (Tisza Chemical Group Plc., TVK) and Bratislava (Slovnaft Petrochemicals, s.r.o., SPC). They are integrated with MOL Group refineries and support the Downstream segment as captive market. Beyond the naphtha processing to ethylene and propylene, the Petrochemical segment produces polyolefins in competitive quality, which are fundamental for a wide range of industrial applications and for the production of a vast number of consumer goods that are essential to everyday life. The polyethylene product range includes low density polyethylene (LDPE), high density unimodal and bimodal polyethylene (HDPE). The polypropylene (PP) product range includes homopolymers, random copolymers and impact copolymers. TVK and SPC operate in integrated manner, selling the majority of products through TVK sales subsidiaries under the brands of Tipelin, Tipolen, Bralen (polyethylene) and Tatren, Tipplen (polypropylenes). Proximity to rapid growth regions of Central and Eastern Europe provides firm basis to fully satisfy customer needs, supported by tailor made sales services and product quality, which is strategically important in keeping position as leading regional polyolefin player. Based on its long time experience in the petrochemical industry, MOL Petrochemical segment's main internal strengths are the skilled sales and engineering staff.



Certificates
Slovnaft Petrochemicals



Certificates
TVK



COMPETITIVE ADVANTAGES

Our competitive strength is supported by refinery integration as well as our geographical position and competitive asset base with a well-balanced product and customer portfolio. According to our 'crude to plastic' philosophy we optimize our refining and petrochemical production through the whole hydrocarbon value chain, which not only maximizes our profitability, but reduces the risk at group level. Integration between petrochemical plants and refineries improves the competitive position for both sides. This segment represents captive-market for MOL Downstream segment

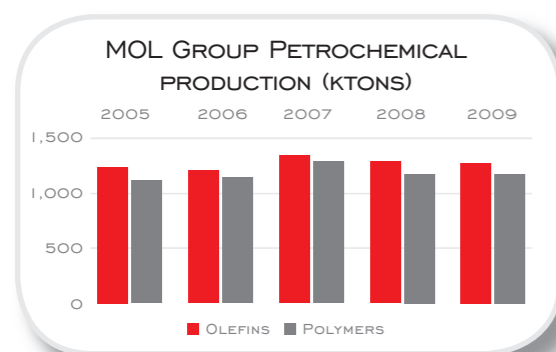
by purchasing approx. 2.0 to 2.5 million tons of feedstock and the Petrochemical segment's sales to MOL refineries amounting to the 30% of total petrochemical feedstock. The majority of these co-products, produced by olefin plants are sold as components to the fuel production.

Sales and marketing strategy is focused on increasing sales in the fast growing CEE region. Shorter sales radius can reduce transportation and other logistics costs. Value added services in logistics and technical support are the key factors to differentiate MOL Petrochemicals. These services together with regional expertise represent the main advantages in MOL's core region.

KEY DEVELOPMENTS IN 2009

In the shadow of world economic crisis strict cost control and remarkable savings were achieved

The global economic downturn pulled major petrochemical customers down mainly in automotive and construction industries. Demand for polyolefins has changed its growing trend and slumped along the year, thus business was extremely tough especially in Europe and America. Overall polyolefin sales in Europe were down and annual average integrated margin was poor, therefore significant capacity cuts were announced all over Europe. The segment's profitability had significantly decreased compared to 2008 due to the unfavorable external environment. We introduced strict measures on managing costs and working capital to compensate negative effects.



Good operation rates were achieved

Although the oldest, undersize TVK LDPE plant was permanently shut down, the polyolefin production had slightly increased in 2009, due to high availability of production units. Operational reliability and availability of the two newest polymerization units (SPC PP-3 and the TVK HDPE-2) were significantly improved.

In order to improve steam cracker utilization, sales of butadiene-rich fraction to regional partner was launched in the second half of 2009.

SPC steam cracker achieved excellent performance both in volume and energy efficiency in 2009, with new ethylene production record.

Successful general overhaul and planned maintenance

TVK steam cracker-2 maintenance and reconstruction works were carried out in the first quarter 2009. In the older TVK steam cracker-1 general overhaul was successfully completed covering the planned technical content and saving in budget. These well-managed turnarounds give good basis for excellent operational reliability as well as for exploiting business opportunities when situation in the markets turns favorable.

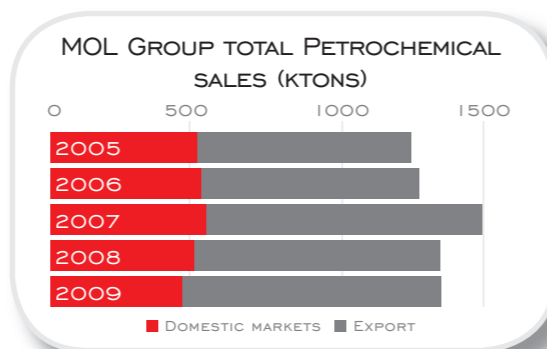
Improvements in energy efficiency

In the frame of earlier launched Ecovision project two furnaces were revamped in the SPC steam cracker. Energy utilization and cash-cost position had substantially improved as a result of the development.

Commitment to improve energy efficiency is deeply rooted in strategic thinking at the petrochemical segment. In response to the thriving importance of environmental protection and increasing energy prices, action plans were developed in connection with technologies and a new operational model was introduced for energy management. This will further improve the cost efficiency of the overall energy process to the benefit of the environment.

Continuation of the sales and marketing strategy implementation

Sales and marketing strategy can be characterized by two major goals – focusing and differentiation. Exploiting our favourable geographic location we have amended our sales strategy, at the field of logistics product development and tight customer relations, giving bigger focus to the Central- and Eastern European region. Therefore we have closed our commercial office in the United Kingdom and withdraw our sales staff from Russia. We are able to maintain our market presence in the above-mentioned countries however, through other more efficient sales channels.



Outlook

In the future petrochemical industry remains increasingly competitive, setting further challenges in the business. To keep and further strengthen competitive advantages, MOL Petrochemical segment is committed to continue its strategic development programs.

EBIT improvement is priority target for 2010. Coherent implementation of cost-cutting initiatives and acquiring attractive customer segments in sales could provide firm basis to make good progress with this aim.

Continue with SPC development project will



provide a firm basis for the future position of MOL Petrochemicals. Completion of the Ecovision project in 2010 by reconstructing the 3rd furnace at SPC steam cracker and by launching reconstruction works will create a platform for further development.

In line with its strategic aims MOL management is

analyzing future options in connection with SPC LDPE plants and TVK HDPE-1 plant.

MOL Petrochemicals is setting up CO₂ emission measurement system in steam crackers. Through identifying and implementing further energy efficiency projects, important steps are taken to comply with environmental requirements.

NATURAL GAS TRANSMISSION

HIGHLIGHTS

The import capacity development project was completed, thus the gas transmission volume from the Ukraine can be doubled and the strategic underground gas storage facility was connected to the system.

The inter-connection pipeline between Hungary and Romania was completed, the connection of the Hungarian and Croatian systems is in progress, and negotiations started concerning the possibility of implementing a north-south gas corridor.

The Pilisvörösvár-Százhalmobatta gas pipeline was commissioned, thus the security of supply for Budapest and its region significantly improved.

As of 1 July 2010, in compliance with the Directive 2009/73/EC of the European Parliament and of the Council, FGSZ Ltd will operate according to the ITO model.



FGSZ Natural Gas Transmission Ltd. is the exclusive holder of natural gas transmission and transmission system operator (TSO) license in Hungary. Both activities are implemented in a market environment regulated by laws. The company owns and maintains full operational control of the total domestic high-pressure pipeline system. In addition to the domestic natural gas transmission operations FGSZ Ltd. also transmits natural gas to Serbia and Bosnia-Herzegovina. The technical level of the company's pipeline system belongs to the best in class technologies in international comparison, which enables the infrastructure to meet challenges arising, like the gas crisis at the beginning of 2009, when the company played an eminent role to ensure the safety and uninterrupted supply to the customers. FGSZ is an indispensable company in the region enjoying a strategic position. Its dynamism and efficiency ranks the company one of the best performing natural gas transmission operators in Europe.

COMPETITIVE ADVANTAGES

Operation of the company's nearly 5,500 km long, discrimination-free Hungary-wide high-pressure natural gas transmission pipeline system, together with competitive sale of its capacity and auxiliary services provide stabile cash flow for the Group. As a result of excellent geographic attributes FGSZ is a key player also in the regional transit transmission operations.

The technical standard of the company's pipeline system represents a state-of-the-art technology

even in international comparison. FGSZ Plc. has been operating an officially certified quality assurance system in compliance with ISO 9001 Standard requirements, since 1997. The agency certifying the system is SGS, widely recognised in the international oil and gas sector, its Hungarian subsidiary being SGS Hungária Ltd. SGS Hungária Ltd. and the Mining Bureau of Hungary regularly audit the operations, on semi annual and annual basis, respectively.

KEY RESULTS IN 2009

Capacity expansion projects – implementation of new gas pipelines

The import capacity development project was completed, thus the volume gas transmission from the Ukraine can be doubled. The new pipelines increased the domestic import capacities by 25% i.e. by 30 mcm/d, and improved significantly the security of supply. Major developments and expansion projects were also implemented, in connection with this project, at Beregdaróc, Hajdúszoboszló and Városföld compressor stations.

Expansion in transit-purpose transmission required development in cross-border capacities. The 47 km long domestic section of the Szeged-Arad gas pipeline was completed, and it will ensure the two-way transmission (4.8 mcm/d capacity) between Hungary and Romania from July 2010. The CAPEX amounted to HUF 9 bn. The implementation of the 206 km long inter-connecting pipeline between Városföld and Slobodnica was launched. The CAPEX amounted to HUF 9 bn. FGSZ and Plinacro., the operator of the Croatian Transmission System, concluded a Joint Development Agreement in March 2009, with the main goal of the completion of the interconnection between the Hungarian and Croatian transmission systems. The design phase of Városföld-Slobodnica gas pipeline was finished. The implementation of the 206 km long inter-connecting pipeline was launched in 2009 September. The CAPEX of the development would amount to HUF 80 bn, and the new pipeline will ensure a capacity of 19.2 mcm/d. As a result of implementation of the Hungarian-Romanian and Hungarian-Croatian gas networks, the security of gas supply will significantly improve. The facilities are planned to enable the transmission of natural gas to and from both directions, therefore the inlet or entry points of the domestic gas pipeline system will increase to four from the present two points.

The Pilisvörösvár-Százhalmobatta gas pipeline was also completed, thus the gas ring around the capital city was closed, improving significantly the security of supply for Budapest and its region.

While implementing pipeline construction operations in 2009, FGSZ paid special attention to the protection of wildlife and ecosystems in the affected areas. During the implementation works the company maintained permanent contacts and communication with the people and social organisations in the relevant areas. FGSZ constructed a forest walkway along

the Pilisvörösvár-Százhalmobatta pipeline, in conjunction with the parent company and in cooperation with local civil groups. This facility was inaugurated in 2009 May.

A progressive initiative for increasing the regional security of supply (NETS)

NETS (New European Transmission System) is a large-scale project initiated by FGSZ in 2007 December, aiming at increasing the security of gas supply in the region, and through a coordinated improvement of the regional infrastructure (interconnectors, gas storages, LNG terminals) has a goal to establish market efficiency. All these are to be done by virtue of the strategic collaboration of regional gas transmission companies and along common energy-political principles. In 2009 the European Union emphasised on several occasions that NETS is one of its high priority projects, which received funding from the European Energy Programme for Recovery as well. The implementation of NETS would guarantee a significantly higher than present level of security of gas supply for consumers, a key issue for Hungary and for other regional countries, following the gas dispute in 2009 January between Russia and the Ukraine.

Outlook

Besides the capacity expansion projects, implemented in 2009, there are further plans in order to expand the transit-purpose transmission. FGSZ holds consultations on inter-connection options with the partners in Slovakia and Slovenia. Both projects would greatly improve efforts of the regional gas markets, as the former would enable operations using a north-south gas corridor, urged by the European Union, whereas the latter would result in a transmission system connecting Hungary, Slovenia and Italy.

Currently the NETS project supports the implementation of the north-south gas corridor in the most comprehensive way, which is open for the countries and gas transmission companies of the region to join.



GAS TRANSMISSION PORTFOLIO ELEMENTS

TOTAL PERFORMANCE IN 2009

(DATA AT 15°C)	(CUBIC METRES)
AGGREGATE DOMESTIC QUANTITY INCLUDING GAS WITHDRAWN FROM UGS OF WHICH: WITHDRAWN	11.10 BILLION
TRANSIT	2.89 BILLION
IMPORT QUANTITIES FOR DOMESTIC CONSUMPTION AT BEREGSZÁSZ POINT THROUGH HAG PIPELINE	1.68 BILLION
FROM DOMESTIC PRODUCTION	6.06 BILLION
	3.57 BILLION
	2.56 BILLION

HAG PIPELINE

FROM AUSTRIA	(CUBIC METRES)
MOSONMAGYARÓVÁR MEASUREMENT	
ANNUAL CAPACITY	4.50 BILLION
DAILY FIRM PEAK CAPACITY	12.10 MILLION
DAILY INTERRUPTIBLE PEAK CAPACITY BETWEEN 01-11-2009 AND 31-12-2009	2.29 MILLION

TESTVÉRISÉG AND ÖSSZEFOGÁS PIPELINE

FROM THE UKRAINE	(CUBIC METRES)
ENTRY POINT AT BEREGDARÓC	
ANNUAL CAPACITY	21.90 BILLION
FROM JULY 1ST, 2009.	

DAILY PEAK CAPACITY OF THE NATURAL GAS SYSTEM

(DATA AT 15°C)	(CUBIC METRES)
TOTAL	175.40 MILLION
OF WHICH INTERRUPTIBLE	9.8 MILLION
IMPORTS	74.40 MILLION
OF WHICH INTERRUPTIBLE	2.3 MILLION
TRANSIT	11.30 MILLION
STORAGE FOR COMMERCIAL PURPOSES	59.00 MILLION
OF WHICH INTERRUPTIBLE	7.5 MILLION
STORAGE FOR STRATEGIC PURPOSES	20.00 MILLION
DOMESTIC PRODUCTION	10.70 MILLION

CAPACITY OF UNDERGROUND STORAGES OF COMMERCIAL PURPOSES

FIVE ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	5.00 BILLION
DAILY PEAK CAPACITY	59.00 MILLION
OF WHICH INTERRUPTIBLE	7.5 MILLION

CAPACITY OF UNDERGROUND STORAGES OF STRATEGIC PURPOSES

ONE ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	1.20 BILLION
DAILY PEAK CAPACITY	20.00 MILLION

TRANSIT (SERBIAN AND BOSNIAN)

(DATA AT 15°C)	(CUBIC METRES)
ANNUAL CAPACITY	4.10 BILLION
DAILY PEAK CAPACITY	11.30 MILLION

FROM DECEMBER 31ST, 2009. ROMANIAN TRANSIT

(DATA AT 15°C)	(CUBIC METRES)
ANNUAL CAPACITY	1.75 BILLION
DAILY PEAK CAPACITY	4.80 MILLION

DOMESTIC PRODUCTION

TWELVE ENTRY POINTS	(CUBIC METRES)
ANNUAL CAPACITY	2.56 BILLION
DAILY PEAK CAPACITY	10.70 MILLION



GAS AND POWER

HIGHLIGHTS

MMBF Ltd. (72.5% MOL subsidiary) has completed the underground gas storage of 1.2 bcm strategic and 0.7 bcm commercial mobile capacity.

Nabucco pipeline gained momentum as participating countries signed and ratified the Intergovernmental Agreement.

We are integrating INA into the Group purchase activity which raises the amount of supplied crude oil and raw materials close to 20 mn tons with high efficiency improvement potential.



The Gas and Power segment consists of the Supply and Trading Division and the Power and Heat Generation.

The Supply and Trading Division has been set up via the alteration of the former Gas and Power division in 2009. The activities of the new Supply and Trading Division enable MOL to take full advantage of the synergies between the supply and trading of crude oil, gas, power, CO₂ and other commodities – within the Group as well as towards external market participants.

MOL is again an active participant in the gas storage business via MMBF Ltd., which generates reliable cash-flow on long term and strengthens the security of supply in Hungary.

Due to long-term growth in gas consumption in the EU countries and the high level of import dependency, we continued to focus on the diversification of gas source and the development of infrastructure (underground gas storage and pipelines) as well as utilising MOL Group's existing primary and secondary resources.

MOL, together with its strategic partner – CEZ, the Czech Energy Company – is continuing with major investments in the Danube and Bratislava refineries including two combined cycle gas turbines (CCGT) and the revamp of the existing thermal power plant (TPP), in order to create an attractive power portfolio.

GAS INFRASTRUCTURE

Both the ongoing and successfully completed infrastructure developments aim to strengthen the market efficiency and the security of supply in the region and provide stable cash flow with healthy returns for the Group.

MMBF Ltd.

MOL is again an active participant in the gas storage business via MMBF Ltd., generating stable, euro denominated cash-flow on long term and strengthening the security of supply in Hungary.

With the primer goal to ensure the security of gas supply, MMBF Gas Storage Ltd. – 72.5% subsidiary of MOL – developed the underground gas storage facility with strategic mobile capacity of 1.2 bcm and commercial mobile capacity of 0.7 bcm. The strategic storage facility, in line with legal provisions, has a daily withdrawal peak capacity of 20 mcm over a period of 45 days and an additional 5 mcm/day peak for the commercial part. The gas storage facility functions through the active reservoir of Szőreg-1.

The turn-key contractor and operator of the development was MOL. The development has been accomplished according to schedule: the construction of the strategic capacities has been finalized and the 1.2 bcm strategic mobile gas stock has been injected by the end of 2009, according to Act XXVII/ 2006 on strategic stockpiling of natural gas. Consequently the 30-year contract for strategic gas storage came into effect. Commercial capacities have also been fully booked for 10 years starting from 1 April 2010. Both activities provide stable, euro denominated return for MOL Group.

MOL signed an 8-year, EUR 200 million loan agreement with EBRD (European Bank for Reconstruction and Development) in June 2009 to finance the completion of the strategic and commercial gas storage facility.

Nabucco project

MOL is taking part in the Nabucco project as 16.66% owner, in cooperation with Botas, Bulgarian Energy Holding, OMV, RWE and Transgaz. The aim of the project is to eventually transport 31 bcm natural gas per annum from the Caspian and Middle-Eastern region to Europe on a 3,300 km long pipeline.

The project gained a considerable new momentum when on 13 July the Intergovernmental Agreement (IGA) was signed by the governments of the Nabucco transit countries of Austria, Hungary, Romania, Bulgaria and Turkey. Hungary started the ratification process of the agreement in October 2009, which was eventually completed by Turkey in March 2010. Application for EUR 200 million funding dedicated for Nabucco International from the European Economic Recovery Plan was filed and was awarded in March 2010 by the Commission. In 2009 the local engineering companies started the front end engineering design work in all countries.

The commencement of pipeline operations is expected to be 2014. Nabucco will lead to more efficient and secure regional gas market and additional value generation for MOL Group taking into consideration the Pearl project in Iraq as a potential upstream source.

MOL-Gazprom cooperation

MOL and Gazprom Export have jointly elaborated a project structure to establish an underground gas storage facility in Hungary, via a 50-50% joint venture. The parties have established Pusztaföldvár Gas Storage Ltd. in December 2009.

TRADING AND SUPPLY OPERATIONS

Managing the trading and supply operations integrated for the whole MOL Group has the apparent rationale of synergies and economies of scale. The potential improved considerably with the inclusion of the integrated planning and feedstock supply into the division – in close co-operation with the Supply Chain Management. The supply and trading activities cover various needs of MOL, Slovnaft, INA and IES, while being able to utilise the existing expertise and exploit the opportunities on the external market as well.

Crude Oil and Raw Materials Supply and Trading (Moltrade-Mineralimpex)

On the basis of Supply Chain Management needs 12.1 Mt of Russian Export Blend Crude Oil for MOL, Slovnaft and INA Sisak refineries were supplied via Druzhba pipeline in 2009. 242 kt crude oil for

Brod refinery (Bosnia) was transited. Seaborne crude supply for IES / Mantova refinery reached 2.3 Mt. Furthermore 1.2 Mt of raw materials and oil products (including 657 kt 0.2 Gasoil by pipeline and 296 kt Virgin Naphtha for TVK) were imported.

One of the main tasks of 2009 was INA crude procurement integration into the group purchasing activity in a yearly amount of around 4 Mt.

Establishing the Commodity Trading Platform

Within the Supply and Trading Division, the Commodity Trading Platform was established with the responsibility of serving MOL Group entities in their needs of electricity (in Hungary amounting for 1.5 TWh annually), CO₂ emission allowance – including CO₂ emission-optimisation as well as trading possibilities – and commodity derivative products.

In 2009, the appropriate control framework of the commodity trading activity was created. A separate 100% MOL-subsiary (MOL Commodity Trading Ltd) with electricity trading license was established and an own balancing circle was formed. Eligible external and MOL Group trading frame contracts enabled Trading Platform to start its operation from 1 January 2010 with strict control rules.

Trading Platform has supported the business units in their inventory and sea-borne cargo hedges along with structure risk mitigation derivative deals in connection with physical fixed price sales on oil products and in association with physical gas indexation transactions during 2009.

ENERGY PORTFOLIO DEVELOPMENT

In order to decrease energy demand of MOL Group in a sustainable way Supply and Trading Division is venturing on promising possibilities to utilize MOL own primary and secondary resources and decrease Group consumption by efficient, new technologies.

MOL Group owns significant gas reserves with high inert content (lower calorific value) not or not fully put into production. These reserves are now being tapped. A pilot project has embarked with a capacity of 0.8 MWe with the aim of assessing the technical and financial options to produce electricity with small gas engines/turbines directly installed on the inert gas fields.

CEGE, the geothermal joint venture of MOL, is working on the development of geothermal projects in the region, with the aim of supplying electricity and thermal heat with the transformation of the energy content of the renewable and pure geothermal power.



Beyond utilising own resources energy efficiency team was set up in July 2009 in order to optimize energy consumption on Group level. The team has launched its activity with the preparation of the energy audit of the whole MOL Group. During the audit several heat points were also revealed, where waste heat recovery systems could provide energy saving potentials. Supply and Trading Division is developing a pilot project for waste heat recovery using the Organic Rankine Cycle (ORC) technology to prove the feasibility of this potential.

POWER AND HEAT GENERATION

MOL, together with its strategic partner – CEZ, the Czech Energy Company – is considering to implement three major investments – as the first remarkable projects of this joint venture – in the

Duna and Bratislava refineries: two combined cycle gas turbine (CCGT) technologies each with an installed capacity of 830 MW which would result in a 58% net electrical efficiency (compared to an average 36% efficiency of gas power plants in Hungary in 2007) and thirdly, the revamp of the existing thermal power plant (TPP) in the Bratislava refinery. The amount of energy produced will be able to create sufficient steam and energy sources for the Duna and Bratislava refineries. It also enables MOL to enter and gain a significant share of the very attractive energy market.

The preparatory works for the two 830 MW CCGT power plants' developments are proceeding according to the agreed schedule. The revamp of the TPP in Bratislava is in process, the complete Flue Gas Desulfurisation unit work will be implemented by the end of 2011. The capacity increase of the power plant will satisfy the full electricity need of the refinery and also provide more heat.



"WE WERE AMONG THOSE COMPANIES WHICH REACTED IMMEDIATELY FOLLOWING THE FIRST SIGNS OF THE CRISIS AND ADJUSTED OUR OPERATIONAL ACTIVITIES TO COPE WITH THE INCREASINGLY DIFFICULT ENVIRONMENT. IN 2009, WE REMAINED DISCIPLINED TO OUR REDUCED CAPEX PLAN, AND FINANCED IT THROUGH THE OPERATING CASH FLOW, WHICH ROSE COMPARED TO THE PREVIOUS YEAR, PROVING MOL'S STRONG CASH PRODUCING ABILITY. WE ARE HIGHLY COMMITTED TO MAINTAINING THIS STRONG FINANCIAL BACKGROUND DURING THE COMING YEARS, AND OUR INVESTMENTS ARE EXPECTED TO BE FINANCED THROUGH OPERATING CASH FLOW. OUR MAIN GOAL FOR THE COMING YEARS IS TO KEEP OUR FINANCIAL STABILITY, IMPROVE THE EFFICIENCY AND MAXIMISE THE VALUE OF OUR EXISTING PORTFOLIO."

JÓZSEF MOLNÁR
EXECUTIVE VICE PRESIDENT OF FINANCE

MANAGEMENT DISCUSSION AND ANALYSIS ABOUT THE 2009 BUSINESS OPERATION

HIGHLIGHTS OF THE CHALLENGES OF 2009 AND OUR RESPONSES

In 2009 the oil and petrochemical sectors faced an extremely challenging external environment characterized by weak margins and depressed demand. Thanks to our early answer to the crisis, our well-recognized efficiency leadership and integrated business model we managed to keep our strong financial position.

We were among those companies which reacted immediately following the first signs of the crisis and adjusted our operational activities to cope with the increasingly difficult environment. We implemented a range of cost reduction measures to extend our leadership in efficiency, the benefits of which were reflected in 2009 results.

FY 2009 EBITDA, excluding special items, increased by 11% to HUF 384.9 bn despite the deteriorating diesel crack spreads, petrochemical margins and the 31% lower average hydrocarbon prices. Upstream segment improved by 32%, Gas & Power was extremely strong (up by 54%), more than offsetting weaker Downstream and Petrochemical results.

In 2009, we remained disciplined to our reduced CAPEX plan, and financed it through the operating cash flow, which rose compared to the previous year, proving MOL's strong cash producing ability. Even with the full consolidation of INA, our gearing ratio decreased further at the end of 2009 compared to the end of the previous year, as we managed to preserve our strong balance sheet.

In addition, we created a strong basis for further growth by gaining management control and full consolidation of INA as of 30 June 2009. MOL's upstream portfolio became more extended, diversified and balanced with practically doubling its SPE 2P reserve base as of the end of 2009 and significantly increasing its production. The operational control over INA since 2009 brought two refineries to MOL's refinery pool, and so total capacity increased to 23.5 mtpa. The five refineries operated under joint supply-chain optimisation on adjacent markets provide outstanding further growth opportunity.

Our main goal for the coming years is to keep our financial stability, improve the efficiency and maximise the value of our existing portfolio. Regarding Upstream business the focus will be on completing high return/early cash generative appraisal and development projects in Syria, CEE, Pakistan, Kurdistan and Russia to increase production levels, contributing significantly to Group-level EBITDA. At the same time, we intend to extend MOL's outstanding efficiency to the whole upstream portfolio. Finally, we are carrying out extensive and intensifying exploration activity to further increase our reserve base and create the basis for further production growth beyond 2013.

Regarding the Downstream business MOL Group's main goal is to become the premium refinery group in Europe by 2012. The Group is committed to elevate newly consolidated assets to MOL standard with investments targeting product quality and yield improvement. MOL is focusing on joint optimisation of 5 refineries and 2 petrochemical units and is committed to extend its outstanding operational excellence to the whole group.

DETAILED ANALYSIS OF 2009 RESULTS

MOL Group's EBITDA from continuing operation, excluding special items, increased by 11% to HUF 384.9 bn in 2009 year-on-year despite the deteriorating diesel crack spreads, petrochemical margins and the 31% lower average hydrocarbon prices. MOL proved its cash production ability during the year, as in spite of this depressed environment MOL could increase its operating cash flow by 18% to HUF 411.2 bn, while its operating cash flow before changes in working capital remained stable at HUF 373.0 bn. In 2009, MOL remained disciplined to its reduced CAPEX plan, which was an early and adequate response to the crisis and managed to preserve its strong balance sheet and stable financial position. The gearing ratio decreased to 33.1% at the end of December 2009 compared to a gearing ratio of 35.9% at the end of December 2008.

MOL Group's operating profit from continuing operation, excluding special items was HUF 170.5 bn in 2009, decreased by 12% y-o-y. The operating profit was significantly decreased by the additional depreciation calculated on the fair value of INA's property, plant and equipment in MOL's financial statement. The bottom line was decreased by a HUF 58.8 bn financial expense and a significant tax expense, therefore net profit for the period, excluding special items, was at HUF 47.2 bn in FY 2009.

Continuing operation

- **Exploration & Production** operating profit, excluding special items, was HUF 134.6 bn in FY 2009. The operating profit, excluding INA amounted to HUF 108.7 bn in FY 2009 representing a 14% erosion vs. FY 2008 excluding the non-recurring profit from the sale of the Szőreg-1 field, as a 31% decrease (in USD-terms) in the average realised hydrocarbon price and lower production volumes more than offset the positive impacts of weakening HUF and lower mining royalties and taxes.
- **Refining & Marketing** operating profit, excluding special items, was HUF 28.0 bn in FY 2009 including INA's operating loss contribution of HUF 19.7 bn for H2 2009. The operating profit, excluding INA, was at HUF 47.7 bn versus HUF 67.8 bn in FY 2008 due to deteriorating external environment, characterized by collapsing diesel crack spreads and narrowed Brent-Ural differential.
- The **Petrochemical** segment operating loss was HUF 15.2 bn in FY 2009 reflecting the deteriorating petchem margins and pressured market demand because of the recession.
- The **Gas and Power** segment's operating profit, excluding special items, increased by 58% to HUF 64.5 bn in FY 2009. FGSZ Zrt. was the most important profit contributor (HUF 46.1 bn without asset revaluation), while further gas and power units, including MMBF Zrt., Slovnaft Thermal Power Plant, had growing profit contributions.
- **Net financial expense** of HUF 58.8 bn was recorded in FY 2009 in comparison with a net financial loss of HUF 16.1 bn in FY 2008.
- **Capital expenditure and investments** decreased by HUF 198.2 bn to HUF 380.7 in FY 2009. INA's H2 2009 CAPEX spending was HUF 93.3 bn, while acquisition cost of INA was HUF 227.3 bn in 2008. The acquisition cost of a 10% stake and the work program CAPEX of Pearl paid by treasury shares were HUF 72.6 bn. Without these elements, CAPEX was behind the base figure by HUF 136.8 bn as a result of withheld performances and the investments realized in 2008.

Discontinued operation

- Based on the Gas Master Agreement signed by the Government of the Republic of Croatia and MOL on 30 January 2009 and amended on 16 December 2009, INA exits from the regulated part of the gas value chain. The Gas Storage Company (Podzemno skladište plina d.o.o.) was taken over by a fully state-owned company Plinacro d.o.o. on 30 January 2009, while the Croatian Government agreed to take over the gas trading business till 1 December 2010.
- The gas trading business of INA, which meets the definition of discontinued operation, also contributed a loss of HUF 16.6 bn in H2 2009, from which HUF 14.9 bn has been eliminated in consolidation, since this expected loss had been reflected as a provision in MOL Group's purchase price allocation as of 30 June 2009.

Total operation

- Net debt position increased to HUF 926.6 bn, primarily as a consequence of INA's full consolidation, resulting in a 33.1% gearing ratio at the end of December 2009. Excluding the INA full consolidation impact, the net debt of MOL was HUF 672.9 bn at the end of the period.
- Operating cash-flow in FY 2009 was HUF 411.2 bn, compared to HUF 347.2 bn in FY 2008. Operating cash flow before movements in working capital decreased by 3% year-on-year.

KEY FINANCIAL DATA BY BUSINESS SEGMENTS

NET SALES REVENUES	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁵	(USD MN) ⁵
Exploration and Production	428,780	461,199	2,496	2,280
Refining and Marketing	3,145,634	2,720,839	18,310	13,450
Gas & Power	199,124	513,756	1,159	2,539
Petrochemicals	470,457	388,280	2,738	1,919
Corporate and other	148,703	164,678	866	814
TOTAL NET SALES REVENUES – CONTINUING OPERATION	4,392,698	4,248,752	25,569	21,002
Discontinued operation (INA's gas trading business)	-	28,664	-	142
TOTAL NET SALES REVENUES	4,392,698	4,277,416	25,569	21,144

NET EXTERNAL SALES REVENUES ¹	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁵	(USD MN) ⁵
Exploration and Production	237,306	273,124	1,381	1,350
Refining and Marketing	2,768,530	2,396,450	16,115	11,846
Gas & Power	145,726	236,166	848	1,168
Petrochemicals	366,090	289,128	2,131	1,429
Corporate and other	17,349	31,168	101	154
TOTAL NET EXTERNAL SALES REVENUES – CONTINUING OPERATION	3,535,001	3,226,036	20,576	15,947
Discontinued operation (INA's gas trading business)	-	28,664	-	142
TOTAL NET EXTERNAL SALES REVENUES	3,535,001	3,254,700	20,576	16,089

OPERATING PROFIT	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁵	(USD MN) ⁵
Exploration and Production	191,018	126,631	1,112	626
Refining and Marketing	72,450	15,371	422	76
Gas & Power	38,661	61,902	225	306
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(37,697)	54,386	(220)	269
Inter-segment transfers ²	(57,619)	5,500	(335)	27
TOTAL OPERATING PROFIT – CONTINUING OPERATION	199,224	248,571	1,160	1,229
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL OPERATING PROFIT	199,224	246,788	1,160	1,220

OPERATING PROFIT EXC. SPEC ITEM ³	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁵	(USD MN) ⁵
Exploration and Production	125,679	134,644	732	666
Refining and Marketing	67,821	28,047	395	139
Gas & Power	40,226	64,464	234	319
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(38,334)	(44,393)	(224)	(220)
Inter-segment transfers ²	6,155	2,938	36	14
TOTAL OPERATING PROFIT EXC. SPEC ITEM – CONTINUING OPERATION	193,958	170,481	1,129	843
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL OPERATING PROFIT EXC. SPEC ITEM	193,958	168,698	1,129	834

EBITDA	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁵	(USD MN) ⁵
Exploration and Production	227,938	206,041	1,327	1,018
Refining and Marketing	147,362	108,968	858	539
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(26,625)	69,613	(155)	344
Inter-segment transfers ²	(59,799)	2,384	(348)	12
TOTAL EBITDA – CONTINUING OPERATION	351,132	467,688	2,044	2,312
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL EBITDA	351,132	465,905	2,044	2,303

EBITDA EXC. SPEC ITEM ⁴	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁵	(USD MN) ⁵
Exploration and Production	162,599	214,054	947	1,058
Refining and Marketing	142,733	116,988	831	578
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(27,262)	(29,166)	(159)	(144)
Inter-segment transfers ²	5,540	2,384	32	12
TOTAL EBITDA EXC. SPEC ITEM – CONTINUING OPERATION	345,866	384,942	2,013	1,903
Discontinued operation (INA's gas trading business)	-	(1,783)	-	(9)
TOTAL EBITDA EXC. SPEC ITEM	345,866	383,159	2,013	1,894

¹ Net external sales revenues and operating profit includes the profit arising both from sales to third parties and transfers to the other business segments. Exploration and Production transfers domestically produced crude oil, condensates and LPG to Refining and Marketing and natural gas to the Gas and Power segment. Refining and Marketing transfers chemical feedstock, propylene and isobutane to Petrochemicals and Petrochemicals transfers various by-products to Refining and Marketing. The internal transfer prices used are based on prevailing market prices. The gas transfer price equals the average import price. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

² This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. In previous years this unrealised profit effect was not shown separately, but was included in the reported segmental result of the receiving segment. Unrealised profits arise principally in respect of transfers from Exploration & Production to Gas and Power and from Refining & Marketing to Petrochemicals. In 2008 the transfer between Exploration & Production and Gas and Power included the sales of Szőreg-1 gas field with an operating profit of HUF 63.7 bn recognized by Exploration & Production which has been eliminated in consolidation.

³ Operating profit excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field and the accumulated depreciation thereof (HUF 65.3 bn and HUF (1.6) bn, respectively) realised in 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively), a HUF 54.6 bn one-off non-cash revaluation gain, related to consolidating INA into MOL Group for the first time as required by IFRS 3R and the impairment of IES goodwill recognized in Q4 2009 (HUF 4.7 bn).

⁴ EBITDA excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field (HUF 65.3 bn) realised in 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively), a HUF 54.6 bn one-off non-cash revaluation gain, related to consolidating INA into MOL Group for the first time as required by IFRS 3R.

⁵ In converting HUF financial data into USD, the following average NBH rates were used: for FY 2008: 171.8 HUF/USD, for FY 2009: 202.3 HUF/USD.

OPERATING PROFIT	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁴	(USD MN) ⁴
Exploration and Production	191,018	108,686	1,112	537
Refining and Marketing	72,450	43,061	422	213
Gas & Power	38,661	61,902	225	306
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(37,697)	(13,314)	(220)	(66)
Inter-segment transfers ¹	(57,619)	5,500	(335)	27
TOTAL	199,224	190,616	1,160	942

OPERATING PROFIT EXC. SPEC ITEM ²	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁴	(USD MN) ⁴
Exploration and Production	125,679	108,686	732	537
Refining and Marketing	67,821	47,717	395	236
Gas & Power	40,226	64,464	234	319
Petrochemicals	(7,589)	(15,219)	(44)	(75)
Corporate and other	(38,334)	(41,470)	(224)	(205)
Inter-segment transfers ¹	6,155	2,938	36	14
TOTAL	193,958	167,116	1,129	826

EBITDA	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁴	(USD MN) ⁴
Exploration and Production	227,938	143,881	1,327	711
Refining and Marketing	147,362	130,949	858	647
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(26,625)	(856)	(155)	(4)
Inter-segment transfers ¹	(57,799)	2,384	(348)	12
TOTAL	351,132	357,040	2,044	1,765

EBITDA EXC. SPEC ITEM ³	2008	2009	2008	2009
	(HUF MN)	(HUF MN)	(USD MN) ⁴	(USD MN) ⁴
Exploration and Production	162,599	143,881	947	711
Refining and Marketing	142,733	130,949	831	647
Gas & Power	50,164	77,593	292	384
Petrochemicals	12,092	3,089	70	15
Corporate and other	(27,262)	(29,012)	(159)	(143)
Inter-segment transfers ¹	5,540	2,384	32	12
TOTAL	345,866	328,884	2,013	1,626

¹ This line shows the effect on operating profit of the change in the amount of unrealised profit deferred in respect of transfers between segments. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third party sale takes place only in a subsequent quarter. For segmental reporting purposes the transferor segment records a profit immediately at the point of transfer. However, at the company level profit is only reported when the related third party sale has taken place. In previous years this unrealised profit effect was not shown separately, but was included in the reported segmental result of the receiving segment. Unrealised profits arise principally in respect of transfers from Exploration & Production to Gas and Power and from Refining & Marketing to Petrochemicals. In 2008 the transfer between Exploration & Production and Gas and Power included the sales of Szőreg-1 gas field with an operating profit of HUF 63.7 bn recognized by Exploration & Production which has been eliminated in consolidation.

² Operating profit excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field and the accumulated depreciation thereof (HUF 65.3 bn and HUF (1.6) bn, respectively) realised in FY 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), and the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively) the impairment of IES goodwill recognized in Q4 2009 (HUF 4.7 bn).

³ EBITDA excluding the combined intersegment impact of the one-off gain on sales of Szőreg-1 gas field (HUF 65.3 bn) realised in FY 2008, the paraffin fine (HUF 5.8 bn) recognised in Q3 2008, the repayment by the Slovak Ministry of Finance of the unfounded penalty in Q4 2008 (HUF 4.6 bn), and the receivable for subsequent settlement from E.ON in connection with the gas business sale for Q1 and Q2 2009 and 2008 (HUF 14.0 bn, HUF 14.2 bn and HUF 6.4 bn, respectively).

⁴ In converting HUF financial data into USD, the following average NBH rates were used: for FY 2008: 171.8 HUF/USD, for FY 2009: 202.3 HUF/USD.

A rollercoaster year for the world economy

2009 was a rollercoaster year for the global economy. At the beginning of 2009, the risk of an imminent financial and economic collapse seemed very real. Economic activity, trade and investment were steeply declining, while asset prices were volatile and still on a downward trend. Policymakers worldwide reacted by an extreme loosening of fiscal and monetary policies and many governments de facto guaranteed the financial system. The result was a turnaround in economic activity after the first quarter, and a spectacular recovery in asset prices. Emerging markets led the economic recovery, while (mostly) developed countries burdened with high debt were lagging. Despite the economic upturn, unemployment continued to increase throughout the year in OECD countries, and there is a broad consensus among analysts that the recovery remains fragile as many of the factors behind it are temporary. The extreme monetary loosening has increased inflation risks and may have contributed to incipient new asset price bubbles in some areas, while the unprecedented fiscal deficits raised concerns regarding the long-term sovereign solvency of some economies.

The return of high oil prices

Driven by the improving economic climate and receding fears of a double-dip recession, oil prices nearly doubled throughout 2009 surging from around USD 40/bbl in January to just below USD 80/bbl by the year-end. The price climb was more or less steady and gradual as a combined result of several upward and some strong downward pressures on oil prices. The remarkable discipline of OPEC, the slowly improving global economic outlook from Q2 2009, the uninterrupted oil demand growth in emerging Asia, as well as the return of investors to dollar-denominated commodities created upward pressures on oil prices. On the other hand, the collapse of demand in developed economies and the subsequent surge in inventory levels, as well as the remarkable rise in OPEC's effective spare capacity (exceeding 5 mb/d during most of 2009) acted as a drag on oil prices.

Mixed crack spread environment

The average price of Brent in 2009 was USD 61.7/bbl, 36.6% below the 2008 average level. Ural Med, the most relevant blend in terms of MOL's crude oil purchases, averaged at USD 61.2/bbl, down by 35.4% compared to 2008 (USD 94.8/bbl). Average FOB Rotterdam gasoline and diesel prices declined by 30.8% and 43.6%, respectively. Average USD-denominated crack spreads of FOB Rotterdam gasoline increased by 11.3% to near the 5-year average, while diesel crack spreads dropped by 67.8% in 2009 from the record-high levels of 2008 to well below the historic average. The Brent-Urals spread was historically low and averaged at USD 0.77/bbl in 2009, 74.1% lower than in 2008. The dramatic narrowing of the Brent-Urals spread was the result of the strengthening fuel oil crack spread (due to lower refinery utilization) and of OPEC's production cuts targeting heavy grades similar to Urals. Since Urals result in a higher fuel oil yield, the lower discount on fuel oil led to the decline in the discount of Urals relative to the lighter Brent, while OPEC cuts tightened the supply of comparable heavy grades at the same time.

Local currencies weakened against the USD

The Hungarian Forint (HUF) weakened by about 17.7% against the US Dollar in 2009: the average exchange rate in 2009 was 202.3 HUF/USD against 171.8 HUF/USD in 2008. The HUF also depreciated against the EUR in 2009 by 11.7% (280.6 HUF/EUR in 2009 vs. 251.3 HUF/EUR in 2008). The Croatian Kuna (HRK) weakened slightly by

about 1.6% against the EUR (7.3 HRK/EUR in 2009 vs. 7.2 HRK/EUR in 2008) and moderately by 7% against the USD in 2009 (5.3 HRK/USD in 2009 vs. 4.9 HRK/USD in 2008).

Sharp economic contraction in core markets

The annual average inflation rate (annual rate of change in HICP - Harmonised Indices of Consumer Prices) in Hungary dropped to 4.0% in 2009, a 2.0% decrease from 2008. In Slovakia, the average consumer-price inflation dropped to 0.9% in 2009 from the previous year's 3.9%. Annual inflation in Croatia was down to 2.2% in 2009 from the 5.8% level seen in 2008. According to preliminary data of Eurostat, annual real GDP in 2009 contracted by 6.3% in Hungary (against a 0.6% growth in 2008), by 4.7% in Slovakia (compared to a 6.2% increase in 2008) and by 5.8% in Croatia (vs. a 2.4% rise in 2008). Across the region, demand for motor gasoline decreased marginally by 0.3%, while diesel demand fell slightly by 1.2% in 2009, much less than would have been justified by the magnitude of the economic contraction.

CHANGES IN THE REGULATORY ENVIRONMENT

Changes in regulated gas transmission tariffs

The asset proportional profit – projected on the asset base acknowledged by the regulator (RAB) and enforceable for the regulated activity at the Hungarian natural gas transmission – tariff was 6.9% in 2009. As a result of the tariff change in July 2009, the capacity fee decreased by 10% on exit side, while it increased by 19% on entry side on the whole. As new element in the regulation, the capacity fees were differentiated on entry side. The turnover fee decreased by 28% according to the tariff decree as of 1 July 2009, which reflects the change of acknowledged gas price.

Minimal impact from changes of the Mining royalty framework in Hungary

The Mining Act, which regulates the mining royalty regime in Hungary, was again amended in 2008, with changes effective from 23 January, 2009. The modified Mining Act of 2008 and the related by-laws introduced the following key elements in 2009:

- decreased base royalty level on crude and gas produced from fields put into operation after 1998 (but before 2008) to 12% from 30%;
- increased escalation factor of the acknowledged cost in the formula determining royalty rate on gas produced from fields put into operation before 1998.

These modifications have limited impact on mining royalty rate paid by MOL as royalty rate on the production from fields listed in agreement between MOL and the Minister of Economy and Transport remains determined according to regulation effective at the end of 2005. The bilateral agreement determines the royalty payable by MOL on Hungarian hydrocarbon production from fields named in the agreement until 2020. Other fields including new discoveries were subject to mining royalty rates regulated by the modified Mining Act of 2008 and the related by-laws. In January, 2009 the European Commission started a formal state aid investigation concerning the agreement between MOL and the Ministry. The aim of the investigation was to ascertain whether the provisions fixing the mining royalty at the level effective at the end of 2005 constituted state aid.

Changes in Russia...

MOL paid 29% of its crude oil and natural gas revenue as mining royalty to the Hungarian State on the crude oil and natural gas produced in Hungary in 2009. In 2009, the average rate of the mining royalty payable on natural gas produced from fields put into production after 1998 and for crude oil production was 12.2% (excluding volumes from enhanced oil recovery which represented 13% of oil production and which is subject to a zero royalty rate in Hungary). The rate of the mining royalty payable on gas produced from fields put into production before 1998 decrease from 71% to 62% due to decreases in oil and gas prices and the impact of increase in the acknowledged cost on rate in the predetermined formula. In 2009, HUF 44.4 bn was paid to the energy price compensation budget from royalties resulting from production from these fields.

With effect from 1 January, 2009 the threshold of the Mineral Extraction Tax was increased from USD 9 /bbl to USD 15 /bbl. The extraction tax and export duty in Russia is dependent upon the average Urals blend listed prices (Rotterdam and Mediterranean markets) and the Russian Rouble/US Dollar exchange rate and are calculated by the formulas set out in the tax legislation. The tax authorities inform the public of the extraction tax rate through official announcements on a monthly basis. Starting from 3rd of December 2008 due to the volatility of the crude oil price the Russian government implemented monthly monitoring period for export duty (contrary to two month period previously used) based upon the average Urals blend listed prices (Rotterdam and Mediterranean markets). The extraction tax rate as of 31 December 2009 was USD 13.0/bbl; with an annual average extraction tax rate of 16.6%, based upon the annual average Urals blend price in 2009. The export duty rate as of 31 December 2009 was USD 39.4/bbl; with an annual average export duty rate of 40.7%, based upon the annual average Urals blend price in 2009.

Furthermore, the corporate income tax rate has been reduced from 24% to 20% from 1 January, 2009 in Russia.

... in Pakistan...

In Pakistan a new Petroleum Rule has been introduced in 2009. The new regulation will be applicable on the new discoveries, for our existing Development and Production Leases the 1997 Policy is still valid. MOL together with partners considered the effects of conversion and in case of exploration blocks applied for the conversion. Under the new regulation the royalty rate is 12.5% on sales and corporate income tax rate is 40% with an implied windfall levy on oil and condensate sales. Under the 1997 rule the royalty rate is 12.5% on wellhead value and corporate income tax rate is 52.5% with no windfall levy applied.

...in Croatia

As per regulation in 2009, a royalty of 2.6% (in case of certain fields 5%) was levied on sales value of hydrocarbons. Mining tax law was modified in 2009 with effect from January 2010. As per the new regulation, the basis of royalty is the market value of produced hydrocarbons. Royalty rate for exploitation fields approved by 31 December 2009 is 3.1% in 2010, which increases by 0.5% per year until 2015, and will be fixed at 10% for ten years thereafter. Production-based fee for exploitation fields to be approved after 31 December 2009 amounts to 10% of market value of produced hydrocarbons. Proceeds from cash fees paid upon produced quantities from onshore fields are allocated between local and regional self-governments and state budget. Fees paid upon offshore production represent revenues of state budget.

SALES, OPERATING EXPENSES AND OPERATING PROFIT

The full consolidation of INA commenced as of 30 June 2009, therefore the items of consolidated statement of operations reflects INA's contribution from 1 July 2009. In the first half of 2009 and in the comparative periods MOL's share (47.2% and 25%, respectively) of the net profit of INA Group was included as income from associates. In H2 2009 INA contributed an operating profit of HUF 3.4 bn to the continuing operations of MOL Group. INA Group reported an operating profit from continuing operation of HUF 10.4 bn from which impairment losses and adjustments for provisions (totaling to HUF 16.8 bn) have been eliminated on consolidation since these are reflected in MOL Group's purchase price allocation as required by IFRS 3R. Subsequent to the preliminary purchase price allocation, the additional depreciation calculated on the fair value of INA's property, plant and equipment and also the turnover of inventories recognized at fair market values upon consolidation (as opposed to the carrying amounts reflected in INA Group's separate financial statements) increased operating expenses in the second half of 2009 by HUF 25.7 bn and HUF 16.0 bn, respectively. These amounts are recorded in various captions of the consolidated statement of operations.

Decrease in net sales revenues

In 2009, Group net sales revenues decreased by 9% to HUF 3,226.0 bn, despite INA's H2 contribution of HUF 346.3 bn, primarily reflecting lower commodity price quotations, resulting in lower average sales prices in USD-terms, which was slightly offset by the change in FX rates.

One-off incomes

Other operating income in FY 2009 includes the excess of the MOL's share of INA Group's net assets over the purchase price (HUF 47.7 bn) as well as a HUF 22.9 bn gain on the re-measurement of MOL's 25% investment in INA and its previously held interest in Energopetrol upon fully consolidating both companies as of 30 June 2009, pursuant to the adoption of IFRS 3R (see in Changes in Accounting Policies and Balance Sheet chapters). Additionally, this caption contains a HUF 25.0 bn reversal of payables which has been accrued originally at the time of MOL's gas business sale and the recognition of a further HUF 3.2 bn receivable with respect to the subsequent settlement from E.ON Ruhrgas International AG, since the parties agreed to terminate the risk-sharing mechanism in Q2 2009. Other operating income in 2008 contains HUF 6.4 bn receivable for subsequent settlement from E.ON in connection with the gas business sale, as well as the repayment by the Slovak Ministry of Finance of HUF 4.6 bn from the unfounded penalty paid by Slovnaft in 2005.

Decrease to cost of raw materials

The cost of raw materials and consumables used decreased by 8%, in accordance with the rate of weakening in sales. In 2009, raw material costs decreased by 16%, primarily as a combined effect of the drop in crude oil import prices (HUF 364.8 bn including the effect of FX rate change) and the lower quantity of import crude oil processed (HUF 103.5 bn) as well as the H2 contribution of INA (HUF 226.8 bn) compared to 2008. The cost of goods sold increased by 21% to HUF 521.0 bn, due to the significantly higher value of natural gas sold by MOL (HUF 69.6 bn) to third parties as well as the contribution of INA (HUF 30.0 bn). The value of material-type services used increased by 11% to HUF 169.7 bn.

Other operating expenses

Other operating expenses decreased by 3% year-on-year to HUF 270.2 bn in 2009, mainly as a combined effect of the lower mining royalty (HUF 40.0 bn) and the decreased value of export duty from the Russian operations (HUF 15.1 bn). Consolidation of INA also increased our other operating expenses by HUF 43.1 bn.

Increase in headcount across the Group

Personnel expenses increased by 44% to HUF 200.8 bn, due to INA's H2 contribution of HUF 53.1 bn and the combined effect of annual salary increases (3.7% at the parent company), the higher expenditures at foreign subsidiaries reflecting the FX rate change compared to prior year and the 10.3% increase in average headcount of the Group mainly due to the acquisition of I&C Energo a.s. at the end of June 2008 (HUF 3.7 bn).

Of the production costs incurred in 2009, excluding INA's contribution (HUF 50.0 bn), HUF 5.9 bn is attributable to the increase in the level of finished goods and work in progress compared to the decrease of HUF 59.6 bn in 2008.

EXPLORATION AND PRODUCTION OVERVIEW

Mol remained one of the most profitable upstream players. Signification impetus is given to further growth by acquisition in 2009

Gaining operative control of INA and the acquisition of a 10% stake in the Pearl project in the Kurdistan region of Iraq significantly changed MOL's upstream map in 2009. Following the acquisition of further shares in INA in October 2008, MOL has taken operative control and has been fully consolidating INA in its financial statements since July 2009. INA's full consolidation had remarkable effects on MOL's Upstream portfolio – increased significantly reserve base to 665.1 MMboe as at the end of 2009 and increasing its production by two thirds to 142.5 Mboe/day in the fourth quarter of 2009. The enlarged upstream portfolio has sizeable production in 7 countries and exploration potential in 15 countries.

At the same time we made further steps to maximize the value of our existing resource base through enhanced and improved recovery of our existing producing fields, through originating new projects in territories neighbouring our legacy assets, via strict cost control and efficient operation.

- Highly competitive production unit cost of 5.2 USD/boe was maintained on Group level (without DD&A, without INA).
- Intensive field development activities were continued focusing an early cash generation.
- Our widely known strong exploration track record continued further, as we claimed 11 discoveries out of a total 17 exploration wells (including 4 wells by INA, d.d.) tested in 6 countries. New discoveries have added approximately 8.5 MMboe to our SPE 2P reserve base in Hungary. International discoveries are expected to increase our reserve base in the following years after detailed assessment.
- We established new partnerships both in Hungary with RAG from Austria and abroad with Crescent Petroleum and Dana Gas PJSC.

Outlook: key task is to maximize the value of our existing portfolio

The main objective for the coming years will be to maximise the value of our existing portfolio. The focus will be on completing high return/early cash generative appraisal and development projects in Syria, CEE, Pakistan, Kurdistan and Russia to increase production

levels, contributing significantly to Group-level EBITDA, growth. At the same time, we intend to extend MOL's outstanding efficiency to the whole upstream portfolio. Finally, we are carrying out extensive and intensifying exploration activity to further increase our reserve base and create the basis for further production growth beyond 2013.

Strong operating profit contribution maintained in 2009

For 2009 E&P segment operating profit from continuing operation, excluding special items was HUF 134.6 bn including INA's contribution of HUF 26.0 bn in H2 2009. In spite of the changes in industrial environment we managed to maintain Upstream operating profit (excluding INA, and the impact of the Szőreg-1 disposal from 2008) close to the record level reached in 2008. Results decreased only by HUF 17.0 bn to HUF 108.7 bn as lower prices and volumes overcompensated the impacts of tight cost control. Production volumes in general declined by 9% due to natural depletion in Hungary and Russia. Realised average hydrocarbon prices decreased by 31% in USD-terms in 2009 (crude oil and condensate prices were lower by 36% in line with Brent changes, while Hungarian gas prices decreased only by 25% as gas price is based upon previous nine-month average of oil products prices). These changes were partly compensated by the weakened HUF by 18% to the USD.

The impact of lower prices and volumes were reflected in Upstream revenues and expenditures.

- Revenues, excluding INA's contribution and HUF 65.3 bn one-off revenue of Szőreg-1 disposal, decreased by HUF 97.8 bn or 23% to HUF 333.5 bn in 2009 compared to 2008.
- Royalties on Hungarian production at MOL Plc. decreased by HUF 39.0 bn year-on-year to HUF 69.1 bn (out of this amount HUF 44.4 bn was paid to the energy price compensation budget). The mining tax and export duty paid in Russia decreased by HUF 27.5 bn to HUF 29.6 bn.

The combined effect of decreasing tax payments as a consequence of lower prices and volumes, and of increased focus on cost management, Upstream expenditures, excluding INA's contribution, decreased by HUF 80.7 bn or 26% to HUF 224.8 bn.

INA's contribution to operating profit, excluding special items (consolidated from 1 July, 2009) was HUF 26.0 bn, including HUF 27.6 bn additional depreciation calculated on the fair value of INA's property, plant and equipment.

INA consolidation increased daily production

The total hydrocarbon production was 108.0 Mboe/day in 2009, including INA's 29.1 Mboe/day contribution in H2 2009 (the full year production of INA amounted to 56.6 Mboe/day in 2009). Excluding INA's contribution, total hydrocarbon production, averaged at around 78,900 boe/day in 2009, representing a 9% decrease year-on-year. Total crude oil production (excluding INA's contribution of 12.4 Mboe/day) declined by 10%, and gas production (excluding INA's contribution of 16.7 Mboe/day) was 7% lower than the level reached in 2008.

In 2009, the average Hungarian hydrocarbon production was 57.5 Mboe/day, compared to 61.7 Mboe/day in 2008. In 2009, Hungarian gas production volumes declined to 36.0 Mboe/day by 8% compared

to 2008 as a consequence of natural depletion. Hungarian crude oil production declined by 5% to 21.5 Mboe/day in 2009 compared to 2008.

Decrease at international production (13%) basically comes from oil production in Russia which decreased by 14.2% to 20.1 Mboe/day. This decrease was determined by decrease at ZMB project (24.6%) due to increased water content as a result of maturity and capex delays. Pakistani production increased to 1.4 Mboe/day by 16% as a consequence of start-up of the operation of Manzalai central gas processing facility at end of October, 2009.

INA's contribution to daily production by consolidating from 1 July, 2009 was 29.1 Mboe/day (the full year production of INA amounted to 56.6 Mboe/day in 2009). INA's production basically comes from Croatia (24.1 Mboe/day), while the contribution of international assets was 5.0 Mboe/day. Croatian production is mainly from onshore production (16.7 Mboe/day), but offshore gas production is considerable (7.4 Mboe/day) also. International production is mainly in Syria (2.3 Mboe/day), but there is oil production in Angola (1.7 Mboe/day) and in Egypt (1.1 Mboe/day) also.

International production was lower compared to 2008...

International hydrocarbon production (excluding INA's contribution of 29.1 Mboe/day) decreased by 13% year-on-year to 21.5 Mboe/day in 2009. Our share of the crude oil production from the ZMB field reached 15.0 Mboe/day in 2009, a 24.6% decrease compared to the previous year. The decrease in ZMB production is the consequence of natural decline due to the maturing stage of the field and the increased water-cut from production wells. In joint efforts with the partnership operator, we modified the CAPEX program, based upon analysis of well-performing horizontal wells spudded in 2008. These modifications optimized production in 2009. 2009 original work program was to maintain productivity of the ZMB field. After examination of Russian Federal Subsurface Management Agency in July 2009 new additional work program was designed additional to utilise the produced associated gas via the installation of gas turbine driven electric generators.

...production from new developments in Russia and Pakistan could only partly offset fall from ZMB

The Baitugan field (in Russia's Volga-Urals area, with a 100% MOL share) produced 3.0 Mboe/day, increased from 2.2 Mboe/day in 2008 as a result of development efforts. The fields in Matjushkinskaya block (a 3,231 km² block in Tomsk region, Russia with a 100% MOL share) provided an additional 2.0 Mboe/day average production. Production in the Manzalai and Makori fields in the Tal Block in Pakistan (8.42% MOL share) was around 1.4 Mboe/day (net to MOL), increased by 16% in 2009.

Intensive field developments in Russia and Pakistan

In the ZMB field, two production wells were drilled and new construction area was prepared for drillings of the next year during 2009. Furthermore, reconstruction of electric power substation was finished and put into operation.

In the Baitugan field, field development activity continued in 2009. The processing and interpretation of 3D seismic acquisition – started in 2008 – was finished. 29 new producing wells, 9 water injectors and 10 water producers have been drilled. The extension and reconstruction of the gathering system and the construction of water injection system was continued. The reconstruction, extension and gas utilisation of central processing system was started.

In the Matjushkinskaya block, construction of surface facilities, gas utilisation and related engineering were completed. In 2009, development activity was focused on the Ledovoye field development: 8 production wells, 1 water producer well were deepened and related surface facilities were constructed. The production increase of the block was 49%.

MOL as the operator in Tal Block, Pakistan completed the Manzalai Central Processing Facility (CPF) and commissioned three production wells at end of October, 2009. The production rate on the Manzalai field reached 220 MMscf gas and 4,600 boe condensate per day. This was further increased in January 2010 after connecting further two wells.

Croatian onshore activities

Croatian onshore field development activities by INA in 2009 were focused mainly on workovers of existing production wells on mature fields with the aim of increasing production level and recovery rate. Implementation of EOR project on Ivanic and Žutica fields was continued.

Croatian offshore activities

Due to intensive development activities in 2009, Croatian offshore gas production increased significantly.

2009 development program on the Ivana contract area (operated by INAgip, a joint venture between INA and the Italian ENI with equal share) included well completion and installation of gathering system on Vesna and Irina offshore gas fields; drilling and completion of six new wells on Annamaria A platform and connecting Annamaria A platform to the Northern Adriatic gathering system - resulting in the start-up of production from Annamaria gas field from November 2009.

Development program for 2009 of the Izabela contract area (operated by EdINA, owned by INA with 30% share and the Italian Edison with 70% share) contained installation of two platforms (Izabela South and North), connecting the two platforms, and connecting the South platform by sea-line to Ivana K platform, and drilling activities on Izabela South. In 2010, multiple production wells will be drilled and a summary pipeline will be built to the existing central Ivana A and Ivana K platforms. Production from the field is expected to commence in H1 2010.

INA's international development activities – focusing on Syrian Hayan Block

In the Syrian Hayan Block (INA has 100% paying share) the construction of the Jihar Oil and Gas Gathering Station (with a capacity of 1,000 scm/day of oil and 670,000 scm/day of gas) was finished in late 2009 resulting in remarkable production increase from the field. The development program in 2009 also contained drilling of 4 production wells and workover of 3 wells. In addition to the oil and gas station, the construction of a Gas Treatment Plant (GTP) including an LPG plant has also been going on in 2009 and will be continued in 2010 with an expected completion by 2011.

In Angola, INA has interest in the offshore oil Block 3, in three production license areas: Block 3/05 and 3/91 operated by Sonangol; and Block 3/85 operated by Total. Work program in 2009 included drilling of one production well, commencement of drilling of two further production wells, and maintenance and inspection program. In 2010, the two wells started in 2009 will be completed, a new gas pipeline will

be constructed and platform and production maintenance works will be carried out.

In Egypt in East Yidma Block (Sidi Rahman Development Lease; INA operated), Ras Qattara, West Abu Gharadig and North Bahariya concessions (operated by other companies) several development wells were drilled, and 2010 work program also contains drilling of multiple wells.

Unit OPEX decreased

The 2009 annual average unit OPEX (with exclusion of DD&A, without INA) decreased by 0.6 USD/boe to 5.2 USD/boe compared to 2008. Negative effect of lower production output resulted in an increase of 0.4 USD/boe which was overcompensated by favourable exchange rates of weak local currencies compared to USD (decrease of 1.0 USD/boe) and by the strict cost controls implemented in response to the general unfavourable economic environment (decrease of 0.1 USD/boe).

We carried out intensive exploration activity in Hungary and we continued with our international exploration projects. In 2009 main activities carried out in Pakistan, Kurdistan, Kazakhstan, Cameroon and Russia. From July 1, 2009 after full consolidation of INA, the exploration portfolio was extended by activities in Croatia, Syria, Egypt, Angola and Namibia.

Strongest acreage position in Hungary and Croatia. Significant in other countries with exploration successes in the year

As at 31 December 2009, the MOL Group had 32 exploration licenses covering more than 37,215 square kilometres in Hungary keeping his dominant playership in the country. In addition, through its subsidiaries the MOL Group participates in the exploration of numerous international exploration blocks located in 13 countries. The Group also has the right to explore hydrocarbons in nine onshore blocks, covering a total area of approximately 70,174 square kilometres and in three offshore blocks with a total area of 37,840 square kilometres in Croatia.

Continued strong exploration track record

Our strong Group level exploration track record, already observed in the preceding year, continued further in 2009 as we claimed 11 discoveries out of a total 17 exploration wells tested in 6 countries, leading to a solid 65% success rate at the drill-bit. In Pakistan, we drilled 3 exploration wells in 2009, one of them is a commercial discovery. In Kazakhstan and Kurdistan we drilled 1-1 exploration well, both of them resulted in discoveries. INA drilled 3 exploration wells in Egypt, 2 of them resulted in discoveries and in Croatia 1 exploration well was drilled without any discovery.

Our conventional exploration activity in Central Europe reached an outstanding 75% success rate in 2009. In Hungary, out of the 8 exploration wells tested in 2009, 4 wells were classified as gas producers, 2 wells as oil producers adding approximately 8.5 million boe to our SPE 2P reserve base. Two wells were qualified as dry. There were 3 wells in drilling or testing phase in Hungary at the close of this report.

New partnerships in conventional exploration

In order to maximize the skill base and operating focus, as well as to share risks and costs, in 2009 we continued our strategy realization via establishing new partnerships with Ascent Hungary and Rohöl AG (in Lovász-Petišovci and Paleogen-North exploration projects).

Significant activities in unconventional exploration

From the end of 2007, MOL has developed a multi-element unconventional exploration portfolio by ensuring its presence in all Hungarian unconventional basins. In 2008-2009 an extensive

work program was completed in the Makó basin in partnership with ExxonMobil and TXM by drilling 3 and testing 2 exploration wells. The tests were technically successful, but the results have not justified the preliminary expectations yet. On the basis of the results, in February 2010 ExxonMobil and MOL decided to withdraw from the Makó-East project. In Makó-West area, there are no operational activities planned for 2010, decision about further activities is expected later this year.

In the Békés basin MOL drilled one well on its own exploration license in 2009, which has reached the initial targets, proved existing of the unconventional play and the presence of gas. The project will be continued in 2010 after the decision is made on the future steps.

In the Derecske basin MOL has launched an exploration program by drilling two wells, which both proved the presence of hydrocarbons in tight reservoirs and already producing gas from unconventional reservoirs. Based on the positive results MOL continues the exploration program (in 2009 preparation and 2010 drilling of 2 wells) in this promising basin without involving another partner.

Promising INA-MOL joint exploration projects at the border

In recent years INA's conventional Croatian onshore exploration activities have focused on evaluation of less risky prospects located near producing areas in the Pannonian basin. Furthermore, the Drava and Mura basins' unconventional gas potential are also being evaluated. 2009 work program included drilling of first exploratory well in the Novi Gradac – Potony license area, and 3D seismic acquisition and well test in the Zalata – Podravska Slatina license area (both in cooperation with MOL) at the Croatian-Hungarian border.

Adriatic offshore exploration

Exploration activity was continued on offshore Ivana Block, Croatia in partnership with ENI in 2009, including drilling of one exploration well (resulting in non-commercial discovery), G&G studies and investigation of thin-layer-type reservoirs (Ivana and Ika fields), to explore further gas potential.

Further exploration success in Pakistan

In Pakistan, a commercial discovery from the Maramzai-1 drilling in the Tal Block was announced on 14 October 2009. The production capacity of the well is 38.3 MMscf gas and 1,434 bbl condensate per day. The well is scheduled to be connected to the Manzalai CPF in Q3 2010. In the same block, the Makori-West-1 exploration well failed to substantiate further upside for that field and was written off. In the Margala and Margala North exploration blocks (70% MOL share) we finished the 2D seismic campaign to create a basis for drilling.

Confirmed resource presence in Kazakhstan and in Russia

We are the operating shareholder (27.5%) of the Fedorovsky exploration block in Kazakhstan. The Rozhkovsky U-12 drilling was finished in June 2009 and was successfully tested in October-November. During testing, it produced 1,321 boe condensate and 5.4 MMCF gas per day. The appraisal will be continued in 2010 with drilling of another appraisal well and geological interpretation.

In Russia, 2 exploration wells started in 2009. The Kvartovaya-11 well in the Matjushkinskaya Block was completed in 2009. In the Surgut-7 Block the first exploration well (Ayskaya-1) was drilled in 2008, resulting in oil indications from several layers. In 2009 the second exploratory well (Atayskaya-2) was completed, which gave oil from the Jurassic horizon. Further tests are scheduled for 2010.

Progress in our exploration projects in Kurdistan (Northern Iraq); Oman, Cameroon, India and Yemen

In the Kurdistan Region of Iraq MOL is the operator of Block Akri-Bijeeel with a working interest of 80% and has a 20% non-operated working interest in Block Shaikan. In the Shaikan Block the Shaikan-1 exploration well has been deepened and successfully tested in 2009. An accelerated appraisal programme will be launched in 2010. In the Akri-Bijeeel Block the Bijell-1 exploration drilling started end of December. The first tests have been successful. The well has produced 3,200 bbl/d oil and 0.9 MMcf/d (~150 boe/d) of gas.

In Oman, (75% MOL share) we performed G&G studies and entered into the second exploration phase in 2009. The work commitment of this phase contains G&G studies and 300 km new 2D seismic acquisition and one optional well. The 2D acquisition will be carried out in 2010.

In Cameroon, MOL has 40% non-operated interest in the Ngosso Block. In 2009 3D seismic acquisition was performed, its processing and interpretation is expected to be completed in 2010.

In India, MOL farmed into Block HF-ONN-2001/1, operated by ONGC. The 35% working interest in the Himalayan Foothills was approved by the Indian Government in July 2009. The block is in the second phase of exploration, and the drilling of an exploratory well (Kasauli-1) is expected to commence in 2010. 2010 work program also contains seismic re-evaluation.

In Yemen Block 48, as the license expired in January 2010, MOL decided to exit the block and started termination of the project.

INA's International exploration activities – focusing on committed programs in 2009

In the Syrian Aphamia Block (INA has 100% share) new 3D seismic acquisition, processing and interpretation of the acquired data was carried out in 2009.

In the Angolan 3/05A concession an appraisal well was drilled in 2009 (with a total depth of 3,431 m). Primary objective zones were perforated and successfully tested. In 2010, in the second extension phase of the exploration license, one exploration well will be drilled.

In Egypt, geological studies were performed and two exploratory wells were drilled in 2009 on the East Yidma Concession. Rizk-1 well proved oil accumulation and was successfully tested, based on which INA declared commercial discovery. The other well did not reach planned depth, but hydrocarbon saturation was identified and tested in two reservoirs.

In the Namibian Zaris Block and the Iranian Moghan-2 Block, reprocessing of 2D seismic data was performed in 2009. Based on the results, INA started to prepare for termination of the Namibian project at the expiry of the license in 2010; while an innovative exploration program has been prepared for Moghan Block.

Significant acquisition in Kurdistan Region of Iraq - Pearl

In May 2009, MOL acquired a 10% stake in Pearl Petroleum Company Limited (Pearl Ltd) from Crescent Petroleum and Dana Gas PJSC. Pearl Ltd was set up to appraise, develop and produce two giant, multi TCF gas-condensate fields (Khor Mor and Chemchemal) in the Kurdistan Region of Iraq. Chemchemal field is in exploration phase, while Khor Mor field is under development and produces and supplies gas to local power plants. Local industrial needs have to be primarily satisfied by

the project, but in future, substantial excess quantities are expected to be available for export.

The project is equity consolidated, which disallows recognition of hydrocarbon production share in MOL Group production volumes, but reserves as equity reserves still will add to Group reserves in the future.

Stable MOL SEC reserves

According to our reserve review, (excluding INA d.d.'s reserves, but including MMBF Zrt's reserves) in line with SEC guidelines, total gross proved developed and undeveloped reserves of the MOL Group at 31 December, 2009 were 153.3 MMboe, consisting of 12.6 bcm (82.6 MMboe) of natural gas (including condensate and gas liquids) and 9.6 million tonnes (70.7 MMboe) of crude oil.

In Hungary, annual production in 2009 reduced our gross proved reserves by 23.6 MMboe. New Hungarian discoveries and field extensions increased MOL's gross proved reserves by 3.0 MMboe, while the revision of reserves increased the gross proved reserves by 8.0 MMboe.

Internationally, reserve revisions resulted in an increase in gross proved reserves of 18.2 MMboe.

In accordance with SEC guidelines, as at 31 December 2009, MOL's share of gross proved reserves of the ZMB field was 25.0 MMbbls. The Baitugan field had 12.7 MMbbls of proved reserves. Proved reserves of the Matjushkinskaya block were 4.8 MMbbls where revision due to Ledovoye field appraisal added reserves of 2.6 MMbbls in 2009.

The Manzalai and Makori fields in the Tal Block (Pakistan, 8.42% MOL share) had 12.8 MMboe of proved gas and condensate reserves pertaining to our share according to the SEC reserve evaluation as of 31 December, 2009. Revision added 13.0 MMboe in 2009 as Manzalai CPF was constructed and long-term gas sale was secured.

SPE 2P reserves doubled year-on-year due to INA consolidation

In parallel to the reserves presentation of proved reserves under SEC guidelines, MOL publishes P1 and P2 reserves according to SPE guidelines. In the opinion of the Company, SPE guidelines provide a more realistic framework for reserves presentation. MOL's 2009 year-end SPE gross proved reserves are 447.0 MMboe, including 245.3 MMboe of INA d.d.'s reserves and 3.7 MMboe MMBF Zrt's reserves. SPE P1+P2 figures are at 665.1 MMboe (including 325.1 MMboe of INA d.d.'s reserves and 3.7 MMboe MMBF Zrt's reserves), which presents an increase of 132.5 MMboe compared to the previous year mainly due to full consolidation of INA, d.d.

Quick and adequate response to the economic crisis

Solid base for organic growth in an enlarged Group...

...by leverage synergies of 5 refineries and 2 petchem units

Market driven investment programme continued

REFINING AND MARKETING OVERVIEW

MOL Group adopted a disciplined and effective approach to cost consciousness thus gave successfully answers to the main challenges of 2009. The company focused on cash generation performance in all activities. While inventory levels and operation unit costs have been lowered, strict control procedures have safeguarded credit performance. As part of the quick and adequate response to the economic crisis, MOL decided to cut its original CAPEX plan for this year, resulting in focused investments and revaluation of projects on MOL Group level. The large scale hydrocrack conversion project in Duna Refinery has been rescheduled to an early revisit in 2010. However the review of the technical scope and timing of the project will be carried out in the light of new synergies in the larger group.

The operational control over INA since 2009 brought two refineries to MOL's refinery pool, which total capacity increased to 23.5 mtpa. The five refineries operated under joint supply-chain optimisation on adjacent markets provide outstanding further growth opportunity. The high complexity Duna and Bratislava are well-known for their exceptional profitability and outstanding operational excellence and represents our track record of cutting edge asset development. Although the new refineries have lower complexity and efficiency levels, MOL is committed to improve the efficiency level of the new portfolio elements to its surpassing standard level. The coastal Rijeka refinery provides direct connection to the Mediterranean region and gives the opportunity for the Group to procure and sell crude oil and oil products by cargo, while the landlocked Sisak refinery is located in the vicinity of the main Croatian consumer market.

The extended portfolio also allows MOL to leverage all the development and operational synergies among the refineries and petrochemical units. MOL can optimize its asset developments on a higher level and can exploit the advantages of the joint stocking and scheduling of its units, the feedstock and product transfers among the refineries and harmonized logistics and commercial activity.

In order to implement the maximum exploitation of the operational opportunities and harmonizing the investment decisions a cutting-edge planning tool, Seven Sites Linear Programming Model was introduced in 2009. Extended Group level risk management, intensive knowledge transfer and sharing also have been commenced.

With disciplined, more focused CAPEX management MOL Group continued its key asset development programs despite the tight economic environment in 2009. INA Modernization Programme Phase I. targeting compliance with EU motor fuel quality requirements. New units in Sisak Refinery have already come on stream both to produce Euro V motor gasoline and to reduce emission to local environment. New units in Rijeka are in-construction to process Euro V motor fuels in 2010 and to comply with local environmental legislation.

IES Modernization programme continued with adding new hydrotreater capacities to serve local markets with Euro V gasoils.

MOL and Slovnaft refineries completed the planned diesel production revamps and capacities have been lifted to serve long term market dieselisation trends.

Slovnaft heavy-fuel-to-electricity upgrade project gained momentum. The increased capacity of the local power plant will satisfy the electricity and heat demand of the refinery thus providing value creating captive market for all Slovnaft processed heavy residue fuels.

Outlook: become the premium refinery Group, with...

Our vision is to become the premium refinery group in Europe. On the track for this the completion of INA Modernization Programme Phase I. and the continuation of integration will be the key elements of 2010.

...focused developments...

The most important part of the remaining investments of the Phase I. programme is the Mild Hydrocracker unit in Rijeka, with the expected completion by mid-2010. With the completion of these investments Rijeka will be able to produce its full diesel and gasoline products in Euro V quality, while Sisak will produce gasoline solely and diesel partially in line with Euro V quality standards. With the EU standard motor fuel pool, the Group both will be able to serve local markets and harmonise its regional sales activity on more efficient level. Continued focus will be given to the market driven planning of Phase II. to elevate conversion level and competitiveness of the refineries on mid-term.

...and extension of our outstanding operational excellence to Group level

Efficiency improvement actions will be continued at all locations supported by extensive knowledge transfer and harmonized operation across all business segments through the whole value chain. We also keep focus on unit costs of our activities, asset maximization of production, distribution and commercial chains, and will exploit cross-border synergies available by the organic growth of the previous years.

Extremely tight external environment, but...

The external conditions in 2009 were significantly different from 2008. Diesel crack spread was extremely strong (USD 217/t) in 2008, while it was extremely low (USD 68/t on average) in 2009 which affected the result mostly (middle distillate yield is 45%). Motor gasoline crack spread improved slightly from USD 104/t to USD 116/t, while naphtha increased from USD 25/t to USD 50/t in 2009 vs. 2008. In addition, the Brent-Ural differential narrowed to USD 0.8/bbl in 2009 versus USD 3.0/bbl in 2008.

...Downstream business was still profitable

Despite of the tight and deteriorated external environment the R&M segment operating profit, excluding special items, was HUF 28.0 bn in 2009. Excluding INA's consolidation impact of operating loss of HUF 19.7 bn in H2 2009, the Downstream EBIT amounted to HUF 47.7 bn for 2009, representing a 30% decrease year-on-year. CCS-based operating loss, excluding INA's contribution was HUF 2.4 bn, mainly due to external factors and a 2% volume decline, which was only partly offset by the positive impact of the weaker HUF vs. the USD as well as the internal efficiency improvement (rigorous cost control and efficient customer management system).

INA fuelled the 9% throughput increase

In 2009, we processed 16.6 Mt of crude oil, compared to 15.0 Mt in the previous year, an increase of 11%, supported by the half year contribution of INA production. Refinery throughput grew by 9 % year-on-year to 19.7 Mt in 2009 with 2.4 Mt INA contributions.

Lower refinery utilisation due to moderate market demand and Group level optimization

As a result of the optimisation of sales, inventory level with stringent cash flow focus the refinery throughput, excluding INA's 2.4 Mt contribution, decreased by 5% to 17.3 Mt in 2009 compared to 2008. Other feedstock processing, excluding INA, decreased by 4% compared to the previous year mainly due to a decrease of 0.2 Gasoil purchase as a result of optimization. Processing at the Duna and Slovnaft refineries decreased by 5% on uninterrupted Russian crude supply, while the throughput of IES improved by 2%.

Strict inventory control

Closing inventory volumes, excluding INA, decreased by approximately 330 kt during 2009 vs. 2008 as a result of effective cash management.

Regional demand growth was above expectations

Motor fuel demand in the Central-Eastern Europe region declined by about 1%, which is significantly better than expected at the start of the economic crisis. Gasoline demand stagnated, while diesel consumption suffered a minor drop of 1.2% in 2009 year-on-year. There were considerable differences in the demand pictures of individual countries. The largest drop in demand occurred in Slovenia and Slovakia, while demand in Poland even increased.

Sales increase fuelled by acquisition of INA

Despite the recession, group level sales volume, excluding INA's 2.2 Mt contribution, fell by only 2% year-on-year to 15.2 Mt in 2009. The decrease was caused by the lower H1 2009 volumes compared to H1 2008, while H2 2009 sales were stable year-on-year. Even diesel sales, which is the most exposed to recession (transportation) eroded by only 3.3%, while motor gasoline sales slightly decreased by 0.3%, excluding INA's consolidation impact, in H2 2009 year-on-year.

Leading position in our home markets maintained

We were successfully maintaining our market position on the domestic and on the most important and closest export markets. Moreover, with the consolidation of INA we have strengthened our regional position on all fields of downstream activity. Our market share in CEE has increased to 19% from 17% with the contribution of INA in H2 2009 to Group sales.

Sales in Hungary: remained stable, increased slightly even during the crisis

Our total Hungarian sales remained stable in 2009. Both gasoline and diesel sales increased by 1.8% and 0.9% respectively, while our other product sales decreased by 5% compared to 2008.

Stable market coverage in Hungary

MOL successfully maintained its favourable market position in Hungary. Diesel refinery coverage increased slightly from 85% to 86% in 2009 as a result of increased sales quantity in international oil companies (IOC) and end-user segments. Refinery coverage of gasoline slightly increased from 84% to 85% in 2009.

Shrinking fuel demand in Slovakia but Slovakian market coverage successfully maintained

Total refined product sales in Slovakia decreased by 12.2%, driven by lower motor fuel sales (down by 10.6%) as a result of fuel tourism to neighbouring countries in 2009 year-on-year.

The diesel market decreased sharply by 12% in Slovakia and motor gasoline consumption by 9% year-on-year. The introduction of the Euro this year and depreciation of the national currencies in the surrounding countries strengthened the fuel tourism to outside of Slovakia.

Slovnaft maintained its strong market share position of gasoline (2008: 67% vs. 2009: 66%) and of diesel (2008: 65% vs. 2009: 66%) during

	2009. It successfully benefited from improved commercial policy targetting end-user segments, especially agriculture.
Increased bitumen consumption	The bitumen market increased slightly in Hungary partly due to works of M6 highway. On the other hand the Slovakian market declined. Market share on both Hungarian and Slovakian market declined by 4% and 2% respectively to 73% and 54%. It was the result of stronger competition driven by higher level of bitumen crack spreads this year.
LPG market share: stable in Hungary but lower in Slovakia	Refinery coverage of LPG in Hungary was 77% slightly higher than in 2008 benefiting from MOL's better position in wholesale compared to competitors. Retail market share decreased slightly in Hungary due to declined small bulk consumption in industry, the segment in which MOL has stronger position, as an impact of the crisis. In Slovakia MOL optimised market share with prices in order to achieve profit maximum; the market share declined slightly from 28% to 26%.
Petchem feedstock volume was down 2.3%	The total transferred volumes to the Petrochemical segment decreased by 58 kt to 2,488 kt in 2009. Of this, naphtha amounted to 1,822 kt and chemical gasoil volumes of 52 kt (1,888 kt and 60 kt, respectively, in 2008). In 2009, our Petrochemical segment supplied 671 kt of by-products to our Refining and Marketing segment for further processing.
	RETAIL
Retail strategy successfully pursued	In 2009, Retail Divison reached its strategic target and operates more than 1600 filling stations across 11 countries in the region, providing a strong captive market for Refining in the refinery supply radius. After successful integration of Tifon, a fuel retail and wholesale company in Croatia and the IES retail network in Italy in the recent years, MOL gained operational control over INA, the leader of Croatian retail fuel market. As a result of the full consolidation of INA and Energopetrol as of 30 June 2009, the number of filling stations increased by 488 and 42 respectively in 2009. Furthermore, we increased our Austrian network with 19 filling station during the year. In addition to expanding the number of retail filling stations, MOL Group focuses on customer satisfaction and on improving its filling stations in order to increase revenue per site and network efficiency.
New RVI providing success	MOL's 'Retail Visual Identity' (RVI) has been renewed and introduced at newly-built, refurbished, re-branded filling stations. The new design combines the traditional MOL visual elements with a dynamic refreshing image to reflect the company's strategy and to support MOL Group brand awareness. A regional partnership was created between the MOL Group and Marché International to provide a premium gastro offering at motorway locations in 2008. In 2009 4 additional Marché restaurants were opened at newly-built high-way stations in Hungary and from 2009 onwards Marché also operates restaurants in Croatia at Tifon filling stations.
Retail sales up 32%	Aggregate retail sales volumes (incl. LPG and lubricant volumes) increased by 32% to 3.1 Mt in 2009. The main driver of the growth was INA's H2 2009 contribution of 675 kt. Retail fuel sales volumes, excluding INA, increased by 3% to 2,383 kt in 2009 due to the further expansion in Serbia, Austria and in Croatia by Tifon.

Hungarian retail volumes increased despite recession	In Hungary our retail fuel sales volumes increased by 4% year-on-year in 2009 in spite of the economic downturn and the competitive environment. Gasoline sales remained stable, while diesel and LPG sales increased by 7% and 6%, respectively. The retail market was still characterised by strong price competition both in fuel and non-fuel sector. Our retail fuel market share, according to MÄSZ (Hungarian Petroleum Association), increased to 36.5% in 2009 from 35.7% in 2008. The ratio of fleet card sales to our total fuel sales remained stable in 2009 vs. 2008. Our shop sales revenues remained stable in 2009 year-on-year as the increasing sales of tobacco (14%) and pharmacy (5%) products almost offset the decrease in mobile up-loads, lower highway-ticket sales, lower food and non food revenues.
After a decreasing demand in Slovakia sales volumes started to recover in 2009 Q3	In Slovakia, total retail fuel sales volume fell by 8% in 2009 year-on-year, mainly as a result of decreased domestic demand. This was influenced significantly by the strong EUR, which shifted the fuel demand to the neighbouring countries, mainly towards Hungary, Czech Republic and Poland, mostly in H1 2009. Diesel sales showed a 7% decrease year-on-year, while gasoline sales decreased by 10%. LPG sales fell by 3%. Average throughput per site fell by 8% in 2009, as a result of overall decrease in fuel sales. The fuel card sales were affected the most by the unfavourable economic conditions and they fell significantly compared to 2008. Our retail fuel market share was 36.5% in 2009 in Slovakia vs 38.1% in 2008.
Romanian retail volumes decreased by 5% on lower demand	In Romania, total retail fuel sales volume decreased by approximately 5% in 2009 year-on-year, mainly as a result of the lower domestic demand. The fleet card sales volume was the most affected by the economic downturn and fell by over 10% in 2009 year-on-year, which in line with the decrease of the Romanian fleet card market. On the other hand, the ratio of premium fuel sales in the total fuel volume sold increased in 2009 vs. 2008. The shop sales in RON-terms had recorded a slight decrease in 2009. In 2009 MOL Romania market share remained stable at approximately 11%.
Croatia increased by 30% excluding INA	In Croatia, retail sales volumes increased by 679 kt in 2009 year-on-year including INA's contribution of 646 kt in H2 2009. Croatian retail sales volumes, excluding INA, which practically means Tifon's performance increased by 30% to 141 kt in 2009 year-on-year. By executing our strategy to expand our network, fuel sales in Serbia increased by 40% to 100 million litres in 2009.
On track with the strategy realization: over 1,600 petrol stations	The group operated 1,658 filling stations as of 31 December 2009, including 365 in our main market of Hungary, 480 in Croatia, 209 in Slovakia, 224 in Italy, 126 in Romania, 108 in Bosnia and Herzegovina, 66 in Austria, 33 in Serbia, 28 in the Czech Republic, 18 in Slovenia and 1 in Montenegro.

PETROCHEMICALS OVERVIEW

Despite of the significant losses we preserved our cash producing ability and we secured stable supply to our polymer customers

The crisis starting from the financial sector in the year 2008 that became fully expanded in the real sector during 2009 produced the worst results of the last two decades in the petrochemical industry. The profitability of polymer products dropped dramatically and consequently Petrochemical Segment's operating profit was in the red. Despite of the significant losses we preserved our cash producing ability and due to our integrated operation we were in position to supply and keep our polymer customers without reducing our polymer capacities.

Focus on cost management and energy efficiency improvement

The external economic environment compels us to maintain austerity in cost management while focussing first of all on the continuous improvement of operating efficiency, maintaining and ensuring secure operations, enhancing the energy efficiency of our systems of process technology in view of the substantial rise of energy prices and on identifying and immediately implementing any remaining opportunities presented by our technological systems besides considering the environmental aspects in full.

European polyolefin demand decreased, however in last quarter it slightly recovered

Regarding the European polyolefin demand, the year of 2009 was characterized by the long lasting effect of financial crisis started in 2008 which had double effect on polyolefin markets. The polymer producers faced not only significant decrease in polymer demand but the indirect impact of the credit limitations of their customers. On yearly basis the European polyolefin demand decreased further compared to 2008, however in Q4 2009, the demand slightly recovered compared to previous quarter and it was higher than in the same period of 2008. The negative impact of recession on demand and sales was most significant in case of automotive and construction segments while the demand in consumer goods and consumer packaging segments showed slight increase in second half of the year. At the end of the year, the demand was supported by the change in price expectations and some converters increased their purchases depending on their financing constraints.

We have amended our sales strategy to exploit our favourable geographic location in CEE

Exploiting our favourable geographic location we have amended our sales strategy, at the field of logistics product development and tight customer relations, giving bigger focus on the Central- and Eastern European region. Therefore we have closed our sales office in the United Kingdom and Russia. We are able to maintain our market presence in the above-mentioned countries via other sales channels. In order to enhance the selling towards middle- and smaller size companies we opened two new selling points, besides the already existing two, in 2009.

3% increase in polymer sales volumes despite of the recession

Despite of the recession, the total polymer sales volume increased by 35 kt (3%) in 2009 year-on-year. While the automotive and construction segments suffered the most significant drop in volume (-13% and -15% respectively), boosted sales to agricultural segment increased by 35%, demand in consumer goods and consumer packaging segments showed slight increase. Sales of olefin products decreased by 20% in 2009 vs. 2008.

HUF 15.2 bn operating loss for 2009

The Petrochemical segment reported an operating loss of HUF 15.2 bn for the FY 2009 down by HUF 7.6 bn year-on-year, reflecting the considerable drop in the integrated petrochemical margin, and the

higher energy prices. Adopting the challenges, the strict cost control measures and the implementation of efficiency improvement actions were in the focus during the year including stringent working capital management

25% lower integrated petrochemical margin

The integrated petrochemical margin declined significantly by 25% to EUR 304/t in 2009 year-on-year. Both the naphtha prices and the polymer prices increased during 2009 compared to December 2008. However, the average naphtha prices decreased by 32% in USD-terms, and the average polymer price declined by 26-28% in EUR-terms in 2009 year-on-year. The USD strengthened by 5% against the EUR in 2009 compared to the previous year, which had a negative impact on the margin.

Slight decrease in production volumes

The available olefin production capacity was lower as a consequence of the maintenance shut-downs of Olefin-1 plant in TVK. In addition, we needed to decrease the utilization of our olefin production capacity as the ethylene demand of our biggest customer, BorsodChem, dropped by 31% year-on-year. Consequently, not only the sales of ethylene, but the sales of the other olefin products declined as well, decreasing our gross margin in 2009 year-on-year.

Supply contract with Synthos to increase capacity utilisation of our olefin plants in 2010

In order to partially compensate the reduced capacity utilisation of our olefin production, in the 4th quarter of 2009 we concluded a contract with Synthos, one of the largest chemical companies in Poland for the supply of crude C4 fraction during 2010-2012. In this way we are in position to increase the sales of the by-products of the olefin plant and to improve the capacity utilisation of the olefin plants at the same time.

GAS AND POWER SEGMENT OVERVIEW

The operating profit of the Gas and Power segment increased by 60% to HUF 61.9 bn in 2009 year-on-year. FGSZ Zrt. was the most important profit contributor (HUF 46.1 bn without asset revaluation), while the significant profit realization of the two determinant subsidiaries MMBF Zrt., Slovnaft Thermal Power Plant also contributed to the favourable result of the segment in 2009.

FGSZ ZRT.

Main 2009 goals were met: infrastructure development projects on the way

FGSZ Zrt. completed the development of the import capacity expansion project in Q2 2009, thus the gas transmission from the Ukraine can be doubled (up by 30 Mm³/day) in the future. Furthermore the strategic underground gas storage facility was connected to the main nod of the transmission system. These developments give an opportunity to fulfil future domestic demand and enable us to enjoy a more pro-active role in future natural gas transmission businesses.

The Hungarian section of the 109 km long Szeged-Arad gas pipeline was completed, and it will ensure the transmission between Hungary and Romania by end of Q2, 2010. Initial capacity of the pipeline is 1.75 bcm, to be extended in the future to 4.4 bcm.

FGSZ Zrt. and Plinacro, the operator of the Croatian Transmission System, concluded a Joint Development Agreement in March 2009, with the main goal of the completion of the interconnection between the Hungarian and Croatian transmission systems. The design phase of Városföld-Slobodnica gas pipeline was finished. The implementation of the 210 km long inter-connecting pipeline with 6.5 bcm capacity was launched in 2009 September.

FGSZ continued the progress on NETS

FGSZ Zrt. stresses the vital importance of regional joint initiatives, such as the NETS project, which, first proposed in December, 2007, is a major initiative aimed at achieving greater interconnectivity between the various national gas TSOs spanning Central and South-East Europe for improved security of supply.

With harmony of the regional cooperation FGSZ Zrt. started negotiation with Eustream (Sk) and Geoplin Plinovodi (Slo) to develop new interconnections towards Slovakia and Slovenia in order to improve the security of supply and transmission possibilities in the region.

Independent Transmission system Operator

Due to change in European Union gas market regulation, in 2010 the complete unbundling of natural gas transmission activities shall be implemented from the vertically integrated parent company in Hungary as well, which process has already started in Q4 2009.

Outlook for 2010

The main task for 2010 is to continue the development of the Croatian interconnector and focus on the cost efficient operation to provide stable cash flow the the Group.

Outstanding operating profit contribution

Operating profit for FGSZ Zrt. was HUF 40.2 bn in 2009, HUF 9.7 bn (32%) higher year-on-year. Revenues increased as a result of the tariff change impact and the increasing capacity bookings. Additionally, energy costs decreased improving the profit further.

Domestic transmission revenue +12%

Revenue from domestic transmission grew by HUF 7.4 bn (12%) to HUF 66.2 bn in 2009 year-on-year. Capacity fee revenue increased by HUF 7.2 bn due to the positive impact of the tariff change, and the surplus capacity bookings. Despite the decrease of the turnover fee valid as of July 1 2009 the FY 2009 average turnover fee is higher year-on-year, which resulted HUF 0.2 bn revenue growth in 2009 in spite of the decrease of transmitted natural gas volume. Natural gas sales volume decreased by 14%, at the same time the injected volumes into underground storages increased by 68%.

Slightly lower transit revenue despite of 27% lower transmitted volume due to gas crisis

Revenue from transit natural gas transmission was HUF 16,1 bn in 2009, unchanged vs. 2008. Transmitted volume decreased significantly (by 27%) in 2009 year-on-year due to the gas crisis of January. The main reason behind the revenue decrease was the volume shortfall, which was considerably compensated by the weakening HUF against the USD.

Operating cost decreased on lower energy costs

Operating costs were HUF 2.4 bn (5%) lower in 2009 year-on-year, mainly due to the HUF 5.2 bn decrease in energy costs. This decrease is a result of the significant drop in natural gas used for operational purpose (mostly to drive compressors), down 38% year-on-year. Due to volume decline the deviation of the pressure increase fee resulted cost decrease as well. Extraordinary costs have incurred already in 2009 due to the development of future operation in compliance with the EU Directive.

MMBF ZRT.

We have started to rebuild our gas storage business through the establishment of MMBF Zrt. (72.5% subsidiary of MOL). MMBF Zrt. was set up to develop the underground gas storage with a strategic mobile capacity of 1.2 bcm and 0.7 bcm commercial capacity through an active reservoir, Szőreg-1.

Strategic and commercial storage

The development, implemented by MOL Plc, is proceeding according to schedule. Total CAPEX spent, without the acquisition of mining rights (HUF 67.0 bn), was HUF 80.9 bn by the year end, of which HUF 23.9 bn was spent in 2009. The development of strategic storage and filling up 1.2 bcm strategic storage was completed in December 2009. The strategic storage facility, in line with legal provisions, has a daily withdrawal peak capacity of 20 mcm over a period of 45 days for strategic (security) activities. Commercial storage with 700 mcm mobile capacity will be available from Q2 2010 and it will have an additional 5 mcm/day peak capacity.

In addition to storage activity, MMBF Zrt. has sold the oil, condensate and gas production of Szőreg-1 field with profit. Operating profit of MMBF Zrt. was HUF 8.7 bn in 2009. Through the strategic and commercial storage facilities MMBF Zrt. is expected to provide stable EUR-based return and profit contribution from 2010.

POWER

JV with CEZ – entry into the electricity market

MOL, together with its strategic partner – CEZ, the Czech Energy Company - will implement three major investments – as the first remarkable projects of this joint venture – in the Duna and Bratislava refineries: two combined cycle gas turbine (CCGT) technologies each with an installed capacity of 830-860 MW which will result in a 58% net electrical efficiency (compared to an average 36% efficiency of gas power plants in Hungary in 2007) and thirdly, the revamp of the existing thermal power plant (TPP) in the Bratislava refinery. The amount of energy produced will be able to create sufficient steam and energy sources for the Duna and Bratislava refineries. It also enables MOL to enter and gain a significant share of the very attractive energy market.

The preparatory works for the two 830 MW CCGT power plants' developments are proceeding according to the agreed schedule. The revamp of the TPP in Bratislava is in process, the complete Flue Gas Desulfurisation unit work will be implemented by the end of 2011. The capacity increase of the power plant will satisfy the full electricity need of the refinery and also provide more heat.

Thermal Power Plant in Slovnaft Refinery (contributed to CMEPS s.r.o. as of 1 April 2009) achieved an outstanding operating profit of HUF 4.0 bn in 2009 due to cost efficient operation, profit from ancillary services for a customer outside MOL Group and profitability on sold commodities. CMEPS s.r.o. was contributed to MOL-CEZ joint venture as of 30 November 2009. Although CMEPS s.r.o. is 50% owned by MOL Group after the contribution, due to the requirements of IFRS the company and its operating profit will remain fully consolidated in MOL Group.

CORPORATE AND OTHER SEGMENT OVERVIEW

Operating loss (excluding one-off items and INA) increase to a small extent

The Corporate and other segment operating loss, excluding one-off items (a fine of HUF 5.8 bn imposed by the European Commission in association with paraffin trading in 2008, HUF 6.4 bn and HUF 28.2 bn subsequent settlements from E.On in connection with the gas business sale in 2008 and in 2009 and HUF 70.6 bn one-off non-cash revaluation gain related to consolidating INA into MOL Group for the first time) represented a 16% increase, and amounted to HUF 44.4 bn loss in 2009. The loss of segment increased only to a small extent excluding the INA's loss contribution of HUF 2.9 bn in H2 2009.

FINANCIAL RESULTS

Increase in net financial expense

A net financial expense of HUF 58.8 bn was recorded in 2009 (compared to a net financial loss of HUF 16.1 bn in 2008). Interest payable was HUF 23.3 bn in 2009 (HUF 37.8 bn in 2008) while interest received amounted to HUF 10.5 bn in 2009 (HUF 19.2 bn in 2008). In 2009 a net foreign exchange loss of HUF 3.2 bn was recognised, compared to the loss of HUF 19.8 bn in 2008. The fair valuation difference on the conversion option embedded in the capital security issued in the monetization of treasury shares by Magnolia Finance Ltd. was HUF 19.7 bn increase of liability (compared with a gain of HUF 64.6 bn in 2008). The fair value of the conversion option liability has decreased to nil as at 31 December 2008, since the market of the underlying convertible instrument had temporarily become inactive and also reflected the stressed share prices. The current period valuation reflects the increasing MOL share price and the general revival of the market of convertible instruments. In addition, a loss of HUF 3.7 bn has been incurred on the fair valuation of the call option on MOL shares owned by CEZ.

LOSS FROM ASSOCIATES

INA contributed a loss of HUF 3.5 bn

Loss from associates included INA's H1 2009 contribution of HUF 3.5 bn loss compared to HUF 25.5 bn in 2008 (both figures include MOL's additional 22.2% shareholding since Q4 2008). From 30 June 2009, INA is fully consolidated by MOL Group. Loss from associates also contains MOL's 10% share from the operations of Pearl Petroleum Company (an income of HUF 1.2 bn).

PROFIT BEFORE TAXATION

As a result of the above-mentioned items, the Group's profit before taxation in 2009 was HUF 188.1 bn, compared to HUF 158.0 bn in 2008.

TAXATION

Income tax expense was higher

Income tax expense increased by HUF 63.4 bn from the comparative period to HUF 80.1 bn in 2009, primarily as a result of the positive statutory tax base of MOL Plc, compared to its tax loss in 2008 and the introduction of an additional 8% surtax on energy suppliers ('Robin

Hood tax'). The subsequent impact of MOL share transactions and certain options attached to shares held by third parties is treated differently for IFRS and tax purposes and resulted in a HUF 11.4 bn increase in our tax expense. The current income tax expense was the result of the contribution from MOL Plc. of HUF 46.3 bn (16% corporate income tax, 4% solidarity surplus tax, 8% 'Robin Hood tax' and 2% local trade tax), IES S.r.l of HUF 2.1 bn (36.9% corporate tax rate) and FGSZ Zrt. of HUF 3.7 bn.

CASH-FLOW

CONSOLIDATED CASH FLOW	2009	2008
	(HUF mn)	(HUF mn)
Net cash provided by operating activities	411,170	347,203
of which movements in working capital	67,196	24,898
Net cash used in investing activities	(272,448)	(474,792)
Net cash provided by/(used in) financing activities	(169,713)	209,070
Net increase/(decrease) in cash and cash equivalents	(30,991)	81,481

Operating cash-flow increased by 18%

Operating cash inflow in 2009 was HUF 411.2 bn, compared to HUF 347.2 bn in 2008. Operating cash flow before movements in working capital decreased by 3%. The change in the working capital position increased funds by HUF 67.2 bn, as a result of an increase in trade payables and other payables (of HUF 36.9 bn, and HUF 11.9 bn respectively) and a decrease in inventories, trade receivables and other current assets (of HUF 13.4 bn, HUF 4.8 bn and HUF 0.2 bn respectively). Income taxes paid amounted to HUF 29.0 bn, due to a cash outflow from the income taxes of MOL Plc. and Slovnaft.

Cash used in investing activities decreased by 43%

Net cash used in investing activities was HUF 272.4 bn in 2009, compared to net cash used of HUF 474.8 bn in 2008. The cash outflow of the current period reflects the CAPEX mainly on expansion of the Hungarian import pipeline capacity, the post-closing price adjustment from the sale of MOL Földgázellátó Zrt. to E.ON Ruhrgas International AG., consideration paid by INA for the acquisition of a Hungarian drilling service provider (Drilltrans Kft.), consideration of acquiring the remaining non-controlling interest of Roth Group and effect of partial disposal of MOL Energiakereskedő Zrt. The comparative figure for 2008 contains the combined effect of the CAPEX, consideration paid for 22.16% of INA, the purchase price adjustment paid for IES, the consideration paid for I&C Energo and the post-closing price adjustment from the sale of MOL Földgázellátó Zrt. to E.ON Ruhrgas International AG.

Net financing cash outflows from repayment of loans

Net financing cash outflow was HUF 169.7 bn, primarily as a result of the net repayment of long-term and short-term debt.

FUNDING OVERVIEW

The financial position and ability to generate operational of corporates came into the front due to the turbulent financial environment and economic slowdown.

MOL kept its strong financial position in the lean year	MOL's key target for 2009, to keep its strong financial position, was successfully persuaded as a result of MOL's fast and adequate answer on the first signs of the financial crisis. MOL remained disciplined to its reduced CAPEX plan during the year, initiated several cost reduction measures and further increased its well-accepted efficiency.
New credit facilities	MOL Plc. signed a EUR 450 mn forward start revolving facility agreement on 12 November 2009 the amount of which was increased by EUR 75 mn to EUR 525 mn on 29 December 2009. The EUR 525 mn facility will be available for the Company from 1 October 2010. In addition, MOL signed an 8 year, EUR 200 million loan agreement with EBRD (European Bank for Reconstruction and Development) on 17 June 2009 to finance the completion of the strategic and commercial gas storage facility developing from Szőreg-1 reservoir. Furthermore in December, 2009, a 3 year, HUF 30 bn bilateral loan was raised by FGSZ Zrt for general corporate purposes.
Sufficient external funding	MOL Group has sufficient external funding for its operations and investments. The further pillars of the existing funding are the EUR 1.5 bn syndicated multi-currency revolving loan facility signed in October 2007, the EUR 825 mn and the 700 mn syndicated multi-currency revolving loan facility and the EUR 750 mn 10 year Eurobonds issued in September 2005 raised by MOL and USD 1 bn syndicated multi-currency revolving loan facility signed by INA in April 2007. The proceeds of the facilities can be used for general corporate purposes.
51% EUR-denominated debt	MOL Group's total debt increased from HUF 911.5 bn at year-end 2008 to HUF 1,111.1 bn at 31 December 2009, primary as a result of the contribution of INA (HUF 270.7 bn), new draw-down of long term borrowings and the moderate weakening of HUF vs. EUR and USD. The currency composition of total debt was 51.2% EUR, 44.4% USD, 4.4% HUF and other currency as of 31 December 2009. Our net debt amounted to HUF 926.6 bn at the end of 2009. Net debt, excluding INA's full consolidation impact was HUF 672.9 bn at the end of 2009, slightly decreased from HUF 689.4 bn at the end of 2008.
Our gearing ratio decreased	Our gearing ratio (net debt to the sum of net debt and total equity) was 33.1% at 31 December 2009 compared to 35.9% at the end of 2008, which reflects the strong capitalization of MOL Group.

INTEGRATED RISK MANAGEMENT

The recent turbulent environment underlined the necessity of an effective and comprehensive risk management	The effect of the world economic crisis has had a substantial influence on MOL's operating environment as well as on its short term financial challenges that foster more scrutiny on covenant management. It is an accentuated aim for Risk Management to deal with these external circumstances in order to support the stable financial position of MOL. Therefore it is a necessity to have an effective and comprehensive risk management as a prerequisite tool of good corporate governance. Besides the turmoil there are several other requirements for a proper risk management at a company, for example IFRS requirements introduced in 2007 on disclosing information on financial risks and their management, rating agency focus on implementations of effective Enterprise Risk Management (ERM) frameworks and the heightened scrutiny on corporate governance practices by investors. MOL's Risk Management carries out its tasks on group-level and integrates the subsidiaries, incl. INA in its processes.
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MOL has a four-pillar approach towards its integrated risk management system:

Enterprise Risk Management	Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is arranged by Enterprise Risk Management (ERM), integrates financial and operational risks along with a wide range of strategic risks. The most important role of ERM is not just to provide information on the most decisive risks that MOL faces, but to enable top management and the Board of Directors to make more educated decisions on investments, taking into additional consideration, the risk profile of each project.
Financial Risk Management	The main role of the Financial Risk Management is to handle short-term, market related risks. Commodity price, foreign exchange and interest rate risks are measured by using a complex model based on the Monte Carlo simulation of Value at Risk, which additionally takes into account portfolio effects, and are managed, if necessary, with risk mitigation tools such as swaps, forwards and options.
Insurance Management	The transference of excess operational risk is carried out by Insurance Management through the purchase of insurance, an important risk mitigation tool used to cover the most relevant operational exposures.
Business Continuity Management	Business Continuity Management (BCM) is the process of preparing for unexpected operational events. Proper Business Contingency Plans (BCP), Crisis Management (CM) processes and other risk control programs, such as regular engineering reviews, are crucial for business where operational risk exposure is significant as a result of the chemical and physical processes underlying most of the operations, such as MOL.

The existence of an integrated risk management function enables MOL to exploit the synergies between the above detailed four pillars of risk management.

CAPITAL EXPENDITURE PROGRAM

CAPITAL EXPENDITURES (HUF MN)	2008	2009
Exploration and Production	73,568	186,585
Refining and Marketing*	119,385	107,889
Gas and Power	129,884	62,970
Petrochemicals	10,227	16,681
Corporate and other	245,837	6,613
TOTAL	578,901	380,738

* Including Refining & Marketing, Retail and Lubricants segments

Organic CAPEX in line with strict plan

Our Group capital expenditures (CAPEX) decreased by HUF 198.2 bn to HUF 380.7 in FY 2009. INA's H2 2009 CAPEX spending was HUF 93.3 bn, while acquisition cost of INA was HUF 227.3 bn in 2008. The acquisition cost of a 10% stake and the work program CAPEX of Pearl paid by treasury shares were HUF 72.6 bn. Without these elements, CAPEX was behind the base figure by HUF 136.8 bn as a result of withheld performances and the investments realized in 2008.

Exploration & Production CAPEX up due to Pearl project

Upstream CAPEX and investment, excluding INA's contribution of HUF 56.6bn in H2 2009, reached HUF 129.9 bn in 2009. There is significant increase due to acquisition of a 10% stake in Pearl Petroleum Company (license owner of Khor Mor and Chemchemical gas-condensate fields in the Kurdistan Region of Iraq) in May 2009. Treasury shares in HUF 72.6 bn were utilised for settlement of acquisition and partial work program capex of Pearl. MOL dedicated HUF 23.2 bn (equal to 18%) to organic exploration, with an expenditure of HUF 8.1 bn in Hungary for conventional exploration, HUF 2.6 bn in Hungary for unconventional exploration, HUF 3.3 bn in Kurdistan, HUF 3.2 bn in Pakistan, HUF 2.6 bn in Cameroon, and HUF 3.4 bn in other regions. The total development expenditure was HUF 31.7 bn (equal to 24%), of which HUF 10.7 bn was spent in Hungary, while in Russia HUF 18.2 bn was invested with focus on Baitex (HUF 8.5 bn) and Matjushkinskaya (HUF 8.3 bn), and further development in ZMB (HUF 1.3 bn). In Pakistan, our share in the development cost of the Manzalai field was HUF 1.0 bn. Work program capex in Pearl was HUF 1.8 bn. Further HUF 2.5 bn (equal to 1.9%) was spent on upgrading the assets of our seismic and well-logging service subsidiaries in order to provide support for our activities, on maintenance-type projects, and on capitalised financing costs.

Refining & Marketing CAPEX down by 13%

R&M CAPEX was HUF 107.9 bn in 2009, down from HUF 119.4 bn in 2008, despite INA's H2 2009 contribution (HUF 34.9 bn). The significant decrease reflects the stringent CAPEX control across the Group. This segment consists of the following businesses:

- **Refining and Wholesale** expenditures were HUF 95.7 bn in 2009 versus HUF 92.6 bn in 2008. INA Group's contribution to the CAPEX was HUF 34.9 bn in H2 2009. In 2009, Slovnaft spent HUF 13.1 bn on investment projects. The CAPEX of Duna Refinery and the subsidiaries of MOL Plc. was HUF 28.5 bn. IES spent HUF 17.1 bn in 2009 on environmental project (Product Quality Development).
- **Retail** CAPEX was HUF 12.0 bn in 2009 including INA performances with HUF 1.2 bn in H2 2009. HUF 3.1 bn was spent on network development in Hungary, HUF 0.9 bn in Romania, HUF 1.8 bn at MOL Austria, HUF 1.9 bn in Bosnia and HUF 1.3 bn in Serbia. Retail CAPEX was lower than the basis by HUF 14.4 bn in 2009.

Gas and Power CAPEX down by HUF 66.9 bn

- **Lubricant** CAPEX decreased by 50% year-on-year due to the cancelled investments attributable the economic environment.

Total CAPEX of the **Gas and Power** segment was HUF 63.0 bn in 2009, representing a 51.5% decrease year-on-year.

CAPEX of **FGSZ Zrt.** was HUF 31.7 bn in 2009, lower than the basis by HUF 42.1 bn due to the fulfilment of strategically important projects (import capacity expansion: HUF 62.2 bn, Pilisvörösvár – Százhalombatta gas pipeline construction: HUF 2.3 bn) in 2008. Key projects in 2009 were Croatian and Romanian transit with total CAPEX of HUF 24.9 bn. Further HUF 2.3 bn was spent on network development, securing the safe and long-term operation of the domestic system.

MMBF Zrt. spent HUF 23.9 bn on the development of the storage facility in 2009. The company developed the underground gas storage with a strategic mobile capacity of 1.2 bcm and 0.7 bcm commercial capacity.

In the **Power** segment HUF 1.0 bn was spent on preparatory works and technical studies in connection with combined cycle gas turbine power plants (each with 830MW capacity). For TPP modernization and capacity increase (to 160 MW) HUF 4.8 bn was spent.

Petrochemicals segment CAPEX up HUF 6.5 bn

Petrochemical CAPEX increased by 63% to HUF 16.7 bn year-on-year, fuelled mainly by the key projects of Slovnaft (ECO Vision and SPC development), which focused on the efficiency improvement of production on Steam Cracker and improvement of operating reliability.

Corporate & Other segment CAPEX down by 40% excluding acquisitions

Capital expenditures of the **Corporate and Other** segment was HUF 6.6 bn in 2009 versus HUF 245.8 bn in 2008, which contained significant acquisition spending (main projects were INA with HUF 227.3 bn and I&C Energo with HUF 7.6 bn). In 2009 we spent HUF 4.1 bn on the further development of our Group information system and HUF 1.0 bn on property maintenance. INA's H2 2009 contribution was HUF 0.6 bn.

OUTLOOK ON STRATEGIC HORIZON

MOL is well positioned to generate superior returns

As a result of our last year's strategy that equipped the Group for the tougher climate, MOL has established a strong position for the upturn period. During 2009, MOL successfully kept its stable financial position and strong balance sheet thanks to our early answer to the crisis, our well-recognised efficiency leadership and integrated business model. In addition, we created a strong basis for further growth by gaining management control and full consolidation of INA as of 30 June 2009.

Main tasks ahead

MOL Group's main goal for the coming years is to keep its financial stability, improve the efficiency and maximise the value of its existing portfolio with enlarged group.

Signs of slow recovery

After a difficult economic environment in late 2008 and well into 2009 given economic woes coupled with a broader financial crisis, signs of a slow recovery are already visible. MOL expects slightly increasing

oil prices for the coming years reaching 90 USD/bbl level till 2012. MOL is expecting improving diesel crack spreads and weakening gasoline crack spreads in line with the economic recovery (140 USD/t and 60 USD/t in 2012 respectively) and slightly strengthening HUF versus USD.

**EBITDA ambition for 2012:
USD 4.1 bn**

Based on the above mentioned macro assumptions MOL Group's EBITDA ambition is USD 4.1 bn for 2012 on its existing asset portfolio. MOL is committed to keep its strong financial position and finance fully its CAPEX from the operating cash flow of the Group during the period of 2010-12. MOL Group dedicated USD 6.2 bn total CAPEX for the normal operation for 2010-12. MOL continuously monitors the macro environment and is ready to grab further growth projects depending on its cash flow generation.

**Upstream: strong
development, intensifying
exploration**

The main objective for the coming years will be to maximise the value of our existing portfolio, which is a solid basis for further growth with sizeable production in 7 countries and exploration potential in 15 countries. The focus will be on completing high return/early cash generative appraisal and development projects in Syria, CEE, Pakistan, Kurdistan and Russia to increase production levels, contributing significantly to Group-level EBITDA, growth. At the same time, we intend to extend MOL's outstanding efficiency to the whole upstream portfolio. Finally, we are carrying out extensive and intensifying exploration activity to further increase our reserve base and create the basis for further production growth beyond 2013.

**Downstream: become the
premium refinery group in
Europe by 2012**

Regarding the downstream business MOL Group's main goal is to become the premium refinery group in Europe by 2012. The Group is committed to elevate newly consolidated assets to MOL standard with investments targeting product quality and yield improvement. MOL is focusing on joint optimisation of 5 refineries and 2 petrochemical units and is committed to extend its outstanding operational excellence to the whole group.

Increase efficiency

In addition, we will focus to extend our well-recognised efficiency to the whole group. We target to reach USD 210 mn annual EBITDA improvement from 2012 versus 2009. Larger part is coming from harmonising the operation of 5 refineries and 2 petrochemical units under one integrated supply chain management system. In the Upstream segment decreasing the operating expenditures to the MOL level is the key focus.



MOL HUNGARIAN OIL AND GAS PLC. AND SUBSIDIARIES

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

31 DECEMBER 2009

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MOL HUNGARIAN OIL AND GAS PLC.

1.) We have audited the accompanying 2009 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprises the consolidated balance sheet as at 31 December 2009 - showing a balance sheet total of HUF 4,229,399 million and a profit for the year of HUF 104,650 million -, the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards as adopted by EU as at 31 December 2008 on 19 March 2009.

Management's Responsibility for the Consolidated Financial Statements

3.) Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with the consolidated financial statements. We conducted our audit in accordance with Hungarian National and International Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our work regarding the consolidated business report is restricted to assessing whether the consolidated business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

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

Opinion

7.) We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of MOL Hungarian Oil and Gas Plc. in accordance with Hungarian National and International Auditing Standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by EU. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of MOL Hungarian Oil and Gas Plc. as at 31 December 2009 and of the results of its operations for the year then ended. The consolidated business report is consistent with the disclosures in the consolidated financial statements.

Budapest, 25 March 2010



Judit Szilágyi
Registered Auditor
Chamber membership No.: 001368

Ernst & Young Kft.
Registration No. 001165

MOL HUNGARIAN OIL AND GAS PLC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 DECEMBER 2009

Budapest, 25 March 2010



Zsolt Hernádi
Chairman of the Board of Directors
Chief Executive Officer



József Molnár
Executive Vice President for Finance

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2009

	NOTES	2009	2008 RESTATED
		HUF million	HUF million
ASSETS			
Non-current assets			
Intangible assets	4	425,337	191,402
Property, plant and equipment, net	5	2,541,653	1,417,199
Investments in associated companies	10	59,830	338,984
Available-for-sale investments	11	18,614	842
Deferred tax assets	30	36,855	56,223
Other non-current assets	12	47,512	23,249
Total non-current assets		3,129,801	2,027,899
Current assets			
Inventories	13	328,010	222,781
Trade receivables, net	14	410,668	327,484
Other current assets	15	116,635	81,378
Prepaid taxes		22,104	34,797
Cash and cash equivalents	16, 37	184,594	222,074
Assets classified as held for sale	31	37,587	-
Total current assets		1,099,598	888,514
TOTAL ASSETS		4,229,399	2,916,413
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	79,202	72,812
Reserves	18	1,119,492	898,751
Profit for the year attributable to equity holders of the parent		115,796	141,418
Equity attributable to equity holders of the parent		1,314,490	1,112,981
Non-controlling interests		558,605	118,419
Total equity		1,873,095	1,231,400
Non-current liabilities			
Long-term debt, net of current portion	19	829,111	728,735
Provisions	20	282,693	146,543
Deferred tax liabilities	30	133,236	56,206
Other non-current liabilities	21	38,745	12,032
Total non-current liabilities		1,283,785	943,516
Current liabilities			
Trade and other payables	22	745,315	549,412
Current tax payable		2,784	2,934
Provisions	20	32,865	6,436
Short-term debt	23	178,457	80,918
Current portion of long-term debt	19	103,577	101,797
Liabilities classified as held for sale	31	9,521	-
Total current liabilities		1,072,519	741,497
TOTAL EQUITY AND LIABILITIES		4,229,399	2,916,413

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
31 DECEMBER 2009

	NOTES	2009	2008 RESTATED
		HUF million	HUF million
Net revenue	24	3,226,036	3,535,001
Other operating income	25	138,424	19,751
Total operating income		3,364,460	3,554,752
Raw materials and consumables used		2,513,444	2,745,501
Personnel expenses	26	200,827	139,745
Depreciation, depletion, amortisation and impairment		219,117	151,908
Other operating expenses	27	270,216	279,969
Change in inventories of finished goods and work in progress		(55,837)	59,617
Work performed by the enterprise and capitalized		(31,878)	(21,212)
Total operating expenses		3,115,889	3,355,528
Operating profit		248,571	199,224
Financial income	28	16,388	114,742
Of which: Fair valuation difference of conversion option	28	-	64,550
Financial expense	28	75,172	130,818
Of which: Fair valuation difference of conversion option	28	19,698	-
Financial expense, net	28	58,784	16,076
Income from associates		(1,664)	(25,190)
Profit before tax		188,123	157,958
Income tax expense	30	80,131	16,734
Profit (loss) for the year from continuing operation		107,992	141,224
Profit (loss) for the year from discontinued operation		(3,342)	-
Profit for the year		104,650	141,224
Attributable to:			
Equity holders of the parent		115,796	141,418
Non-controlling interests		(11,146)	(194)
Basic earnings per share	32	1,357	1,604
Attributable to ordinary equity holders of the parent (HUF)			
Diluted earnings per share	32	1,357	815
Attributable to ordinary equity holders of the parent (HUF)			

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2009	2008
		HUF million	HUF million
Profit for the year		104,650	141,224
Other comprehensive income			
Exchange differences on translating foreign operations	29	502	57,002
Available-for-sale financial assets, net of deferred tax	29	5,003	(7)
Cash-flow hedges, net of deferred tax	29	1,338	(2,856)
Share of other comprehensive income for associates	29	(9,383)	(2,487)
Other comprehensive income for the year, net of tax		(2,540)	51,652
Total comprehensive income for the year		102,110	192,876
Attributable to:			
Equity holders of the parent		112,474	191,916
Non-controlling interest		(10,364)	960

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2009

	SHARE CAPITAL	SHARE PREMIUM	FAIR VALUATION RESERVE	TRANSLATION RESERVE	EQUITY COMPONENT OF DEBT AND DIFFERENCE IN BUY-BACK PRICES	RETAINED EARNINGS	TOTAL RESERVES	PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Opening balance 1 January 2008	65,950	(578,752)	5,660	66,467	(8,074)	983,117	468,418	257,796	792,164	127,417	919,581
Retained profit for the year	-	-	-	-	-	-	-	141,418	141,418	(194)	141,224
Other comprehensive income for the year	-	-	(7,115)	57,613	-	-	50,498	-	50,498	1,154	51,652
Total comprehensive income for the year	-	-	(7,115)	57,613	-	-	50,498	141,418	191,916	960	192,876
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	257,796	257,796	(257,796)	-	-	-
Equity dividends	-	-	-	-	-	(64,032)	(64,032)	-	(64,032)	-	(64,032)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(13,043)	(13,043)
Net change in balance of treasury shares held	6,535	184,425	-	-	-	-	184,425	-	190,960	-	190,960
Equity recorded for share-based payments	-	-	-	-	-	133	133	-	133	-	133
Conversion of convertible bonds	327	1,513	-	-	-	-	1,513	-	1,840	-	1,840
Net of capital increase and decrease	-	-	-	-	-	-	-	-	-	2,785	2,785
Acquisition of subsidiaries and non-controlling interests	-	-	-	-	-	-	-	-	-	300	300
Closing balance 31 December 2008	72,812	(392,814)	(1,455)	124,080	(8,074)	1,177,014	898,751	141,418	1,112,981	118,419	1,231,400
Retained profit for the year	-	-	-	-	-	-	-	115,796	115,796	(11,146)	104,650
Other comprehensive income for the year	-	-	9,802	(13,124)	-	-	(3,322)	-	(3,322)	782	(2,540)
Total comprehensive income for the year	-	-	9,802	(13,124)	-	-	(3,322)	115,796	112,474	(10,364)	102,110
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	141,418	141,418	(141,418)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,501)	(8,501)
Net change in balance of treasury shares held, net of tax	6,390	67,145	-	-	-	18,363	85,508	-	91,898	-	91,898
Acquisition of non-controlling interests	-	-	-	-	-	(2,863)	(2,863)	-	(2,863)	(148)	(3,011)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	5,788	5,788
Consolidation of Subsidiaries previously accounted for as Associates	-	-	-	-	-	-	-	-	-	453,411	453,411
Closing balance 31 December 2009	79,202	(325,669)	8,347	110,956	(8,074)	1,333,932	1,119,492	115,796	1,314,490	558,605	1,873,095

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
31 DECEMBER 2009

	NOTES	2009	2008 RESTATED
		HUF million	HUF million
Profit before tax from continuing operations		188,123	157,958
Loss before tax from discontinued operations	31	(3,342)	-
Profit before tax		184,781	157,958
Depreciation, depletion, amortisation and impairment		219,117	151,908
Non-cash gain recognized upon acquiring INA Group	7	(70,596)	-
Write-off of inventories, net		(6,615)	30,005
Increase / (decrease) in provisions		12,173	1,274
Net (gain) / loss on sale of property, plant and equipment		(20,212)	(356)
Write-off / (reversal of write-off) of receivables		13,541	6,555
Unrealised foreign exchange (gain) / loss on trade receivables and trade payables		7,927	(3,332)
Net gain on sale of subsidiaries		(25,665)	(7,580)
Exploration and development costs expensed during the year		5,790	11,105
Share-based payment		-	133
Interest income		(10,534)	(19,230)
Interest on borrowings		23,290	37,841
Net foreign exchange (gain) / loss excluding foreign exchange differences on trade receivables and trade payables		3,216	19,863
Fair valuation difference of conversion option (see Note 28)		19,698	(64,550)
Other financial (gain) / loss, net		12,041	35,773
Share of net profit of associate		1,664	25,190
Other non cash items		3,336	1,671
Operating cash flow before changes in working capital		372,952	384,228
Decrease / (increase) in inventories		13,437	77,405
Decrease / (increase) in trade receivables		4,751	34,318
Decrease / (increase) in other current assets		180	(7,129)
(Decrease) / increase in trade payables		36,921	(89,321)
(Decrease) / increase in other payables		11,907	9,625
Income taxes paid		(28,978)	(61,923)
Net cash provided by operating activities		411,170	347,203
Capital expenditures, exploration and development costs		(303,680)	(323,753)
Proceeds from disposals of property, plant and equipment		20,676	2,333
Acquisition of subsidiaries and non-controlling interests, net cash	37	(6,666)	(12,158)
Acquisition of associated companies and other investments		(1,066)	(227,262)
Cash effect of consolidation of Subsidiaries previously accounted for as associates		19,166	-
Net cash inflow / (outflow) on sale of subsidiary undertakings (see Note 8)		4,150	28,143
Proceeds from disposal of associated companies and other investments		-	1,221
Changes in loans given and long-term bank deposits		(11,287)	(2,621)
Changes in short-term investments		(5,865)	-
Interest received and other financial income		11,228	57,108
Dividends received		896	2,197
Net cash used in investing activities		(272,448)	(474,792)

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CON'D)
31 DECEMBER 2009

	NOTES	2009	2008 RESTATED
		HUF million	HUF million
Long-term debt drawn down	37	524,231	1,097,225
Repayments of long-term debt		(625,621)	(893,118)
Changes in other long-term liabilities		130	125
Changes in short-term debt		(28,483)	13,899
Interest paid and other financial costs		(39,697)	(47,190)
Dividends paid to shareholders		(224)	(63,737)
Dividends paid to non-controlling interest		(8,531)	(13,116)
Minority shareholders contribution		7,523	2,785
Issuance of treasury shares		959	137,860
Repurchase of treasury shares		-	(25,663)
Net cash provided by / (used in) financing activities		(169,713)	209,070
(Decrease) / increase in cash and cash equivalents		(30,991)	81,481
Cash and cash equivalents at the beginning of the year		222,074	129,721
Exchange differences of cash and cash equivalents of consolidated foreign subsidiaries		(5,567)	6,576
Unrealised foreign exchange difference on cash and cash equivalents		676	4,296
Cash and cash equivalents at the end of the year	37	186,192	222,074

The notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 DECEMBER, 2009

I GENERAL

MOL Hungarian Oil and Gas Plc. (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991 on the transformation of its legal predecessor, the Országos Kőolaj- és Gázipari Tröszt (OKGT). In accordance with the law on the transformation of unincorporated state-owned enterprises, the assets and liabilities of OKGT were revalued as at that date. MOL Plc. and its subsidiaries (hereinafter referred to as the Group or MOL Group) are involved in the exploration and production of crude oil, natural gas and other gas products, refining, transportation and storage of crude oil and wholesale and retail marketing of crude oil products, production and sale of olefins and polyolefins. The number of the employees in the Group as of 31 December 2009 and 2008 was 34,090 and 17,213, respectively. The registered office address of the Company is Október huszonharmadika u. 18., Budapest, Hungary.

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. Depositary Receipts (DRs) are listed on the Luxembourg Stock Exchange and are quoted on the International Order Book in London and other over the counter markets in New York, Berlin and Munich.

2.1 AUTHORIZATION, STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

i) Authorization and Statement of Compliance

These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 25 March 2010.

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

Effective 1 January 2005, the change in the Hungarian Accounting Act allows the Group to prepare its consolidated financial statements in accordance with IFRS that have been adopted by the EU. Currently, due to the endorsement process of the EU and the activities of the Group, there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

Presentation of the financial statements complies with the requirements of the relevant standards. With respect to the conversion option embedded in the perpetual exchangeable capital securities issued in 2006, the revaluation difference arising on this option has been presented as a separate line item on the face of the income statement. The management believes that by separating this non-cash item improves the transparency of the financial statements, since the gain or loss recognized thereon is not affected by the operations of the Group or any relevant factors of the external business environment influencing these operations. For further details on the conversion option see Note 17.

ii) Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective on 31 December 2009. The Group has early adopted IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements in the current year in advance of their effective date (1 July 2009).

MOL Plc. prepares its statutory unconsolidated financial statements in accordance with the requirements of the accounting regulations contained in Law C of 2000 on Accounting (HAS). Some of the accounting principles prescribed in this law differ from IFRS.

For the purposes of the application of the Historical Cost Convention, the consolidated financial statements treat the Company as having come into existence as of 1 October 1991, at the carrying values of assets and liabilities determined at that date, subject to the IFRS adjustments.

The financial year is the same as the calendar year.

iii) Principles of Consolidation

Subsidiaries

The consolidated financial statements include the accounts of MOL Plc. and the subsidiaries that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. As required by IAS 27, immediately exercisable voting rights are taken into account when determining control.

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the date of obtaining control. The cost of an acquisition is measured at the aggregate of the consideration transferred and the amount of any non-controlling interest (formerly known as minority interest) in the acquiree. The income and expenses of companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

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

Non-controlling interests represent the profit or loss and net assets not held by the Group and are shown separately in the consolidated balance sheet and the consolidated income statement, respectively. For each business combination, non-controlling interest is stated either at fair value or at the non-controlling interests' proportionate share of the acquiree's fair values of net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequently the carrying amount of non-controlling interests is the initially recognised amount of those interests adjusted with the non-controlling interests' share of changes in equity after the acquisition. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a negative balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests

are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the company.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Group jointly controls with its fellow venturers.

The Company's interests in its joint ventures are accounted for by the proportionate consolidation method, where a proportionate share of the joint venture's assets, liabilities, income and expenses is combined with similar items in the consolidated financial statements on a line-by-line basis. The financial statements of the joint ventures are prepared for the same reporting year as the parent company, using consistent accounting policies. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the venture.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. Losses on intragroup transactions are recognised immediately if the loss provides evidence of reduced net realisable value of current assets or impairment loss.

When the joint control is lost, the Group measures and recognises its remaining investment at its fair value unless the joint control does not become a subsidiary or associate. The difference between the carrying amount of the joint entity and the fair value of the remaining investment together with any proceeds from disposal is recognised in profit or loss.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but which is not a subsidiary or a jointly controlled entity.

The Group's investments in its associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments in associates are assessed to determine whether there is any objective evidence of impairment. If there is evidence that the recoverable amount of the investment is lower than its carrying value, then the difference is recognised as impairment loss in the income statement. Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

When the significant influence over the associate is lost, the Group remeasures and recognises any retaining investment at its fair value. The difference between the carrying amount of the associate and the fair value of the retaining investment together with any proceeds from disposal is recognised in profit or loss.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those applied in the previous financial years, apart from some minor modifications in the classification of certain items in the balance sheet or the income statement, none of which has resulted in a significant impact on the financial statements. While the comparative period has been restated, an opening balance sheet has not been included as the reclassifications made were not considered material.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Except as noted below, adoption of these standards and interpretations did not have any effect on the financial statements of the Group. They did, however, give rise to additional disclosures.

- *IFRS 1 – First-time Adoption of International Financial Reporting Standards*
- *IFRS 2 – Share-based Payment*
- *IFRS 3 – Business Combinations (Revised)*
- *IFRS 7 – Financial Instruments: Disclosures*
- *IFRS 8 – Operating Segments*
- *IAS 1 – Presentation of Financial Statements*
- *IAS 16 – Property, Plant and Equipment*
- *IAS 19 – Employee Benefits*
- *IAS 20 – Accounting for Government Grants and Disclosures of Government Assistance*
- *IAS 23 – Borrowing costs*
- *IAS 27 – Consolidated and Separate Financial Statements*
- *IAS 28 – Investments in Associates*
- *IAS 29 – Financial Reporting in Hyperinflationary Economies*
- *IAS 31 – Investments in Joint Ventures*
- *IAS 32 – Financial Instruments: Presentation*
- *IAS 36 – Impairment of Assets*
- *IAS 38 – Intangible Assets*
- *IAS 39 – Financial Instruments: Recognition and Measurement*
- *IAS 40 – Investment Property*
- *IAS 41 – Agriculture*
- *IFRIC 15 – Agreements for the Construction of Real Estate*

The Group has early adopted IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements* from 1 January 2009.

The principal effects of these changes are as follows:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The new version of IFRS 1 retains the substance of the previous version, but with a changed structure. It replaces the old version of IFRS 1 and becomes effective for entities applying IFRSs for the first time for annual periods beginning on or after 1 January 2009.

IFRS 2 Share-based Payment

This amendment to IFRS 2 – Share-based Payment becomes effective for financial years beginning on or after 1 January 2009. It clarifies the definition of vesting and non-vesting conditions, as well as the accounting treatment of cancellations.

IFRS 3 Business Combinations (Revised)

The revised standard comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. It introduces significant changes in the accounting for business combinations as outlined below:

Business combinations are accounted for using the acquisition method and all acquisition costs incurred are expensed as opposed to the previous version of IFRS 3 where business combinations were accounted for using the purchase method and transaction costs directly attributable to the acquisition formed part of the acquisition costs. For business combination achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date

through profit and loss. At acquisition the embedded derivatives separated from the host contract by the acquiree are reassessed; while previously those were only assessed, if the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

The IFRS 3 Revised allows a choice on the measurement of non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, where previously only the latter was permitted.

Additional guidance is added on recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised if, and only if, the Group had a present obligation that the economic outflow was more likely than not and a reliable estimate could be determined. Subsequent adjustments to the contingent consideration affected goodwill. The revised IFRS 3R measures contingent consideration at fair value at the acquisition date; subsequent adjustments to it are recognised against goodwill only to the extent that they arise from better information about the acquisition date fair value within a timeframe of 12 months from the acquisition date. All other subsequent adjustments are recognised in profit and loss.

The Group has early adopted IFRS 3 (Revised) beginning 1 January 2009 and has applied the revised version of the standard when accounting for the acquisition of INA Group.

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 seek to enhance disclosures about fair value measurements and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The changes are effective starting on or after 1 January 2009.

IFRS 8 Operating Segments

IFRS was issued in November 2006 and became effective for financial years beginning on or after 1 January 2009. This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. There are no changes in the current disclosures, as the primary business segments determined for reporting purposes qualify as operating segments under the new standard.

IAS 1 Presentation of Financial Statements

The revised standard (effective from 1 January 2009) separates owner and non-owner changes in equity. Therefore, the statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group applies IAS 1 (Revised) from 1 January 2009 electing the option to present separate income statement and statement of comprehensive income as performance statements.

IAS 16 Property, Plant and Equipment

IASB replaced the term "net selling price" with "fair values less costs to sell". Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 19 Employee Benefits

This improvement revised the definition of 'past service costs', 'return on plan assets' and 'short-term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services should be accounted for as curtailment. The reference to the recognition of contingent liabilities has been deleted to ensure consistency with IAS 37. This amendment has no material impact on the Group.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance

According to this improvement loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount should be accounted for as government grant. Also various terms had been changed in order to be consistent with other IFRS. This amendment has no material impact on the Group.

IAS 23 Borrowing Costs

The revised standard requires capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group currently follows this policy; therefore the change has no impact on the consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements

The revised Standard became effective as of 1 July 2009. It requires that a change in the ownership interest of a subsidiary, which does not result in loss of control, is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor it will give rise to a gain or loss. In addition, the total comprehensive income is attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a negative balance. The previous standard allocated such excess losses to the owners of the parent except for some rare circumstances. Furthermore, requirements have been added to treat changes in a parent's ownership interest in a subsidiary which result in loss of control of a subsidiary specifying that any gain or loss arising on the loss of control of a subsidiary must be recognized in profit or loss.

Additionally, when a parent entity accounts for subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment should continue when the subsidiary is subsequently classified as held for sale.

The revised standard has been early adopted by the Group together with IFRS 3 for periods beginning on or after 1 January 2009.

IAS 28 Investments in Associates

If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on the Group as it does not account for its associates at fair value in accordance with IAS 39.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment has no impact on the Group because this policy was already applied.

IAS 29 Financial Reporting in Hyperinflationary Economies

This amendment revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being example, rather than implying that is a definitive list. Also various terms have been changed in order to be consistent with other IFRS. This amendment has no material impact on the Group.

IAS 31 Interests in Joint Ventures

If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply. This amendment has no impact on the Group because it does not account for its joint ventures at fair value in accordance with IAS 39.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and obligations Arising on Liquidation

These revised standards became effective for financial years beginning on or after 1 January 2009. They require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The amendment has no impact on the existing financial instruments of the Group.

IAS 36 Impairment of Assets

When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its CGUs is currently estimated using 'value in use'.

IAS 38 Intangible Assets

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

Additionally, the revised standard determines that in a business combination an intangible asset must be recognised separately from goodwill even, if it is separable together with a related contract. Complimentary intangible assets with similar useful lives or intangible assets which are only separable together with another intangible asset can be recognised together as a single asset.

IAS 39 Financial Instruments: Recognition and Measurement

According to this improvement, changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. The reference in IAS 39 to a 'segment', when determining whether an instrument qualifies as a hedge, has been removed. The use of the revised effective interest rate also is required when re-measuring a debt instrument on the cessation of fair value hedge accounting. This amendment has no material impact on the Group.

IAS 40 Investment Property

This amendment revised the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction should be measured at cost until such time as fair value can be determined or construction is complete. The amendment also revised the conditions for voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability. This amendment has no impact on the Group since it has no such properties.

IAS 41 Agriculture

The amendment removed the reference to the use of pre-tax discount rate to determine fair value and replaced the term 'point-of-sale costs' with 'costs to sell'. Also the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value has been removed. This amendment has no impact on the Group since it does not pursue such activities.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 has no an impact on the consolidated financial statement because the Group does not conduct such activity.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The IFRIC 16 was issued in July 2008 and became effective for financial years beginning on or after 1 October 2008. This interpretation provides guidance on the accounting for a hedge of a net investment. The interpretation has no impact on the Group's financial statements, as the Group has not entered in any such hedges.

Issued but not yet effective International Financial Reporting Standards

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

IFRS 1 (Revised) – First-time Adoption of International Financial Reporting Standards

The revised standard (effective from 1 January 2010) aims at simplifying the retrospective application of IFRSs in two particular situations. First, entity using the full-cost method is exempt from retrospective application of IFRSs for oil and gas assets. The entity, choosing to apply this exemption, will use the carrying amount under its old GAAP as the costs of its oil and gas assets at the date of first-time adoption of IFRSs. Second, entity is exempt from having to apply IFRIC 4 *Determining whether an Arrangement Contains a Lease* when it adopts IFRSs, if the entity made the same type of determination of whether an arrangement contains a lease in accordance with its previous GAAP as that required by IFRIC 4.

IFRS 2 Share-based Payment (amendment) – Cash-settled Share-based Payment Transactions

The amendments to IFRS 2 *Share-based Payment* become effective for financial years beginning on or after 1 January 2010 and must be applied retrospectively. They clarify how an individual subsidiary in a group should account for share-based payment arrangements in its own financial statements. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*. As a result IFRIC 8 and IFRIC 11 have been withdrawn.

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was issued on 12 November 2009 and is intended to replace IAS 39 *Financial Instruments: Recognition and measurement*. The standard introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013. According to IFRS 9 all financial assets are initially recognised at fair value plus transaction costs. The standard also eliminates the available-for-sale and held-to-maturity categories currently existing in IAS 39.

IAS 24 Related Party Disclosure

The amendments to IAS 24 *Related Party Disclosures* become effective for financial years beginning on or after 1 January 2010 and must be applied retrospectively. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. As a result, such a reporting entity is exempt from the general disclosure requirements in relation to transactions and balances with the government and government-related entities.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 was issued in November 2008 and becomes effective for financial years beginning on or after 1 July 2009. This interpretation provides guidance on the accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The dividend should be measured at the fair value of the assets distributed and the difference between this amount and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. This interpretation will have no impact on the Group because dividend is distributed in cash.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and becomes effective for financial years beginning on or after 1 July 2009. Entities in specific sectors often receive items of property, plant and equipment from their customers, or cash to acquire or construct specific assets. These assets are then used to connect customers to a network and/or provide them with ongoing access to a supply of goods and/or services. This interpretation provides guidance on when and how an entity should recognise such assets. When the item of property, plant and equipment transferred from a customer meets the definition of an asset under the IASB Framework from the perspective of the recipient, the recipient must recognise the asset in its financial statements. If the customer continues to control the transferred item, the asset definition would not be met even if ownership of the asset is transferred to the utility or other recipient entity. This interpretation is not expected to have material effect on the Group's financial statements.

Improvements to IFRSs

In April 2009 the Board issued its first collection of amendments to its standards, primarily to remove inconsistencies and clarify wording. These amendments will be effective from 1 January 2010. The

Group has not yet adopted the following amendments but it is anticipated that these changes will have no material effect on the Group's financial statements.

- **IFRS 2 Share-based Payment**
IFRS 2 excludes from its scope transactions that meet the definition of a business combination under IFRS 3 Business Combinations.
- **IFRS 5 Non-current assets Held for Sale and Discontinued Operations**
This amendment specifies the disclosures required in connection with non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets unless the particular standard requires a disclosure in respect of non-current assets classified as held for sale or discontinued operations.
- **IFRS 8 Operating Segments**
This amendment clarifies that a measurement of total assets shall be reported, if such a measurement is reported to the management of the entity.
- **IAS 1 Presentation of Financial Statements**
The amendment clarifies the classification between current and non-current convertible instruments.
- **IAS 7 Statement of Cash Flows**
The amendment constitutes that only expenditure that results in asset recognition can be classified as "investing" in the statement of cash flows.
- **IAS 17 Leases**
The amendment determines that for those land leases for which retrospective information is available, a classification reassessment of unexpired leases based on conditions at inception date should be carried out. Additionally, an entity should retrospectively recognise land leases that are currently finance leases based on their fair values at the inception date of the lease.
- **IAS 32 Financial Instruments: Presentation**
The amendment is effective for annual periods beginning on or after 1 February 2010 and requires that rights, options and warrants to acquire a fixed number of an entity's own equity instruments for a fixed price of any currency are equity instruments.
- **IAS 36 Impairment of Assets**
The amendment determines that the unit of allocation of goodwill when testing for impairment should not be larger than an operating segment as defined in IFRS 8.
- **IAS 39 Financial Instruments: Recognition and Measurement**
The amendment clarifies when gains or losses on hedging instruments should be reclassified from equity to profit or loss. In addition, forward contracts entered into as part of a business combination are exempt from the scope of IAS 39.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Presentation Currency

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

ii) Business Combinations

Business combinations are accounted for using the acquisition method. This involves assessing all assets and liabilities assumed for appropriate classification in accordance with the contractual terms and economic conditions and recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value as at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition, only if they qualify as period measurement adjustments and occur within 12 months from the acquisition date. All other subsequent changes in the fair value of contingent consideration are accounted for either in profit or loss or as changes to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the consideration transferred is lower than the fair value of the net assets of the acquiree, the fair valuation, as well as the cost of the business combination is re-assessed. Should the difference remain after such re-assessment, it is then recognised in profit or loss as other income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than a segment based on the Group's reporting format determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit (or group of cash generating units) and part of the operation within that unit (or group) is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and un-amortised goodwill is recognized in the income statement.

iii) Investments and Other Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it.

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

The Group's financial assets are classified at the time of initial recognition depending on their nature and purpose. Financial assets include cash and short-term deposits, trade receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized as finance income or finance expense in the income statement.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. Such financial assets are recorded as current, except for those instruments which are not due for settlement within 12 months from the balance sheet date and are not held with the primary purpose of being traded. In this case all payments on such instruments are classified as non-current.

As at 31 December 2009 and 2008, no financial assets have been designated as at fair value through profit and loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments, have fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognized as other comprehensive income in the fair valuation reserve. When the investment is

disposed of or is determined to be impaired, the cumulative gain or loss previously recorded as other comprehensive income is recognized in the income statement.

After initial recognition available-for-sale financial assets are evaluated on the basis of existing market conditions and management intent to hold on to the investment in the foreseeable future. In rare circumstances when these conditions are no longer appropriate, the Group may choose to reclassify these financial assets to loans and receivables or held-to-maturity when this is in accordance with the applicable IFRS.

Fair value

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

iv) Classification and Derecognition of Financial Instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments, and bonds receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

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

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

v) Derivative Financial Instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year as financial income or expense.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and the risks of the embedded derivative are not closely related to the economic characteristics of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- a hybrid (combined) instrument is not measured at fair value with changes in fair value reported in current year net profit.

vi) Hedging

For the purpose of hedge accounting, hedges are classified as

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

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

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

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk that could affect the income statement.

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to the income statement. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement. The changes in the fair value of the hedging instrument are also recognized in the income statement.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash-flow hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that

could affect the income statement. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income, while the ineffective portion is recognized in the income statement.

Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

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

Hedges of a net investment

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

vii) Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Impairment losses on a financial asset or group of financial assets are recognised only if there is an objective evidence of impairment due to a loss event and this loss event significantly impacts the estimated future cash flows of the financial asset or group of financial assets.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from other comprehensive income to the income

statement. Impairment losses recognized on equity instruments classified as available for sale are not reversed; increases in their fair value after impairment are recognised directly in other comprehensive income. Impairment losses recognized on debt instruments classified as available for sale are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

viii) Cash and Cash Equivalents

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

ix) Trade Receivables

Receivables are stated at face value less provision for doubtful amounts. Where the time value of money is material, receivables are carried at amortized cost. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

If collection of trade receivables is expected within the normal business cycle which is one year or less, they are classified as current assets. If not, they are presented as non-current assets.

x) Inventories

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

xi) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost (or the carrying value of the assets determined as of 1 October 1991) less accumulated depreciation, depletion and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Estimated decommissioning and site restoration costs are capitalized upon initial recognition or, if decision on decommissioning is made subsequently, at the time of the decision. Changes in estimates thereof adjust the carrying amount of assets. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhead costs (except form periodic maintenance costs), are normally charged to income in the period in which the costs are incurred. Periodic maintenance costs are capitalized as a separate component of the related assets.

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

The policy for accounting for exploration and development costs of oil and gas reserves is described in xv) below.

xii) Intangible Assets

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

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

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Costs in development stage can not be amortized. The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

The policy for accounting for exploration and development costs of oil and gas reserves is described in xv) below.

xiii) Depreciation, Depletion and Amortisation

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

Software	3 – 5 years
Buildings	10 – 50 years
Refineries and chemicals manufacturing plants	4 – 20 years
Gas and oil storage and transmission equipment	7 – 50 years
Petrol service stations	5 – 30 years
Telecommunication and automatisisation equipment	3 – 10 years

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

The useful life and depreciation methods are reviewed at least annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment, and, if necessary, changes are accounted for in the current period.

xiv) Impairment of Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is

recognized in the income statement for items of property, plant and equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated net future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not practicable, for the cash-generating unit.

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

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

Intangible assets with indefinite useful lives are monitored for impairment indicators throughout the year and are tested for impairment at least annually as of 31 December either individually or at the cash generating unit level, as appropriate.

xv) Oil and natural gas exploration and development expenditures

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

Licence and property acquisition costs

Exploration and property acquisition costs are capitalized as intangible assets and amortized on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), amortization ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within intangible assets. When development is approved internally, the relevant expenditure is transferred to property, plant and equipment, among land and buildings.

Exploration expenditure

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

Development expenditure

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

xvi) Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net in the income statement when the liabilities are derecognized as well as through the amortisation process, except to the extent they are capitalized as borrowing costs.

xvii) Provisions

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

Provision for Redundancy

The employees of the Group are eligible, immediately upon termination, for redundancy payment pursuant to the Hungarian law and the terms of the Collective Agreement between MOL and its employees. The amount of such a liability is recorded as a provision in the consolidated balance sheet when the workforce reduction program is defined, announced and the conditions for its implementation are met.

Provision for Environmental Expenditures

Environmental expenditures that relate to current or future economic benefits are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed. Liabilities for environmental costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

Provision for Decommissioning

The Group records a provision upon initial recognition for the present value of the estimated future cost of abandonment of oil and gas production facilities following the termination of production. The estimate is based upon current legislative requirements, technology and price levels. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the facility or item of plant. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Provision for Retirement Benefits

The Group operates three long term defined employee benefit programmes. None of these schemes requires contribution to be made to separately administered funds. The cost of providing benefits under those plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense immediately. Past service

costs, resulting from the introduction of, or changes to the defined benefit scheme are recognized as an expense on a straight-line basis over the average period until the benefits become vested.

xviii) Greenhouse gas emissions

The Group receives free emission rights in Hungary and Slovakia as a result of the European Emission Trading Schemes. The rights are received on an annual basis and in return the Group is required to remit rights equal to its actual emissions. The Group has adopted a net liability approach to the emission rights granted. A provision is only recognized when actual emissions exceed the emission rights granted and still held. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value.

xix) Share-based payment transactions

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

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by applying generally accepted option pricing models (usually by the binomial model). In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the parent company ('market conditions').

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

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Cash-settled transactions

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

xx) Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Initial direct costs incurred in negotiating a finance lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as the lease income. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

xxi) Government grants

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

xxii) Reserves

Reserves shown in the consolidated financial statements do not represent the distributable reserves for dividend purposes. Reserves for dividend purposes are determined based on the company-only statutory earnings of MOL Plc.

Translation reserves

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

Fair valuation reserves

The fair valuation reserve includes the cumulative net change in the fair value of effective cash flow hedges and available for sale financial instruments.

Equity component of debt and difference in buy-back prices

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

xxiii) Treasury Shares

The nominal value of treasury shares held is deducted from registered share capital. Any difference between the nominal value and the acquisition price of treasury shares is recorded directly to share premium.

xxiv) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

xxv) Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognized net of sales taxes and discounts when delivery of goods or rendering of the service has taken place and transfer of risks and rewards has been completed.

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

xxvi) Borrowing Costs

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

xxvii) Income Taxes

The income tax charge consists of current and deferred taxes.

The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are never taxable or deductible or are taxable or deductible in other years. The Group's current income tax is calculating using tax rates that have been enacted or substantively enacted by the end of the reporting year.

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

xxviii) Foreign Currency Transactions

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

Financial statements of foreign entities are translated at year-end exchange rates with respect to the balance sheet and at the weighted average exchange rates for the year with respect to the income statement. All resulting translation differences are included in the translation reserve in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation shall be recognized in the income statement. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In case of a partial disposal of a subsidiary without any loss of control in the foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other disposals such as associates or jointly controlled entities not involving a change of accounting basis, the proportionate share of accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

xxix) Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while giving effect to all dilutive potential ordinary shares that were outstanding during the period, that is:

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

xxx) Segmental Disclosure

For management purposes the Group is organised into four major operating business units: Exploration and Production, Refining and Marketing, Gas and Power and Petrochemicals. The business units are the basis upon which the Group reports its segment information to the management who is responsible for allocating business resources and assessing performance of the operating segments.

xxxi) Contingencies

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

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Critical judgments in applying the accounting policies

In the process of applying the accounting policies, which are described in note 2.3 above, management has made certain judgments that have significant effect on the amounts recognized in the financial statements (apart from those involving estimates, which are dealt with below). These are detailed in the respective notes, however, the most significant judgments relate to the following:

Scope of environmental and field abandonment provision

Regulations, especially environmental legislation does not exactly specify the extent of remediation work required or the technology to be applied. Furthermore, since INA Group has become part of MOL in the current year only, the extent to which such remediation requirements are identified is also limited. Management uses its previous experience and its own interpretation of the respective legislation to determine the scope of environmental and field abandonment provisions. The amount of environmental provision is HUF 69,563 million and HUF 39,702 million, while field abandonment provision amounts to HUF 188,348 million and HUF 97,312 million as of 31 December 2009 and 2008, respectively (see Note 20).

Application of Successful Efforts method of accounting for exploration expenditures

Management uses judgment when capitalized exploration expenditures are reviewed to determine capability and continuing intent of further development. Carrying amount of capitalized exploration expenditures is HUF 272,473 million and HUF 51,344 million as of 31 December 2009 and 2008, respectively (see Note 4).

Sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the Notes thereto. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from those estimates. These are detailed in the respective notes, however, the most significant estimates relate to the following:

Calculation the fair values of financial instruments

Fair valuation of financial instruments (especially the conversion option embedded in the perpetual exchangeable capital securities issued by a special purpose entity, Magnolia Finance Ltd, see Note 17) is performed by reference to quoted market prices or, in absence thereof reflects the market's or the management's estimate of the future trend of key drivers of such values, including, but not limited to yield curves, foreign exchange and risk-free interest rates, and in case of the conversion option and MOL's call option on the 7% shareholding owned by CEZ, volatility of MOL share prices and dividend yield. Considering the worldwide financial crisis since 2008 and the consequent hectic changes on the markets of financial instruments, such fair value measurements contain an increased uncertainty. The management expects this uncertainty to be decreasing during the forthcoming reporting period. In case of the conversion option embedded in MOL's perpetual exchangeable capital securities, the market of the underlying convertible instrument has become inactive between October, 2008 and September, 2009, together with a significant decline in the market price of MOL shares and of the convertible instrument. Therefore the fair value of the conversion option has decreased to nil as of 31 December 2008. For 2009, the valuation of this option was performed with reference to prices on the market of convertible instruments. Further details of financial instruments are described in Note 34.

Quantification and timing of environmental and field abandonment liabilities

Management estimates the future cash outflow associated with environmental and decommissioning liabilities using comparative prices, analogies to previous similar work and other assumptions. Furthermore, the timing of these cash flows reflects managements' current assessment of priorities, technical capabilities and urgency of such obligations. Both the amounts and the timing of these future expenditures are reviewed annually, together with expectations on the rates used to discount these cash flows. Long-term real discount rates are expected to be 1.9% (2008: 2.0%). Consequently, the carrying amount of these obligations (in case of environmental liabilities HUF 69,563 million and HUF 39,702 million, in case of field abandonment provision HUF 188,348 million and HUF 97,312 million as of 31 December 2009 and 2008, respectively, see Note 20) is exposed to uncertainty.

Impairment of non-current assets, including goodwill

The impairment calculation requires an estimate of the recoverable amount of the cash generating units, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. The most significant variables in determining cash flows are discount rates, terminal values, the period for which cash flow projections are made, as well as the assumptions and estimates used to determine the cash inflows and outflows, including commodity prices, operating expenses, future production profiles and the global and regional supply-demand equilibrium for crude oil, natural gas and refined products. While such cash flows for each non-current asset or investment reflects the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the general economic recession experienced worldwide and also in the Central-Eastern European region where the Group operates. Discount rates were derived from the USD-based weighted average cost of capital for the Group (2009: 8%, 2008: 6.7%) Increase in the rate reflects the increased risk factors due to the worldwide recession. In each case these rates are adjusted for segment-, country- and project-specific risks, as applicable. Impairment recorded in the consolidated income statement amounts to HUF 13,066 million and HUF 8,325 million in 2009 and 2008, respectively. These charges include an impairment loss of HUF 4,656 million on goodwill in 2009, HUF 1,612 million (2008: HUF 6,816 million) on other intangible assets and HUF 9,059 million (2008: HUF 5,643 million) and a reversal of impairment of HUF 2,261 million (2008: HUF 4,120 million) on property, plant and equipment. Carrying amount of goodwill is HUF 70,126 million and HUF 71,760 million as of 31 December 2009 and 2008, respectively (see Note 4).

Availability of taxable income against which deferred tax assets can be recognized

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized deferred tax assets at 31 December 2009 was HUF 36,855 million (see Note 30).

Actuarial estimates applied for calculation of retirement benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality or fluctuation rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Provision for retirement benefit is HUF 14,416 million and HUF 8,878 million at 31 December 2009 and 2008, respectively (see Note 20).

Outcome of certain litigations

MOL Group entities are parties to a number of litigations, proceedings and civil actions arising in the ordinary course of business. Management uses estimations when the most likely outcome of these actions is assessed and provision is recognized on a consistent basis. See Note 20 and 35.

3 SEGMENTAL INFORMATION

2009	EXPLO- RATION AND PRODUC- TION	REFINING AND MARKE- TING	GAS & POWER	PETRO- CHEMI- CALS	COR- PORATE AND OTHER	INTER- SEG- MENT TRANS- FERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Net Revenue							
Sales to external customers	273,124	2,396,450	236,166	289,128	31,168	-	3,226,036
Inter-segment sales	188,075	324,389	277,590	99,152	133,510	(1,022,716)	-
Total revenue	461,199	2,720,839	513,756	388,280	164,678	(1,022,716)	3,226,036
Results							
Profit/(loss) from operations	126,631	15,371	61,902	(15,219)	54,386	5,500	248,571
Net finance costs	-	-	-	-	-	-	58,784
Income from associates	-	-	-	-	(1,664)	-	(1,664)
Profit before tax	-	-	-	-	-	-	188,123
Income tax expense/(benefit)	-	-	-	-	-	-	80,131
Profit for the year	-	-	-	-	-	-	104,650

2008	EXPLO- RATION AND PRODUC- TION	REFINING AND MARKE- TING	GAS & POWER	PETRO- CHEMI- CALS	COR- PORATE AND OTHER	INTER- SEG- MENT TRANS- FERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Net Revenue							
Sales to external customers	237,306	2,768,530	145,726	366,090	17,349	-	3,535,001
Inter-segment sales	191,474	377,104	53,398	104,367	131,354	(857,697)	-
Total revenue	428,780	3,145,634	199,124	470,457	148,703	(857,697)	3,535,001
Results							
Profit/(loss) from operations	191,018	72,450	38,661	(7,589)	(37,697)	(57,619)	199,224
Net finance costs	-	-	-	-	-	-	16,076
Income from associates	-	-	-	-	(25,190)	-	(25,190)
Profit before tax	-	-	-	-	-	-	157,958
Income tax expense/(benefit)	-	-	-	-	-	-	16,734
Profit for the year	-	-	-	-	-	-	141,224

2009 ASSETS AND LIABILITIES	EXPLO- RATION AND PRODUC- TION	REFINING AND MARKE- TING	GAS & POWER	PETRO- CHEMI- CALS	COR- PORATE AND OTHER	INTER- SEG- MENT TRANS- FERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment, net	1,014,097	952,614	357,778	183,080	101,328	(67,244)	2,541,653
Intangible assets, net	297,990	93,764	5,980	4,766	23,086	(249)	425,337
Inventories	24,321	281,867	2,567	12,017	12,031	(4,793)	328,010
Trade receivables, net	56,672	329,571	50,591	58,906	41,429	(126,501)	410,668
Investments in associates	-	-	-	-	59,830	-	59,830
Not allocated assets	-	-	-	-	-	-	463,901
Total assets							4,229,399
Trade payables	57,302	331,508	54,669	49,232	47,589	(128,022)	412,278
Not allocated liabilities	-	-	-	-	-	-	1,944,026
Total liabilities							2,356,304

2009 OTHER SEGMENT INFORMATION	EXPLO- RATION AND PRODUC- TION	REFINING AND MARKE- TING	GAS & POWER	PETRO- CHEMI- CALS	COR- PORATE AND OTHER	INTER- SEG- MENT TRANS- FERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Capital expenditure:	107,732	102,229	61,100	16,681	7,244	-	294,986
Property, plant and equipment	89,631	101,318	59,389	16,452	4,367	-	271,157
Intangible assets	18,101	911	1,711	229	2,877	-	23,829
Depreciation and amortization	79,410	93,597	15,691	18,308	15,227	(3,116)	219,117
From this: impairment losses and reversal of impairment recognized	3,837	7,543	687	(18)	1,017	-	13,066

2008 ASSETS AND LIABILITIES	EXPLO- RATION AND PRODUC- TION	REFINING AND MARKE- TING	GAS & POWER	PETRO- CHEMI- CALS	COR- PORATE AND OTHER	INTER- SEG- MENT TRANS- FERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment, net	166,775	749,834	304,323	182,856	80,236	(66,825)	1,417,199
Intangible assets, net	74,981	86,536	5,312	5,928	18,645	-	191,402
Inventories	10,682	186,831	2,461	13,018	17,951	(8,162)	222,781
Trade receivables, net	46,572	228,293	25,743	49,776	26,816	(49,716)	327,484
Investments in associates	-	-	-	-	338,984	-	338,984
Not allocated assets	-	-	-	-	-	-	418,563
Total assets							2,916,413
Trade payables	17,477	193,244	39,574	24,554	49,494	(50,367)	273,936
Not allocated liabilities	-	-	-	-	-	-	1,411,037
Total liabilities							1,685,013

2008 OTHER SEGMENT INFORMATION	EXPLO- RATION AND PRODUC- TION	REFINING AND MARKE- TING	GAS & POWER	PETRO- CHEMI- CALS	COR- PORATE AND OTHER	INTER- SEG- MENT TRANS- FERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Capital expenditure:	62,057	118,433	129,846	10,236	10,859	-	331,431
Property, plant and equipment	34,118	116,737	128,767	8,847	7,210	-	295,679
Intangible assets	27,939	1,696	1,079	1,389	3,649	-	35,752
Depreciation and amortization	36,920	74,912	11,503	19,681	11,072	(2,180)	151,908
From this: impairment losses and reversal of impairment recognized	5,816	1,471	470	177	477	(86)	8,325

The operating profit of the segments includes the profit arising both from sales to third parties and transfers to the other business segments. Exploration and Production transfers crude oil, condensates and LPG to Refining and Marketing and natural gas to the Gas and Power segment. Refining and Marketing transfers chemical feedstock, propylene and isobutane to Petrochemicals and Petrochemicals transfers various by-products to Refining and Marketing. The subsidiaries of Corporate segment provide maintenance, insurance and other services to the business segments. The internal transfer prices used are based on prevailing market prices. Divisional figures contain the results of the fully consolidated subsidiaries engaged in the respective divisions.

4 INTANGIBLE ASSETS

	RIGHTS	SOFTWARE	EXPLORATION COSTS	GOODWILL	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January, 2008					
Gross book value	37,798	58,526	52,517	68,128	216,969
Accumulated amortization and impairment	(6,583)	(37,926)	(3,270)	-	(47,779)
Net book value	31,215	20,600	49,247	68,128	169,190
Year ended 31 December, 2008					
- additions	12,260	7,866	15,894	-	36,020
- acquisition of subsidiary	3,714	51	1	1,033	4,799
- amortization for the year	(4,810)	(5,323)	(62)	-	(10,195)
- impairment	-	(35)	(6,781)	-	(6,816)
- disposals	(1)	(66)	-	-	(67)
- exchange adjustment	2,063	562	(1,818)	2,599	3,406
- transfers	1,413	(1,211)	(5,137)	-	(4,935)
Closing net book value	45,854	22,444	51,344	71,760	191,402
At 31 December, 2008					
Gross book value	57,997	65,436	60,240	71,760	255,433
Accumulated amortization and impairment	(12,143)	(42,992)	(8,896)	-	(64,031)
Net book value	45,854	22,444	51,344	71,760	191,402
Year ended 31 December, 2009					
- additions	2,581	3,510	17,738	-	23,829
- acquisition of subsidiary	14,175	6,863	208,886	3,655	233,579
- amortization for the year	(7,641)	(5,582)	(76)	-	(13,299)
- impairment	(203)	(627)	(782)	(4,656)	(6,268)
- disposals	(33)	(45)	-	-	(78)
- exchange adjustment	231	45	(3,360)	1,583	(1,501)
- transfers and other movements	2,803	(1,637)	(1,277)	(2,216)	(2,327)
Closing net book value	57,767	24,971	272,473	70,126	425,337
At 31 December, 2009					
Gross book value	77,861	73,012	282,262	74,744	507,879
Accumulated amortization and impairment	(20,094)	(48,041)	(9,789)	(4,618)	(82,542)
Net book value	57,767	24,971	272,473	70,126	425,337

Transfers from exploration costs represent expenditures which, upon determination of proved reserves of oil and natural gas are reclassified to property, plant and equipment (see Note 2.3 xv.). Impairment in 2009 related primarily to exploration activities qualified unsuccessful in Hungary.

Goodwill

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

	2009			2008		
	NET BOOK VALUE BEFORE IMPAIRMENT	IMPAIRMENT	NET BOOK VALUE	NET BOOK VALUE BEFORE IMPAIRMENT	IMPAIRMENT	NET BOOK VALUE
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Refining and Marketing	70,502	4,618	65,884	71,190	-	71,190
- Roth Group	6,455	-	6,455	6,311	-	6,311
- MOL Romania	4,198	-	4,198	4,341	-	4,341
- IES Group	44,128	4,618	39,510	43,124	-	43,124
- Tifon	14,705	-	14,705	14,213	-	14,213
- Energopetrol	-	-	-	2,216	-	2,216
- I&C Energo	1,016	-	1,016	985	-	985
Petrochemicals	570	-	570	570	-	570
- TVK	477	-	477	477	-	477
- TVK Polska	93	-	93	93	-	93
Exploration and Production	3,672	-	3,672	-	-	-
- DrillTrans	3,672	-	3,672	-	-	-
Total goodwill	74,744	4,618	70,126	71,760	-	71,760

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable value of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and gross margins during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Gross margins are based on past practices and expectations of future changes in the market.

Roth Group

At 31 December 2009 goodwill of HUF 6,455 million was allocated to the wholesale activities of Roth Group operating mainly on the Austrian wholesale market, forming a separate cash generating unit within Refining and Marketing business segment. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the following years based on an estimated growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant Austrian markets. The rates used to discount the forecast cash flows reflecting risks specific to the Refining and Marketing segment vary between 7% and 9% in the years considered.

For the wholesale activities of Roth Group, there are reasonably possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount. The actual recoverable amount for the wholesale activity of Roth Group exceeds its carrying amount by HUF 476 million. The implications of the key assumptions on the recoverable amount are discussed below:

- Gross margins – Management has considered the possibility of lower than budgeted gross margins, which can occur in case the inability of Roth Group to pass higher direct costs to customers. An additional 4.5% decrease of gross margins would reduce Roth Group's value in use to its carrying value.
- Discount rate assumptions – Management assessed discount rates based on the current and expected risk-free interest rate and the risks specific to the current activities of the unit. An increase of

approximately 1.1 percentage points in this rate would give a value in use equal to the carrying amount of Roth Group's wholesale activities.

MOL Romania

At 31 December 2009 goodwill of HUF 4,198 million was allocated to the Romanian retail network of the Group. For goodwill allocation purposes, the Romanian filling stations' network as a whole (being a group of cash generating unit) is considered. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the whole network and extrapolates cash flows for the average residual useful life of the filling stations assuming no growth rate in gross margin, reflecting a competitive position. The rates used to discount the forecast cash flows reflecting risks specific to retail activities vary between 12% and 14% in the years considered.

With regard to the assessment of value in use of the Romanian retail network, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

IES Group

At 31 December 2009 goodwill of HUF 39,510 million was allocated to the Italian refining and wholesale activities of the Group after recognising an impairment of HUF 4,618 million in 2009. For goodwill allocation purposes, the Mantova refinery and its wholesale activity (being a single cash generating unit) is considered. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the average residual useful life of the refining assets assuming no increase in the refinery capacity, however, considering the quality improvement of refined products in the sales margins reflecting the in-progress refinery upgrade project. Crack spreads and wholesale margins used in the forecast represent management's assumptions applicable for MOL Group and for the specific Italian wholesale market, respectively. Rates used to discount the forecast cash flows reflecting risks specific to refining and wholesale activities vary between 9% and 11% in the years considered.

Tifon

At 31 December 2009 goodwill of HUF 14,705 million was allocated to the retail network of Tifon. For goodwill allocation purposes, the Croatian filling stations' network as a whole (being a group of cash generating unit) is considered. Tifon prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows for the average residual useful life of the filling stations based on an estimated growth rate of 3%. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 10% and 12% in the years considered.

With regard to the assessment of value in use of the Croatian retail network, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Energopetrol

At 30 June 2009 goodwill of HUF 2,536 million was allocated to the retail network of Energopetrol. For goodwill allocation purposes, the network of 64 filling stations in Bosnia-Herzegovina as a whole (being a group of cash generating unit) is considered. Upon gaining full control over this joint venture in 2009 via the acquisition of INA, MOL's joint venture partner in Energopetrol, the net assets of the joint venture has been derecognized and the related goodwill has been subsumed into the accounting for the acquisition of INA Group. For the business combination accounted for as the second step of this acquisition see Note 7.

Exploration expenditures

In addition to the capitalized exploration expenditures shown above, a further HUF 5,790 million and HUF 11,105 million exploration expenses were incurred in 2009 and 2008, respectively. Consistent with the successful effort method of accounting they were charged to various operating cost captions of the consolidated income statement as incurred.

Intangible assets with indefinite useful life

In addition to goodwill, MOL Group has acquired the INA brand which has an indefinite useful life. The Group assessed the brand to have indefinite useful life since practically the entire population in Croatia knows it and is perceived as a market leader with an extensive network of filling station. The Group does not intend to terminate this brand in the foreseeable future. The carrying amount of the INA brand was HUF 12,776 million as of 31 December 2009. Since the value of the brand has been determined in the purchase price allocation process completed at the end of the year, no impairment should be recorded on this item.

5 PROPERTY, PLANT AND EQUIPMENT, NET

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER MACHINERY AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January, 2008					
Gross book value	1,027,053	1,101,684	76,247	105,783	2,310,767
Accumulated depreciation and impairment	(422,040)	(651,411)	(56,906)	(156)	(1,130,513)
Net book value	605,013	450,273	19,341	105,627	1,180,254
Year ended 31 December, 2008					
- additions and capitalizations	85,063	77,464	6,344	295,612	464,483
- depreciation for the year	(50,298)	(76,573)	(6,503)	-	(133,374)
- impairment	(3,912)	(921)	23	(833)	(5,643)
- reversal of impairment	3,990	94	-	36	4,120
- acquisition of subsidiary	822	417	42	2	1,283
- disposals	(1,171)	(184)	(36)	(15)	(1,406)
- exchange adjustment	22,961	28,682	156	2,993	54,792
- transfer and capitalizations	2,281	3,959	986	(154,536)	(147,310)
Closing net book value	664,749	483,211	20,353	248,886	1,417,199
At 31 December, 2008					
Gross book value	1,143,889	1,239,796	82,890	249,237	2,715,812
Accumulated depreciation and impairment	(479,140)	(756,585)	(62,537)	(351)	(1,298,613)
Net book value	664,749	483,211	20,353	248,886	1,417,199
Year ended 31 December, 2009					
- additions and capitalizations	229,298	128,640	5,273	274,391	637,602
- depreciation for the year	(98,148)	(86,245)	(8,359)	-	(192,752)
- impairment	(3,157)	(4,402)	(1,164)	(336)	(9,059)
- reversal of impairment	1,601	281	319	60	2,261
- acquisition of subsidiary	676,736	82,920	18,883	273,895	1,052,434
- disposals	(1,468)	(132)	(74)	(19)	(1,693)
- exchange adjustment	(3,411)	7,156	(167)	(3,251)	327
- transfer and capitalizations	(518)	4,136	(56)	(368,228)	(364,666)
Closing net book value	1,465,682	615,565	35,008	425,398	2,541,653
At 31 December, 2009					
Gross book value	2,046,791	1,459,843	104,666	425,584	4,036,884
Accumulated depreciation and impairment	(581,109)	(844,278)	(69,658)	(186)	(1,495,231)
Net book value	1,465,682	615,565	35,008	425,398	2,541,653

When capital projects are completed the carrying value is transferred out of construction in progress and treated as an addition in the respective asset category.

Changes in estimates

In 2009 based on the requirements of IAS 16 the Group has performed an annual revision of useful lives of property, plant and equipment and intangibles, resulting in an increase of HUF 431 million (2008: HUF 354 million) in the consolidated profits, net of deferred tax.

Impairment, net of reversal

Impairment expense of HUF 2,688 million and reversal of impairment losses of HUF 825 million were recorded with respect to the revision of field abandonment provision of maturing and suspended oil and gas producing fields in 2009 and 2008, respectively. Impairment expense of HUF 612 million and reversal of impairment losses of HUF 162 million were recorded with respect to filling stations and retail sites in 2009 and 2008, respectively. In 2009, HUF 1,444 million was recognised as impairment expense related to expired catalysts and closure of certain facilities at Danube refinery. In 2008, impairment expense of HUF 859 million was incurred in connection with the closure of certain facilities of the Tiszaújváros petrochemical plant and the Slovnaft refinery. Additional impairment expenses of HUF 464 million and of HUF 397 million were recorded for certain gas transmission assets of FGSZ Földgázz szállító Zrt. in 2009 and 2008, respectively. Other individually non-material impairment losses of HUF 1,589 million and HUF 1,434 million have been recognized in 2009 and 2008, respectively, net of reversal of impairment.

Leased assets

Property, plant and equipment includes machinery acquired under finance leases:

	2009	2008
	HUF million	HUF million
Cost	8,213	6,185
Accumulated depreciation	(2,394)	(1,504)
Net book value	5,819	4,681

Borrowing Costs

Property, plant and equipment include borrowing costs incurred in connection with the construction of certain assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 5,305 million and HUF 11,132 million in 2009 and 2008, respectively. In 2009 and 2008 the applicable capitalisation rates (including the impact of foreign exchange differences) were 2.4% and 7.8%, respectively.

Pledged Assets

Assets with an aggregate net book value of HUF 95,151 million have been pledged at the Group of which HUF 12,026 million as collateral for loans utilized by TVK-Erőmű Kft. and Tisza WTP Kft. as of 31 December 2009, HUF 3,360 million at Slovnaft a.s., HUF 1,512 million at Rossi Biofuel Zrt. and HUF 78,253 million at IES S.p.A. and HUF 1,204 million at INA d.d. Value of pledged assets was HUF 103,439 million as of 31 December 2008.

6 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2009	OWNERSHIP 2008
Integrated subsidiaries				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	47%	c)
Subsidiaries in discontinued operations				
Prirodni plin d.o.o.	Croatia	Natural gas trading	47%	c)
Exploration and Production				
Adriagas S.r.l.	Italy	Pipeline project company	47%	c)
BHM OIL-Invest Ltd	Cyprus	Exploration investment management	100%	100%
Surgut Trading Ltd	Russia	Trade of crude oil	50%	50%
BMN Investment Ltd	Cyprus / India	Exploration and production activity	100%	e)
Croscos Naftni Servisi d.o.o.	Croatia	Oilfield services	47%	c)
CorteCros d.o.o.	Croatia	Production of anticorrosion products	28%	c)
Croscos B.V.	Netherlands	Oilfield services	47%	c)
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	47%	c)
Croscos International d.o.o. (Slovenia)	Slovenia	Oilfield services	47%	c)
Croscos International d.o.o. (Tuzla)	Bosnia and Herzegovina	Oilfield services	47%	c)
Croscos International Ltd.	United Kingdom	Oilfield services	47%	c)
Croscos S.A. DE C.V.	Mexico	Maintaining services	47%	c)
Drill-Trans Zrt.	Hungary	Road cargo transport	47%	c)
Mobilgas Zrt.	Hungary	Road cargo transport	47%	c)
Drill-Car Kft.	Hungary	Car selling	47%	c)
Geotechnika International LLC	United Arab Emirates	Oilfield services, drilling wells	23%	c)
Mideast Integrated Drilling & Well Services Company LLC	Oman	Integrated drilling and completion services	23%	c)
Rotary Zrt.	Hungary	Oilfield services	47%	c)
Rotary Pumping Services Kft.	Hungary	Oilfield services	47%	c)
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	47%	c)
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
GES Kft.	Hungary	Geophysical surveying and data processing	100%	100%
Geophysical Services Middle-East LLC	Oman	Geophysical surveying and data processing	70%	70%
Greentrade Ltd	Cyprus	Exploration investment management	100%	100%
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd	United Kingdom	Exploration and production activity	47%	c)
Kalegran Ltd	Cyprus / Iraq	Exploration investment management / Exploration and production activity	100%	100%
Lamorak Enterprises Ltd (former MOL Tunisia Oil and Gas Ltd.)	Cyprus / Tunisia	Exploration and production activity	100%	100%
MOL Caspian Oil and Gas Ltd	Cyprus / Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd (joint venture)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil Group Ltd (joint venture)	Kazakhstan	Exploration and production activity	28%	28%
MOL Central Asia Oil and Gas Co. B.V. (former MOL Syria Oil and Gas Co. B.V.)	Netherlands / Syria / Kazakhstan	Exploration and production activity	100%	100%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2009	OWNERSHIP 2008
MOL CIS Oil and Gas Ltd.	Cyprus	Exploration investment management	100%	100%
ZMB Ltd (joint venture)	Russia	Exploration and production activity	50%	50%
MOL Pakistan Oil and Gas Co. B.V.	Netherlands / Pakistan	Exploration and production activity	100%	100%
MOL Yemen Oil and Gas (Cyprus) Ltd	Cyprus / Yemen	Exploration and production activity	100%	100%
Platounko Investments Ltd	Cyprus	Exploration financing	100%	e)
Pronodar Ltd	Cyprus / Cameroon	Exploration and production activity	100%	100%
Pyrogol Ltd	Cyprus	Exploration and production activity	100%	100%
RUSI Services Ltd	Cyprus	Exploration financing	100%	100%
SHM Seven Investments Ltd (former MOL Greece Oil and Gas Ltd)	Cyprus	Exploration investment management	100%	100%
MOL Western Siberia LLC (former NWOG-MOL Ltd)	Russia	Exploration and production activity	100%	100%
UBA Services Ltd	Cyprus / Russia	Exploration investment management	100%	100%
USI Ltd	Cyprus	Exploration investment management	100%	100%
BaiTex LLC	Russia	Exploration and production activity	100%	100%
Natural Gas & Energy				
CM European Power International B.V. (joint venture)	Netherlands	Power plant investment management	50%	50%
CM European Power International s.r.o. (joint venture)	Slovakia	Power plant investment management	50%	50%
CM European Power Slovakia s.r.o.	Slovakia	Operation of thermo-power plant	50%, d)	98%
MC European Power Hungary Kft. (former Dunai Gőzfejlesztő Kft.) (joint venture)	Hungary	Steam and hot water supply, electricity production	50%	100%
FGSZ Földgázszállító Zrt. (former MOL Földgázszállító Zrt.)	Hungary	Natural gas transmission	100%	100%
NETS Study Company	Hungary	Natural gas transmission project company	100%	b)
MMBF Földgáztároló Zrt.	Hungary	Strategic natural gas storage	72%	72%
MOL Energiakereskedő Zrt. (former MOL Energiakereskedő Kft.) (associated company from 31.12.2009)	Hungary	Natural gas trading	a)	100%
MOLTRADE-Mineralimpex Zrt.	Hungary	Importing and exporting energetical products	100%	100%
Refining and Marketing				
Crobenz d.d.	Croatia	Trading of oil products	47%	c)
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	49%	34%
FPC Ltd.	United Kingdom	Trading of oil products	47%	c)
Holdina (Cyprus) Ltd	Cyprus	Intermediate holding company	47%	c)
Holdina (Guernsey) Ltd	United Kingdom	Trading of oil products	47%	c)
Holdina (Ireland) Ltd	Ireland	Trading of oil products	47%	c)
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	47%	c)
IES SpA	Italy	Refinery and marketing of oil products	100%	100%
Enersol S.c.r.l. (under liquidation)	Italy	Marketing of oil products	81%	81%
Greengas S.r.l.	Italy	Hydrogen plant operation	49%, d)	49%, d)
Nelsa S.r.l.	Italy	Marketing of oil products	74%	74%
Panta Distribuzione S.r.l.	Italy	Marketing of oil products	100%	100%
Recon S.r.l. (merged into IES)	Italy	Marketing of oil products	-	100%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2009	OWNERSHIP 2008
INA d.o.o.	Serbia	Trading of oil products	47%	c)
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	47%	c)
INA BL d.o.o.	Bosnia and Herzegovina	Trading of oil products	47%	c)
INA Crna Gora d.o.o	Montenegro	Trading of oil products	47%	c)
INA Hungary Kft.	Hungary	Trading of oil products	47%	c)
INA Kosovo d.o.o	Kosovo	Trading of oil products	47%	c)
INA-Osijek – Petrol d.d.	Croatia	Trading of oil products	36%	c)
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	47%	c)
Interina d.o.o. Skopje (in bankruptcy)	Macedonia	Trading of oil products	47%	c)
Inter Ina Ltd	United Kingdom	Trading of oil products	47%	c)
Inter Ina (Guernsey) Ltd	United Kingdom	Trading of oil products	47%	c)
Intermol d.o.o.	Serbia	Retail trade of fuels and lubricants	100%	100%
Maziva Zagreb d.o.o.	Croatia	Lubricants production and trading	47%	c)
MK Mineralkontor GmbH	Germany	Trade of oil products	100%	100%
MOL Austria GmbH	Austria	Wholesale trade of lubricants and oil products	100%	100%
MOL Tankstellen GmbH	Austria	Retail trade	100%	100%
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Slovenija d.o.o.	Slovenia	Retail trade of fuels and lubricants	100%	100%
Moltrans Kft.	Hungary	Transportation services	100%	100%
Petrol d.d.	Croatia	Trading of oil products	39%	c)
Polybit d.o.o. (joint venture)	Croatia	Production and trading	24%	c)
Proplin, d.o.o.	Croatia	Production and LPG trading	47%	c)
Rossi Biofuel Zrt. (joint venture)	Hungary	Biofuel component production	25%	25%
Roth Heizöle GmbH	Austria	Trading of oil products	100%	75%
Alpenkohle Mineralölhandels GmbH	Austria	Trading of oil products	100%	75%
Egon von Lenz GmbH	Austria	Trading of oil products	100%	75%
Heizöl Blitz Stadler GmbH	Austria	Trading of oil products	100%	75%
Rumpold Energie & Brennstoffhandels GmbH	Austria	Trading of oil products	100%	75%
Slovnaft a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	98%	98%
Apollo Oil Rohstoffhandels GmbH	Austria	Trading of crude oil	66%	66%
Apollo Rafinéria s.r.o.	Slovakia	Wholesale and retail trade	98%	98%
Meroco a.s. (joint venture)	Slovakia	Production of bio-diesel component (FAME)	25%	25%
MOL Slovensko spol s.r.o.	Slovakia	Wholesale and retail trade	98%	98%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	98%	98%
Slovnaft Trans a.s.	Slovakia	Transportation services	98%	98%
SWS s.r.o.	Slovakia	Transport support services	50%	50%
Zváz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	98%	98%
Slovnaft VÚRUP a.s.	Slovakia	Research & development	98%	98%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail	100%	100%
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Tífon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
Petrochemicals				
Slovnaft Petrochemicals s.r.o.	Slovakia	Petrochemical production and trading	98%	98%
TVK Plc.	Hungary	Petrochemical production and trading	95%	95%
Tisza-WTP Kft.	Hungary	Feed water and raw water supply	0%, d)	0%, d)
TVK-Erőmű Kft.	Hungary	Power plant	25%, d)	25%, d)
TVK France S.a.r.l. (former TVK-MOL-Chem S.a.r.l.)	France	Wholesale and retail trade	95%	95%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2009	OWNERSHIP 2008
TVK Inter-Chemol GmbH	Germany	Wholesale and retail trade	95%	95%
TVK Italia Srl.	Italy	Wholesale and retail trade	95%	95%
TVK Polska Sp.Zoo.	Poland	Wholesale and retail trade	95%	95%
TVK UK Ltd	England	Wholesale and retail trade	95%	95%
TVK Ukrajna tov.	Ukraine	Wholesale and retail trade	95%	95%
Corporate and other				
Balatongáz Kft. (under liquidation)	Hungary	Gas-utility development and management	77%	77%
EMS Management Services Ltd	Cyprus	Management services	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Hungary	Fire service, ambulance service	82%	82%
Hermész Kft.	Hungary	Consultancy	100%	100%
Hostin d.o.o.	Croatia	Tourism	47%	c)
I&C Energo a.s.	Czech Republic	Power plant engineering	99%	99%
ITR d.o.o.	Croatia	Car rental	47%	c)
Magnolia Finance Ltd	Jersey	Financial services	0%, d)	0%, d)
MOL Reinsurance Ltd	Cyprus	Captive insurance	100%	100%
MOL-RUSS Ooo.	Russia	Management services	100%	100%
Petrolszolg Kft.	Hungary	Management services	100%	100%
Sinaco d.o.o.	Croatia	Security	47%	c)
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance	98%	98%
STSI integrirani tehnicki servisi d.o.o.	Croatia	Management services	47%	c)
TVK Ingatlankezelő Kft.	Hungary	Real estate management	95%	95%

- a) Partially disposed of in 2009
b) Established in 2009
c) Consolidated in 2009
d) Consolidated as required by SIC-12 Consolidation - Special Purpose Entities
e) Dormant company in 2008

7 BUSINESS COMBINATIONS

Acquisitions in 2009

INA Group

On 16 October 2008 MOL has increased its ownership in INA to 47.16% via a successful voluntary public offer, for a purchase price of HRK 2,800 per share (equal to HUF 227,262 million for the 22.16% shareholding offered). INA was consolidated using the equity method as of 31 December 2008. Until obtaining control (see below), INA Group contributed a loss of HUF 3,539 million to the profit for the Group in 2009, recorded as income from associates.

As a result of the successful voluntary public offer for INA shares MOL has become the largest shareholder of INA in October, 2008. The parties have agreed to amend the Shareholders’ Agreement to reflect the new ownership structure of INA in the corporate governance of the company. After closing the transaction, MOL gained control over the operations of INA. The major changes of the Shareholders’ Agreement were as follows:

- MOL delegates five out of the nine members in the Supervisory Board and has controlling influence over the Management Board.
- The Government retains certain veto rights ensuring the national security of energy supply and some decisions with respect to strategic assets of INA.

Upon obtaining the Croatian competition office approval, the shareholders’ meeting has been called on 10 June 2009 to elect the new Supervisory Board of INA. The shareholder’s meeting was deemed to be the date when control is passed to MOL, therefore the business combination has been accounted for as of that date (using 30 June 2009 as valuation date).

The purchase price allocation for the assets acquired liabilities assumed have not yet been fully completed. Provisional fair values of assets acquired and liabilities assumed as of 30 June 2009 were as follows:

PROVISIONAL FAIR VALUES	
	HUF million
Intangible assets	229,739
Property, plant and equipment	1,046,930
Investments	2,227
Available-for-sale investments	11,403
Deferred tax assets	17,882
Other non-current assets	36,184
Inventories	111,357
Trade receivables	122,884
Other current assets	32,258
Prepaid taxes	3,108
Cash and cash equivalents	16,592
Assets classified as held for sale	23,397
Long-term debt, net of current portion	(202,532)
Provisions and contingent liabilities	(133,860)
Deferred tax liabilities	(95,671)
Other non-current liabilities	(4,868)
Trade and other payables	(249,583)
Current tax payable	(488)
Short-term debt	(89,646)
Current portion of long-term debt	(4,361)
Liabilities classified as held for sale	(15,275)
Provisional fair value of net assets of INA Group	857,677
Fair value of net assets of Energopetrol acquired with INA	221
Non-controlling interest in INA (52.8%)	453,240
Non-controlling interest in Energopetrol (51.0%)	112
Excess of provisional fair value of net assets over consideration recorded as other income (see Note 25)	47,671
Total consideration	356,875

The Group has elected to measure the non-controlling interest in INA Group on its proportionate share of the fair value of net assets acquired.

Intangible assets acquired include the INA brand, valued on the basis of relief from royalty method, and also the proved undeveloped and probable reserves of INA Group's onshore and off-shore oil and gas activities. Proved developed reserves are recorded as property, plant and equipment. Fair value of these reserves have been determined based on market forecasts and expectations, actual operating costs and a discount rate calculated using industry-specific peer groups. Long-term crude oil price have been forecasted at 75 USD / barrel, adjusted by inflation, while discount rate has been set to 10.4%, adjusted by country-specific risks.

Inventories have been valued on prevailing market prices. The Group has also recorded a HUF 27,557 million contingent liability on certain environmental obligations at the Croatian refineries, depots and retail sites with high and medium risk profiles, where the extent of the pollution and the nature of remediation work cannot be estimated with sufficient reliability. The Group has assessed these liabilities on the basis of its similar operations at other locations.

Via acquiring INA, the Group has also acquired full control over Energopetrol, its former joint venture with INA (owning 33.5% of its shares directly and another 33.5% via INA Group). Upon fully consolidating Energopetrol, the Group has identified a contingent liability of HUF 3,946 million relating to certain present obligations from employee claims.

From the date of acquisition, INA Group has contributed HUF 437,189 million of net sales revenue and HUF 22,000 million loss for the net income of the Group. If the combination had taken place at the beginning of the year, the revenue from continuing operations would have been HUF 804,809 million,

while the contribution to the profit for the Group would have been the same, since INA Group has been consolidated using the equity method from the beginning of the year.

Since the public offer for INA's shares in 2008 and the amendment of the Shareholders' Agreement in 2009 have been a single acquisition step, the Group has accounted for the purchase consideration as follows:

HUF MILLION	
Fair value of previously held interest in INA (25%, consolidated using the equity method prior to June 30, 2009)	133,334
Cash consideration paid for 22.16% of the shares of INA in the public offering in October, 2008, adjusted with profit contributed by INA since that date	218,443
Fair value of previously held interest in Energopetrol	5,098
Net cash outflow	356,875

To determine the fair value of MOL's previously held 25% interest in INA Group as of 30 June 2009, prevailing quoted market prices of INA shares were used. Re-measurement and recycling of exchange and fair valuation differences previously recorded in other comprehensive income resulted in a gain of HUF 22,462 million, recorded as other income. In addition, HUF 463 million was recorded as other income representing fair value difference of previously held interest in Energopetrol and recycling of exchange differences previously recorded in other comprehensive income.

Drill Trans Group

Crosco d.o.o., a subsidiary of INA acquired 100% share of Drill Trans Group as at 25 August 2009. Determination of the fair value of assets and liabilities have not yet been fully completed in 2009. The provisional fair values of assets acquired and liabilities assumed of Drill Trans Group as of 31 August 2009 were as follows:

PROVISIONAL FAIR VALUES	
	HUF million
Intangible assets	185
Property, plant and equipment	1,108
Inventories	111
Trade receivables	2,031
Other current assets	517
Cash and cash equivalents	148
Long-term debt	(369)
Trade and other payables	(2,437)
Short-term debt	(1,145)
Provisional fair value of net assets of Drill Trans Group	149
Provisional goodwill arising on acquisition	3,655
Total consideration	3,804

Acquisitions in 2008

I&C Energo a.s.

MOL and CEZ have entered into a share purchase agreement with respect to I&C Energo a.s. The Company is the leading engineering and supplier organisation providing services in particular in the field of instrumentation and control systems, information systems for industry and electric systems including provision of system integration and engineering support in the Czech Republic. The Company is also engaged in design of electric power producing buildings, design for low- and high-voltage electricity grids, consulting in power production and quality control areas, implementing power consumption audits, etc.

Determination of the fair value of assets and liabilities has been fully completed in 2009 which did not result in any material changes. The carrying and fair values of the assets and liabilities of I&C Energo as of 30 June 2008 were as follows:

	FAIR VALUES	CARRYING VALUES
	HUF million	HUF million
Intangible assets	3,766	51
Property, plant and equipment	880	880
Available-for-sale investments	49	49
Inventories	288	288
Trade receivables	3,770	3,770
Other current assets	3,390	3,390
Cash and cash equivalents	882	882
Long-term debt, net of current portion	(49)	(49)
Provision	(54)	(54)
Deferred tax liabilities	(731)	(26)
Other non-current liabilities	(31)	(31)
Trade and other payables	(5,525)	(5,525)
Fair value of net assets	6,635	
Goodwill arising on acquisition	1,033	
Total consideration	7,668	

Fair values exceeding carrying amounts of intangible assets represent the estimated value of internally developed software, order backlog and customer relationship acquired. Goodwill acquired on the business combination represents the excellent technological knowledge base in the field of power generation and transmission which will enable the Group to accelerate building up power business and provide with internal engineering know how capabilities.

Consideration relating to the acquisition consisted of the following:

	HUF MILLION
Cash consideration (including transaction costs)	7,668
Total consideration	7,668

The net cash outflow in respect of the acquisition consisted of the following:

	HUF MILLION
Net cash acquired with the project	882
Cash paid	(7,668)
Net cash outflow	(6,786)

If the combination had taken place at the beginning of the year, the impact of the acquisition on the net income and revenues of the Group in 2008 would have been HUF 763 million and HUF 9,285 million, respectively.

8 DISPOSALS

Gas business sales

The sale of 100% stake in MOL Földgázellátó Zrt. (wholesale, marketing and trading, “WMT”) and MOL Földgáztároló Zrt. (“Storage”) to E.ON Ruhrgas International AG (ERI) was closed on 31 March 2006. In case of WMT the final purchase price was further subject to the risk allocation mechanism set up in the share purchase agreement in 2006. Based on this mechanism, in case WMT has operating losses during the period from 30 June 2006 to 31 December 2009 (calculated for semi-annual periods) MOL is required to reimburse a portion of the loss to E.ON, while in case of operating profit MOL is entitled to a portion thereof. The amount of subsequent settlements was capped at HUF 25 billion for the whole period. This aggregate amount has been accrued at the time the results of the gas business sale have been recorded in 2006. Since the parties agreed to terminate the risk-sharing mechanism in the second quarter of 2009, the accrual has been released and a HUF 3,156 million receivable has been recognized (and subsequently paid by E.ON) as a final settlement. In 2009 and 2008 HUF 28,156 million and HUF 6,400 million subsequent purchase price adjustments paid by ERI were recognized as other income (see Note 25).

MOL Energiakereskedő Zrt.

MOL Energiakereskedő Kft. (MET), the natural gas trading subsidiary of the Group was transformed to a company limited by shares as of October 31, 2009. Subsequently, MOL agreed to sell 50% of its share in the entity to Normeston Trading Ltd as of December 18, 2009. Since MOL has not retained control over the operations of MET, its remaining shareholding in the company has been recorded as an investment in associate at a fair value of HUF 14 million, determined on the basis of estimated risk-adjusted future net cash flows.

Carrying amount of disposed assets and liabilities of MOL Energiakereskedő Zrt. as of 31 December 2009 and analysis of net cash outflow on sales of the subsidiary is the following:

	HUF MILLION
Intangible assets	46
Investments	19
Inventories	2,177
Trade receivables	18,231
Other current assets	633
Cash and cash equivalents	5,149
Total assets	26,255
Other non current liabilities	(28)
Trade and other payables	(23,697)
Total liabilities	(23,725)
Net assets sold	2,530
Sale price	25
Fair value of non-controlling interest retained	14
Loss on disposal	(2,491)

The analysis of net cash outflow on sale of MOL Energiakereskedő Zrt.:

Net cash disposed of during the sale	(5,149)
Cash consideration	25
Net cash outflow	(5,124)

9 JOINT VENTURES

Joint ventures in 2008

CEGE Central European Geothermal Energy Production Ltd.

MOL signed on July 30, 2008 the Articles of Association with Enex ehf. (Iceland) and Green Rock Energy International Pty. Ltd. (Australia) for the establishment of CEGE Central European Geothermal Energy Production Private Company Limited by Shares. The aim of the new company is exploration, production and sales of geothermal energy, the construction of geothermal power plants and technologies for directly supplying thermal heat. The three founders had an equal one third share in the HUF 6 million share capital of CEGE. In January, 2009 MOL and Green Rock Energy increased their interest to 50% by acquiring the shares owned by Enex.

CM European Power International B.V.

MOL and CEZ have finished the incorporation of their joint venture in line with their agreement signed on 20 December 2007. CM European Power International B.V. was the first entity of MOL-CEZ Joint Operation, established in 2008, in which each party has 50% equity interest, equal voting rights and similar split of operational decision making. The Slovakia and Hungary-based subsidiaries owned directly by this joint venture operate the boiler park at the Danube Refinery and the thermo-power plant at the Bratislava refinery. Planned construction of CCGTs (combined cycle gas turbine power plant) at the refineries of the MOL Group in Bratislava (Slovakia) and Százhalombatta (Hungary) is in preparatory phase.

The Group's share of the assets, liabilities, revenue and expenses of the joint ventures

The Group's share of the assets, liabilities, revenue and expenses of ZMB and all the other joint ventures (see Note 6), which are included in the consolidated financial statements, are as follows at 31 December 2009 and 2008 and for the years then ended:

	2009			2008		
	ZMB	OTHER	TOTAL	ZMB	OTHER	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Current assets	3,694	3,155	6,849	18,934	3,354	22,288
Non-current assets	17,212	7,449	24,661	17,313	6,911	24,224
	20,906	10,604	31,510	36,247	10,265	46,512
Current liabilities	2,824	3,194	6,018	2,682	5,154	7,836
Non-current liabilities	1,098	2,311	3,409	1,099	1,521	2,620
	3,922	5,505	9,427	3,781	6,675	10,456
Net assets	16,984	5,099	22,083	32,466	3,590	36,056
Net sales	42,598	13,638	56,236	74,710	13,438	88,148
Cost of sales	(9,214)	(12,248)	(21,462)	(12,286)	(13,103)	(25,389)
Other expenses	(28,488)	(961)	(29,449)	(51,716)	(251)	(51,967)
Financial (expense) / income, net	8	(105)	(97)	1,083	(119)	964
Profit before income tax	4,904	324	5,228	11,791	(35)	11,756
Income tax expense	(2,060)	(89)	(2,149)	(3,553)	(19)	(3,572)
Net profit / (loss)	2,844	235	3,079	8,238	(54)	8,184

IO INVESTMENTS IN ASSOCIATED COMPANIES

					NET BOOK VALUE OF	NET BOOK VALUE OF
COMPANY NAME		RANGE OF ACTIVITY	2009	2008	2009	2008
					HUF million	HUF million
Pearl Petroleum Ltd.	Iraq	Exploration of gas	10%	-	54,737	-
INA Group	Croatia	Integrated oil and gas company	a)	47%	a)	334,035
Mazzola & Bignardi S.r.l.	Italy	Hydrogen production	50%	50%	1,583	1,473
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	40%	40%	1,182	915
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	49%	815	1,025
Batec S.r.l.	Italy	Bitumen production	50%	50%	679	651
Other associated companies					834	885
Total					59,830	338,984

a) Fully consolidated from June 30, 2009

Pearl Petroleum Company Limited

On 15 May 2009 MOL signed an agreement to acquire 10% stake in Pearl Petroleum Company Limited (Pearl) from Crescent Petroleum and Dana Gas PJSC. Pearl holds all of the companies' legal rights in Khor Mor and Chemchemical gas-condensate fields in the Kurdistan Region of Iraq. In exchange for a 10% ownership package of Pearl MOL paid 6,322,232 "A" series MOL shares, representing 6% of its current registered capital and as a result Crescent Petroleum and Dana Gas each became 3% shareholders in MOL. Since the agreement between the shareholders grant MOL a significant influence on Pearl's operations, the company is treated as an associated company and is consolidated accordingly.

The provisional fair values of MOL's share in the assets and liabilities of Pearl as of 15 May 2009 were as follows:

PROVISIONAL FAIR VALUES	
	HUF million
Intangible assets	59,883
Property, plant and equipment	12,931
Inventories	284
Trade receivables	789
Other current assets	55
Cash and cash equivalents	138
Trade and other payables	(1,504)
Shareholders' loan	(12,184)
Provisional fair value of net assets	60,392
Consideration transferred for equity	60,392
Shareholders' loan acquired from sellers	12,184
Consideration transferred (shares at fair value)	72,576

MOL used 6,322,232 "A" series MOL shares from its treasury stock in exchange for the acquisition, the fair value of which has been determined on the basis of quoted share prices observed at that time.

The Group's interest (10%) as of 31 December 2009 in Pearl was as follows:

2009	
	HUF million
Share of the associate's balance sheet:	
Non-current assets	66,183
Current assets	2,941
Non-current liabilities	(12,941)
Current liabilities	(1,446)
Net assets	54,737
Share of the associate's income statement:	
Operating Profit	1,249
Net income attributable to equity-holders	1,249
Carrying amount of the investment	54,737

The financial data representing the Group's interest in Pearl above has been prepared in accordance with IFRS, using accounting policies which conform to those used by the Group for like transactions and events in similar circumstances.

INA Group

INA Group has been fully consolidated in 2009 upon gaining control over its operations as of 10 June 2009 (see Note 7). INA Group's first half year contribution to the profit for the Group was a loss of HUF 3,539 million and recorded as income from associates.

The Group's interest (47.16%) as of 31 December 2008 in INA Group was as follows:

2008	
	HUF million
Share of the associate's balance sheet:	
Non-current assets	458,260
Current assets	122,783
Non-current liabilities	(104,742)
Current liabilities	(142,266)
Net assets	334,035
Share of the associate's income statement:	
Total operating revenue	281,674
Net income attributable to equity-holders	(25,459)
Carrying amount of the investment	334,035

The financial data representing the Group's interest in INA Group above has been prepared in accordance with IFRS, using accounting policies which conform to those used by the Group for like transactions and events in similar circumstances.

Based on the 31 December 2008 share price quotations, the fair value of the Group's 47.16% investment in the company was HUF 194,620 million.

11 AVAILABLE-FOR-SALE INVESTMENTS

	2009 NET BOOK VALUE OF INVESTMENT	2008 NET BOOK VALUE OF INVESTMENT
	HUF million	HUF million
Quoted - Jadranski Naftovod d.d.	12,473	-
Other ordinary shares – unquoted	6,141	842
Total	18,614	842

MOL Group's investment in Jadranski Naftovod d.d. (JANAF), operator of Adria pipeline represents 12% of JANAF's outstanding shares. The value of the equity share in JANAF was determined by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2009. Investments in other unquoted equity instruments of certain non-core entities are carried at cost less accumulated impairment losses, since determination of fair value is not practicable at this stage. The significant increase in the net book value of unquoted instruments is due to the investments acquired with INA Group.

12 OTHER NON-CURRENT ASSETS

	2009	2008
	HUF million	HUF million
Loans given	20,707	2,781
Prepaid mining royalty	10,707	13,247
Advance payments for assets under construction	9,249	3,660
Net receivable from currency risk hedging derivatives (see Note 33 and 34)	4,139	1,973
Long-term receivables from operating agreements	1,398	1,086
Advance payments for intangible assets	914	-
Debt securities	210	-
Zero-coupon treasury notes held to maturity	185	502
Prepaid fees of long-term rental agreements	3	-
Total	47,512	23,249

Loans given primarily contains the HUF 12,941 million shareholder loan acquired with respect to Pearl Petroleum Company (see Note 10), the purpose of which is to finance the field exploration and development activities of the associate. The loan has a market-based interest rate of LIBOR + 2%. Mining royalty of HUF 20,000 million in 2005 was prepaid for fixing the level of mining royalty payable in the future and for the extension of exploration rights at certain Hungarian upstream concessions. The prepayment is amortized to the income statement beginning from January 2006 based on the expected production level of the fields until 2020. Amortization in 2009 and 2008 was HUF 2,540 million and HUF 2,207 million, respectively, and is expected to maintain a similar pattern in the forthcoming years.

13 INVENTORIES

	2009 AT COST	2009 LOWER OF COST OR NET REALISABLE VALUE	2008 AT COST	2008 LOWER OF COST OR NET REALISABLE VALUE
	HUF million	HUF million	HUF million	HUF million
Work in progress and finished goods	198,791	194,688	152,715	138,194
Other raw materials	67,689	57,620	35,559	34,749
Purchased crude oil	52,917	51,565	41,959	30,674
Other goods for resale	23,972	23,781	18,758	18,538
Purchased natural gas	250	356	626	626
Total	343,619	328,010	249,617	222,781

In 2009, HUF 6,615 million reversal of impairment, in 2008, an impairment loss of HUF 30,005 million was recorded.

It is required by law to maintain a certain level of obligatory stocks of crude oil and oil products by IES, the Italian subsidiary. The value of these stocks represents an amount of HUF 28,223 million and HUF 20,049 million at 31 December 2009 and 2008.

Due to the national legislation, Slovnaft Polska, a Polish subsidiary is required to maintain a certain level of obligatory stocks of crude oil and oil products. This level is determined from the volumes imported during the preceding calendar year and was an equivalent of HUF 16,803 million and HUF 16,431 million at 31 December 2009 and 2008, respectively.

INA d.d., the Croatian subsidiary of MOL is obliged by the national government to maintain a defined level of compulsory stocks of crude oil and oil products. The value of these stocks represents an amount of HUF 5,685 million at 31 December 2009.

14 TRADE RECEIVABLES, NET

	2009	2008
	HUF million	HUF million
Trade receivables	439,447	347,900
Provision for doubtful receivables	(28,779)	(20,416)
Total	410,668	327,484

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

Movements in the provision for doubtful receivables were as follows:

	2009	2008
	HUF million	HUF million
At 1 January	20,416	15,598
Additions	14,436	6,507
Reversal	(3,644)	(1,046)
Amounts written off	(1,264)	(344)
Currency differences	(1,165)	(299)
At 31 December	28,779	20,416

As at 31 December 2009 and 2008 the analysis of the recoverable amount of trade receivables that were past due is as follows:

	2009	2008
	HUF million	HUF million
Neither past due nor impaired	335,159	289,105
Past due but not impaired	75,509	38,379
Within 90 days	45,282	24,427
91 - 180 days	11,169	2,285
Over 180 days	19,058	11,667
Total	410,668	327,484

15 OTHER CURRENT ASSETS

	2009	2008
	HUF million	HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	65,780	41,387
Security deposits	9,786	1,977
Prepaid expenses and accrued income	9,354	8,449
Advances paid	6,469	6,154
Receivables from joint venture partners	4,522	3,841
Fair value of the option on MOL shares transferred to CEZ (see Note 17 and Note 34)	3,989	-
Loans receivable	1,921	365
Receivables from currency risk hedging derivatives (see Note 34)	1,097	-
Interest receivable	1,088	185
Fair value of share swap (see Note 17 and Note 34)	496	-
Net receivables from commodity price transactions (see Note 34)	146	-
Receivables from foreign exchange forward transactions (see Note 33 and Note 34)	65	118
Purchase price adjustment of WMT (see Note 8)	-	6,400
Reimbursement of penalty (see Note 25)	-	4,629
Receivables from foreign exchange forward transactions designated as cash-flow hedge (see Note 33 and Note 34)	-	545
Receivables from currency exchange options (see Note 33 and Note 34)	-	328
Other	11,922	7,000
Total	116,635	81,378

Analysis of loans receivable

	2009	2008
	HUF million	HUF million
Loans receivable	4,963	708
Provision for doubtful receivables	(3,042)	(343)
Total	1,921	365

Movements in the provision for doubtful loans receivable were as follows:

	2009	2008
	HUF million	HUF million
At 1 January	343	3,660
Additions	-	-
Reversal	(20)	(241)
Amounts written off	-	-
Reclassification between short-term and long-term	2,712	(3,076)
Acquisition / (sale) of subsidiaries	7	-
Currency differences	-	-
At 31 December	3,042	343

16 CASH AND CASH EQUIVALENTS

	2009	2008
	HUF million	HUF million
Cash at bank – HUF	37,054	22,524
Cash at bank – EUR	33,548	25,000
Cash at bank – USD	8,724	3,641
Cash at bank – CZK	1,731	2,912
Cash at bank – PLN	1,951	635
Cash at bank – HRK	1,649	312
Cash at bank – RUB	592	6,187
Cash at bank – SKK	-	5,303
Cash at bank – other currencies	5,479	2,168
Short-term bank deposits – EUR	71,865	109,976
Short-term bank deposits – CZK	6,098	3,052
Short-term bank deposits – PLN	5,279	178
Short-term bank deposits – USD	2,345	30,535
Short-term bank deposits – RUB	1,860	-
Short-term bank deposits – SKK	-	7,002
Short-term bank deposits – HUF	255	259
Cash on hand – HUF	947	1,089
Cash on hand – other currencies	3,325	1,079
Cash equivalents	1,892	222
Total	184,594	222,074

In case of cash at bank (current accounts) and short term bank deposits in different currencies the usual ranges of interest rates were the following:

	2009	2008
Current accounts		
EUR	0.54%	1.1% - 4.3%
USD	0.05%	0.0% - 6.7%
HUF	5.12% - 10.58%	6.8% - 11.4%
SKK	-	1.2% - 4.9%
Short-term bank deposits		
EUR	0.01% - 6.7%	1.2% - 6.5%
USD	0.01% - 3.0%	0.01% - 8.1%
HUF	5.75% - 11.15%	7.1% - 11.8%
SKK	-	1.2% - 4.8%

17 SHARE CAPITAL

As of 31 December 2009, the issued share capital was HUF 104,519 million, consisting of 104,518,484 series “A”, one series “B” and 578 series “C” shares. As of 31 December 2008, the issued share capital is HUF 104,519 million, consisting of 104,518,484 series “A”, one series “B” and 578 series “C” shares. Outstanding share capital as of 31 December 2009 and 2008 is HUF 79,202 million and HUF 72,812 million, respectively.

Ordinary shares of the series “A” have a par value of HUF 1,000 and ordinary shares of the series “C” have a par value of HUF 1,001. Every “A” class share with a par value of HUF 1,000 each (i.e. one thousand forint) entitles the holder thereof to have one vote and every “C” class share with a par value of 1,001 each (i.e. one thousand one forint) entitles the holder to have one and one thousandth vote, with the following exceptions. Based on the Articles of Association, no shareholder or shareholder group may exercise more than 10% of the voting rights with the exception of the Hungarian State, the Hungarian State Holding Company (MNV Zrt., formerly ÁPV Zrt.), any of its legal successors, any entity exercising ownership rights on behalf of the Hungarian State, and the organization(s) acting at the Company’s request as depository or custodian for the Company’s shares or securities representing the Company’s shares.

Series “B” share is a voting preference share with a par value of HUF 1,000 that entitles the holder thereof to preferential rights as specified in the present Articles of Association. The “B” series share is owned by MNV Zrt., exercising ownership rights on behalf of the Hungarian State. The “B” series share entitles its holder to one vote in accordance with its nominal value. The supporting vote of the holder of “B” series of share is required to adopt decisions in the following matters pursuant to Article 12.4. of the Articles of Association: decision on amending the articles regarding the data of B series share, the definition of voting rights and shareholder group, list of issues requiring supermajority at the general meeting as well as Article 12.4. itself.

Based on the authorization granted in the Articles of Association the Board of Directors is entitled to increase the share capital until April 23, 2014 in one or more instalments by not more than HUF 30,000,000,000 (i.e. Thirty billion forints) in any form and method provided by the Company Act.

Share capital changes

Based on the authorization granted in the Articles of Association the Board of Directors was entitled to conditionally increase the share capital until 1 September 2008 by not more than 2% of the share capital, i.e. HUF 2,164,548,000 through the private issuance of convertible bonds convertible into series (or to the supplement of these series) of registered ordinary “A” shares for the purpose of the implementation of the Company’s long term incentive scheme. On the basis of the aforementioned authorizations until 31 December 2008 shares with a par value of HUF 1,775,442,000 were issued. As per the decision of the Annual General Meeting held on 23 April 2008, 5,483,775 shares from the treasury stock have been cancelled on 16 October 2008.

Treasury share transactions

Capital structure optimization program

Understanding shareholders’ expectation for a solution for capital structure optimization, based on the authorisation of the Annual General Meeting held on 26th April 2007, the Group decided to restart a share buy back program in June 2007. As part of this program, MOL signed an agreement to lend 19,690,362 shares held in treasury to OTP Bank Plc. and to a subsidiary of the state-owned Hungarian Development Bank Zrt. (MFB Invest Zrt.). The Company mandated ING Bank Ltd. and OTP Bank Plc., as investment service providers to purchase “A” series treasury shares on the stock exchange. On the next AGM in April 2008 the Board of Directors received authorization for cancelling treasury shares in a 5% capital decrease and launching further share buybacks, depending on investment possibilities. Furthermore, the Board of Directors intends to maintain the flexibility to use treasury shares as an acquisition currency.

Within the framework of the capital structure optimization program, 1,142,677 shares were repurchased from the market in 2008 and 11,729,729 formerly lent shares were transferred back to MOL being the source of the 7,677,285 shares sold to CEZ (see below) and the 5,483,775 share cancellation; the capital decrease has been registered on 16 October 2008.

Both the remaining repurchased shares and the shares lent to third parties are continuing to be recorded as treasury shares for accounting purposes as required by IAS 32 – Financial Instruments – Presentation.

Option agreements with BNP Paribas and ING Bank

On 14 March 2008 MOL, BNP Paribas SA ("BNP") and ING Bank N.V. ("ING") signed an agreement whereby MOL has appointed ING to exercise its call option on 1,404,217 "A" series MOL ordinary shares held by BNP, pursuant to which ING purchased these shares from BNP. Following completion of the transaction, MOL received an American call option on 1,404,217 "A" series MOL shares from ING, and ING received a European put option on the same number of MOL shares from MOL. The maturity for both options is 1 year and the exercise price is USD 107.91 per share.

On 19 March 2009 the European put option was cash-settled, with conditions specified in the agreement. In parallel MOL and ING signed a share purchase and share option agreement on 5,220,000 "A" series MOL shares. As a result of the transaction MOL received an American call option and ING received a European put option on the same number of MOL shares from MOL. The maturity for both options is 1 year and the exercise price is EUR 30.98 per share.

On 17 July, 2009 MOL exercised its American call option on 7,552,874 "A" series MOL shares held by BNP Paribas at a strike price of USD 33.42 per share.

Since all shares held by these entities had put options attached, they were treated as financial liabilities in the consolidated balance sheet. Upon exercising the call or put options, the corresponding liability has been settled

Strategic Alliance with CEZ

On 20 December 2007 CEZ and MOL signed an agreement to create a joint venture (see Note 9). To strengthen the strategic alliance, CEZ purchased 7,677,285 pieces of "A" series MOL shares (7% stake) at HUF 30,000 which was financially closed and settled on 23 January 2008. MOL also purchased an American call option for the shares with a strike price of HUF 20,000 per share which can be exercised within 3 years. The transaction became unconditional upon approval by the relevant competition offices on 18 June 2008. The call option has been recorded as a derivative financial asset, initially measured at its fair value at that time (HUF 39,340 million), determined by applying the binomial valuation model. Spot market price (HUF 21,290 per share), implied volatility (31.88%) and an expected dividend yield of 3.6% have been used as input to the model. As a consequence of the recent crisis on financial markets and the sharp decline in the stock exchanges worldwide, the fair value of the option has decreased to nil as of 31 December 2008, with a corresponding financial loss recognized in the income statement. During 2009, the recovery of stock exchanges increased the fair value of the derivative. In addition, the terms of the call option has been renegotiated by the parties, extending it to 2014. The fair value of the option as of 31 December 2009 was HUF 3,989 million (see Note 15), determined by applying the binomial valuation model. Spot market price (HUF 17,247 per share), implied volatility (51.4%) and an expected dividend yield of 1.9% have been used as input to the model.

Share swap agreement with OTP

After the lending of 5,010,501 pieces of MOL shares to OTP has been terminated on 16 April 2009, MOL and OTP entered into a share – exchange and a share swap agreement. Under the agreements MOL transferred 5,010,501 "A" series MOL ordinary shares to OTP in return for 24,000,000 pieces OTP ordinary shares. The expiration of the share-swap agreements is on 11 July 2012 until that time each party can initiate a cash or physical settlement of the deal. Fair value of the share swap agreement amounted to HUF 496 million as at 31 December 2009 which has been recorded as derivative financial asset (see Note 15 and 34).

Issuance of exchangeable capital securities

On 13 March 2006, MOL signed a share purchase agreement to sell 6,007,479 Series "A" Ordinary Shares of MOL held in treasury to Magnolia Finance Limited ("Magnolia"), incorporated in Jersey, which thereby acquired 5.58% influence in MOL.

Magnolia issued EUR 610 million of perpetual exchangeable capital securities (the "Capital Securities"), exchangeable into the Series "A" Ordinary Shares of MOL between March 20, 2011 and March 12, 2016 ("Exchange Period"), to international financial investors outside the United States, Canada, Jersey, Japan, Hungary and Poland. Capital Securities were sold at nominal value and with a fixed coupon payment of 4.00% per annum for the first ten years, based on an exchange rate of HUF 26,670 per share.

MOL, concurrently with the sale of ordinary shares, entered into a swap agreement with Magnolia that gave MOL a call option to buy back all or some of the Series "A" Ordinary Shares of MOL, in certain limited circumstances at a volume - weighted average price during a certain period before exercising the option right, and in case the Capital Securities holders did not or partially exercised their conversion right, upon expiration of the Exchange Period and quarterly afterwards for the Series "A" ordinary shares which have not been exchanged yet. In case Magnolia redeems the Capital Securities after 2016 and the market price of ordinary MOL shares is below EUR 101.54 per share, MOL will pay the difference.

MOL does not have any direct or indirect equity interest in or control rights over Magnolia, but consolidates Magnolia for IFRS purposes in line with the requirements of SIC 12 – Consolidation: Special Purpose Entities.

The issuance of Capital Securities by Magnolia resulted in an increase of equity attributable to non-controlling interest of HUF 121,164 million, net of transaction costs. Holders of the capital securities of Magnolia received a total coupon payment of HUF 6,874 million and HUF 6,143 million in 2009 and 2008, respectively. The dividend for MOL shares held by Magnolia was also settled, the amount of which was HUF 5,306 million in 2008. Both of these have been recorded directly against equity attributable to non-controlling interest.

The conversion option of the holders of Capital Securities has been recorded as Other non-current liability (see Note 21), the fair valuation of which is recognized in income statement. The fair value of the conversion option is determined on the basis of the fair value of the Capital Securities, using investment valuation methods (market values), and depends principally on the following factors:

- Quoted MOL share prices denominated in HUF
- HUF/EUR exchange rate
- Implied volatility of MOL share prices (calculated on EUR basis)
- Investor's dividend expectations on MOL shares
- EUR-based interest rate
- Subordinated credit spread

The fair value of this derivative financial liability upon inception has been HUF 37,453 million. Since the market of the Capital Securities was deemed to be inactive between October 2008 and September 2009, and also the market price of the Capital Securities and the underlying MOL shares has decreased significantly, the fair value of the conversion option was nil as of 31 December 2008. During 2009 the valuation has been performed with reference to prices observed on the convertible market. The fair value of the conversion option as of 31 December 2009 was HUF 19,698 million (see Note 21 and Note 34).

The fair valuation impact of the option was HUF 19,698 million loss and HUF 64,550 million gain in 2009 and 2008, respectively, recorded as financial income and expense in the accompanying consolidated income statement.

Changes in the number of ordinary, treasury and authorized shares

SERIES "A" AND "B" SHARES	NUMBER OF SHARES ISSUED	NUMBER OF TREASURY SHARES	SHARES UNDER	NUMBER OF SHARES	AUTHORISED NUMBER OF SHARES
31 December 2007	109,674,924	(9,070,019)	(34,654,932)	65,949,973	126,655,013
Treasury shares sold to CEZ	-	7,677,285	-	7,677,285	-
Treasury shares call back from MFB Invest Zrt.	-	(9,959,729)	9,959,729	-	-
Treasury shares call back from OTP Bank Plc.	-	(1,770,000)	1,770,000	-	-
Treasury shares cancellation	(5,483,775)	5,483,775	-	-	-
Conversion of convertible bonds to "A" series shares	327,336	-	-	327,336	-
Share purchase from stock exchange	-	(1,142,677)	-	(1,142,677)	-
31 December 2008	104,518,485	(8,781,365)	(22,925,203)	72,811,917	120,811,879
Settlement of the option agreement with ING Bank N.V.	-	(1,404,217)	1,404,217	-	-
New option agreement with ING Bank N.V.	-	5,220,000	(5,220,000)	-	-
Lending of shares to MFB Invest Zrt.	-	4,965,582	(4,965,582)	-	-
Treasury shares call back from OTP Bank Plc.	-	(5,010,501)	5,010,501	-	-
Share-exchange and share swap agreement with OTP Bank Plc.	-	5,010,501	(5,010,501)	-	-
Treasury shares call back from OTP Bank Plc.	-	(1,605,560)	1,605,560	-	-
Treasury shares call back from MFB Invest Zrt.	-	(4,665,582)	4,665,582	-	-
Treasury shares transferred as consideration for 10% ownership in Pearl	-	6,271,142	-	6,271,142	-
Exercise of call options on MOL shares held by BNP Paribas	-	(7,552,874)	7,552,874	-	-
Share sale on Budapest Stock Exchange	-	67,047	-	67,047	-
Share transfer to Dana Gas and Crescent Petroleum to finance the 2009 work program of Pearl	-	51,090	-	51,090	-
31 December 2009	104,518,485	(7,434,737)	(17,882,552)	79,201,196	134,519,063

There were no movements in the number of issued ordinary shares of series "C". All of the 578 shares are held as treasury stock.

18 DIVIDENDS

The shareholders at the Annual General Meeting in April 2009 approved to pay no dividend in respect of 2008. The total amount of reserves legally available for distribution based on the statutory company only financial statements of MOL Plc. is HUF 1,161,926 million and HUF 917,810 million as of 31 December 2009 and 2008, respectively.

19 LONG-TERM DEBT

	WEIGHTED AVERAGE INTEREST RATE	WEIGHTED AVERAGE INTEREST RATE	MATURITY		
	2009 %	2008 %		2009 HUF million	2008 HUF million
Unsecured bank loans in USD	1.05	3.51	2010 - 2013	250,574	271,771
Unsecured bank loans in EUR	1.49	4.70	2010 - 2017	224,384	319,106
Unsecured bonds in EUR	3.80	3.96	2015	204,109	199,409
Unsecured bank loans in USD	1.02	-	2013	189,471	-
Secured bank loans in HUF	8.73	-	2012	20,000	-
Secured bank loans in EUR	3.08	5.97	2010 – 2019	33,648	31,034
Financial lease payable	4.05	5.53	2010 - 2026	4,396	3,464
Other	1.50	0.54	2010 - 2019	6,106	5,748
Total				932,688	830,532
Current portion of long-term debt				103,577	101,797
Total long-term debt, net of current portion				829,111	728,735

	2009 HUF million	2008 HUF million
Maturity one to five years	623,822	526,736
Maturity over five years	205,289	201,999
Total	829,111	728,735

Unsecured bank loans

Main elements of unsecured bank loans at MOL Plc. are the EUR 1.5 billion multi-currency revolving credit facility, maturing in October 2010, and also the EUR 700 million and EUR 825 million syndicated multi-currency revolving loan facilities maturing in May 2012 and in July 2013. Besides, INA has USD 1 billion syndicated multi-currency revolving loan facility, maturing partially in 2012 and partially in 2013. For financing of the strategic and commercial gas storage project MOL signed on 17 June 2009 an 8 year loan agreement with EBRD (European Bank for Reconstruction and Development) as well.

Unsecured bonds in EUR

The EUR 750 million fixed rate bond was issued by MOL Plc. in 2005. The notes are due on 5th October 2015, pay an annual coupon of 3.875% and are in the denomination of EUR 50,000 each. The notes are listed on the Luxembourg Stock Exchange.

Secured bank loans in EUR

Secured loans were obtained for specific capital expenditure projects and are secured by the assets financed from the loan.

Financial lease payable

The Group has finance leases or other agreements containing a financial lease element for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Minimum lease payments and present values of payments as of 31 December 2009 and 2008, respectively are as follows:

	2009	2009	2008	2008
	Minimum lease payments HUF million	Present value of payments HUF million	Minimum lease payments HUF million	Present value of payments HUF million
Maturity not later than 1 year	824	703	644	639
Maturity two to five years	2,861	2,203	2,076	1,674
Maturity over five years	2,092	1,490	1,865	1,151
Total minimum lease payments	5,777		4,585	
Less amounts representing financial charges	(1,381)		(1,121)	
Present values of financial lease liabilities	4,396	4,396	3,464	3,464

20 PROVISIONS FOR LIABILITIES AND CHARGES

	ENVIRON- MENTAL	REDUNDANCY	LONG TERM EMPLOYEE RETIREMENT BENEFITS	FIELD OPERATION SUSPENSION	LEGAL CLAIMS	OTHER	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Balance as of 31 December 2007	41,457	3,972	7,134	82,705	1,055	2,963	139,286
Acquisition / (sale) of subsidiaries	39	-	-	-	5	57	101
Additions and revision of previous estimates	(805)	27	1,972	10,469	119	(107)	11,675
Unwinding of the discount	1,479	22	543	4,324	11	-	6,379
Currency differences	1,832	(13)	298	(114)	7	67	2,077
Provision used during the year	(4,300)	(352)	(1,069)	(72)	(114)	(632)	(6,539)
Balance as of 31 December 2008	39,702	3,656	8,878	97,312	1,083	2,348	152,979
Acquisition / (sale) of subsidiaries	28,869	213	5,177	84,192	15,398	18,881	152,730
Additions and revision of previous estimates	1,136	444	1,376	(2,354)	2,745	17,151	20,498
Unwinding of the discount	1,858	8	418	10,349	-	-	12,633
Currency differences	224	108	(86)	(859)	(297)	433	(477)
Provision used during the year	(2,226)	(1,099)	(1,347)	(292)	(768)	(17,073)	(22,805)
Balance as of 31 December 2009	69,563	3,330	14,416	188,348	18,161	21,740	315,558
Current portion 2008	2,910	478	1,002	461	440	1,145	6,436
Non-current portion 2008	36,792	3,178	7,876	96,851	643	1,203	146,543
Current portion 2009	4,913	354	1,906	293	7,422	17,977	32,865
Non-current portion 2009	64,650	2,976	12,510	188,055	10,739	3,763	282,693

Environmental Provision

As of 31 December 2009 provision of HUF 69,563 million has been made for the estimated cost of remediation of past environmental damages, primarily soil and groundwater contamination and disposal of hazardous wastes, such as acid tar, in Hungary, Croatia, Slovakia and Italy. The provision is made on the basis of assessments prepared by MOL's internal environmental audit team. In 2006, an independent environmental auditor firm has reviewed MOL's internal assessment policies and control processes and validated those. The amount of the provision has been determined on the basis of existing technology at current prices by calculating risk-weighted cash flows discounted using estimated risk-free real interest rates. The amount reported as at 31 December 2009 also includes a contingent liability of HUF 27,626 million recognized upon acquiring INA Group, representing its present environmental obligations (see Note 35).

Provision for Redundancy

As part of the continuing efficiency improvement project initiated in 2005, MOL Plc., Slovnaft a.s. and other Group members decided to further optimize workforce. As the management is committed to these changes and the restructuring plan was communicated in detail to parties involved, the Group recognized a provision for the net present value of future redundancy payments and related tax and contribution. The closing balance of provision for redundancy is HUF 3,330 million and HUF 3,656 million as of 31 December 2009 and 2008, respectively.

Provision for Field Operation Suspension Liabilities

As of 31 December 2009 provision of HUF 188,348 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 12% of these costs are expected to be incurred between 2010 and 2014 and the remaining 88% between 2015 and 2041. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are performed as a combination of hiring external resources (until 2015) and by establishing such functions within the Group (from 2013 until 2041). Based on the judgment of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalized as a component of the underlying fields.

Provision for Long-term Employee Retirement Benefits

As of 31 December 2009 the Group has recognized a provision of HUF 14,416 million to cover its estimated obligation regarding future retirement and jubilee benefits payable to current employees expected to retire from Group entities. These entities operate benefit schemes that provide lump sum benefit to all employees at the time of their retirement. MOL employees are entitled to 3 times of their final monthly salary regardless of the period of service, while TVK and Slovnaft provide a maximum of 2 and 8 months of final salary respectively, depending on the length of service period. None of these plans have separately administered funds, therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data and are in line with those incorporated in the business plan of the Group. Principal actuarial assumptions reflect an approximately 2% difference between the discount rate and the future salary increase.

	2009	2008
	HUF million	HUF million
Present value of total defined benefit obligation at the beginning of the year	9,379	9,076
Past service cost not yet recognized at the beginning of the year	501	1,942
Balance as of the beginning of the year	8,878	7,134
Acquisitions / (disposals)	5,177	-
Past service cost	224	141
Current service cost	1,499	1,400
Interest costs	418	543
Provision used during the year	(1,347)	(1,069)
Revision	100	390
Net actuarial (gain)/loss	(447)	41
Exchange adjustment	(86)	298
Balance as at year end	14,416	8,878
Past service cost not yet recognized at year end	1,541	501
Present value of total defined benefit obligation at year end	15,957	9,379

The following table summarises the components of net benefit expense recognized in the income statement as personnel expenses regarding provision for long-term employee retirement benefits:

	2009	2008
	HUF million	HUF million
Current service cost	1,499	1,400
Provision used during the year	(1,347)	(1,069)
Revision	100	390
Net actuarial (gain)/loss	(447)	41
Past service cost	224	141
Net benefit expense (See Note 26)	29	903

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

	2009	2008
Discount rate in %	3.0 - 5.0	3.0 - 6.0
Average wage increase in %	1.0 - 3.0	1.0 - 4.0
Mortality index (male)	0.06 - 3.45	0.06 - 2.82
Mortality index (female)	0.02 - 1.5	0.02 - 1.15

Legal and Other Provisions

Legal and other provisions include provision for emission quotas and for cost of unutilised holiday and for other minor future payment obligations. As of 2009 MOL Group has been granted 6,372,038 emission quotas by the Hungarian, Slovak and Italian authorities. The total use of emission quotas amounted to 5,858,367 in 2009. In 2009 MOL Group sold a major part of the quotas granted free of charge on the market and concurrently recognised a provision of HUF 12,719 million for the shortage of emission quotas.

21 OTHER NON-CURRENT LIABILITIES

	2009	2008
	HUF million	HUF million
Conversion option of exchangeable capital securities issued by Magnolia Finance Ltd (see Note 17)	19,698	-
Deferred income	6,113	6,350
Government grants received	5,136	5,303
Liabilities to Government of Croatia for sold apartments	2,993	-
Long term advances	2,006	-
Payable from currency risk hedging derivatives (see Note 34)	362	-
Other	2,437	379
Total	38,745	12,032

The long-term payable to the government relates to obligation arising on the sale of housing units to employees under the government program of Croatia. According to the local law regulating housing sales, 65% of the proceeds from the sale of apartments to employees were payable to the state at such time as the proceeds were collected by INA. According to the Croatian law, INA has no liability to remit the funds unless and until they are collected from the employee.

22 TRADE AND OTHER PAYABLES

	2009	2008
	HUF million	HUF million
Trade payables	412,278	273,936
Taxes, contributions payable (excluding corporate tax)	170,937	101,542
Transferred "A" shares with put and call options attached (see Note 17 and Note 34)	43,417	74,963
Fee payable for strategic inventory storage	21,525	4,257
Amounts due to employees	19,703	14,208
Accrued expenses	11,083	9,066
Custom fees payable	10,433	9,180
Advances from customers	8,555	6,051
Liability from collected import difference fee	7,489	-
Discount payable to customers	4,500	3,365
Accrual due to E.ON price revision	4,309	-
Liabilities to joint venture partners	3,885	7,875
Penalty payable to the Antimonopoly Office of the Slovak Republic	2,705	2,637
Bank interest payable	2,493	4,053
Purchase price difference payable on Tifon and IC Energo acquisitions	1,500	1,743
Strategic capacity booking fee	1,047	-
Accrued consideration of WMT (see Note 8)	-	25,005
Paraffin penalty payable	-	6,275
Net liabilities from commodity price transactions (see Note 34)	-	172
Liabilities from foreign exchange forward transactions (see Note 34)	-	170
Other	19,456	4,914
Total	745,315	549,412

Trade payables are non-interest bearing and are normally settled on 30-day terms. Contributions payable mainly include mining royalty, contributions to social security, value added tax and custom duties.

23 SHORT-TERM DEBT

	2009	2008
	HUF million	HUF million
Secured bank loans in EUR	97,043	18,872
Secured bank loans in USD	47,394	-
Secured bank loans in HRK	3,550	-
Secured bank loans in HUF	1,672	-
Unsecured bank loans in HRK	7,450	-
Unsecured bank loans in USD	5,886	21,356
Unsecured bank loans in PLN	5,758	5,952
Unsecured bank loans in EUR	9,698	34,688
Other	6	50
Total	178,457	80,918

24 NET SALES REVENUES

SALES BY GEOGRAPHICAL AREA	2009	2008
	HUF million	HUF million
Hungary	1,139,292	1,323,708
Italy	369,625	471,563
Croatia	300,711	98,508
Austria	254,555	326,737
Slovakia	221,512	320,000
Czech Republic	195,588	239,148
Romania	137,925	162,283
Poland	119,431	147,806
Germany	88,228	123,316
Switzerland	63,566	10,654
United Kingdom	59,739	48,804
Bosnia-Herzegovina	48,189	31,425
Serbia	47,409	41,356
Slovenia	37,727	42,902
Russia	22,714	42,050
Rest of Europe	53,332	76,436
Rest of Central-Eastern Europe	2,064	641
Rest of the World	64,429	27,664
Total	3,226,036	3,535,001

The Group had no single major customer the revenue from which would exceed 10% of the total net sales revenues in the years ended 31 December 2009 and 2008.

SALES BY PRODUCT TYPES	2009	2008
	HUF million	HUF million
Sales of oil products	1,989,818	2,264,519
Sales of petrochemicals	460,359	639,691
Sales of natural gas	395,412	287,630
Rendering of services	210,535	149,357
Sales of crude oil	88,163	123,920
Retail shop sales	81,749	69,884
Total	3,226,036	3,535,001

25 OTHER OPERATING INCOME

	2009	2008
	HUF million	HUF million
Excess of fair value of INA's and Energopetrol's net assets over consideration (see Note 7)	47,671	-
Net gain on sales of subsidiaries	25,665	6,781
Gain on the fair valuation of the previous investment in INA and Energopetrol (see Note 7)	22,925	-
Gain on sales of intangibles, property, plant and equipment	20,212	2,700
Exchange gains of trade receivables and payables	6,510	-
Penalties received	3,707	1,430
Grants and subsidies received	466	404
Discounts received	373	154
Repayment of the unfounded penalty by the Slovak Ministry of Finance	-	4,629
Other	10,895	3,653
Total	138,424	19,751

HUF 28,156 million and HUF 6,400 million from gain on sales of subsidiaries in 2009 and 2008 reflects the subsequent settlement from E.ON Ruhrgas International AG in connection with the gas business sales; from the amount payable by E.ON with respect to 2007 (HUF 44,268 million), HUF 16,577 million from the settlement for 2007 has been received in cash in the third quarter of 2007, while the remaining part was paid in early 2008 (see Note 7 and Note 15). The Group also recorded HUF 4,629 million income for the repayment from the Slovak Ministry of Finance of the unfounded penalty paid by Slovnaft in 2005.

26 PERSONNEL EXPENSES

	2009	2008
	HUF million	HUF million
Wages and salaries	124,797	91,461
Social security	53,659	29,298
Other personnel expenses	20,382	18,923
Pension costs and post-employment benefits (see Note 20)	29	903
Expense of share-based payments (See Note 39)	1,960	(840)
Total	200,827	139,745

27 OTHER OPERATING EXPENSES

	2009	2008
	HUF million	HUF million
Mining royalties	98,230	138,276
Rental costs	30,996	18,102
Taxes and contributions	28,049	36,911
Contribution to strategic inventory storage	17,065	15,435
Other services	15,527	8,655
Provision for doubtful receivables	12,601	6,213
Emission of greenhouse gases over quota allocated free of charge	12,514	-
Insurance	7,434	4,076
Consultancy fees	6,871	7,635
Late payment penalties	6,472	586
Advertising expenses	6,353	6,872
Bank charges	4,878	3,376
Cleaning costs	4,517	3,948
Site security costs	3,582	3,143
Outsourced bookkeeping services	3,380	3,207
Provision for legal and other claims	2,192	244
Environmental protection expenses, net	1,973	(36)
Environmental provision made during the year	1,136	(805)
Environmental levy	720	614
Damages	197	275
Provision for field abandonment	(211)	(1,056)
Exchange loss of trade receivables and payables	-	13,301
Paraffin penalty	-	5,763
Other	5,740	5,234
Total	270,216	279,969

28 FINANCIAL (INCOME) / EXPENSE

	2009	2008
	HUF million	HUF million
Interest received	10,534	19,230
Foreign exchange gain on borrowings	4,679	-
Fair valuation gain on conversion option (see Note 17)	-	64,550
Net gain on sales of investments	-	77
Dividends received	430	718
Other financial income, net	745	30,167
Total financial income	16,388	114,742
Interest on borrowings	23,290	37,841
Fair valuation loss on conversion option (see Note 17)	19,698	-
Interest on provisions	12,633	6,379
Fair valuation loss on derivative transactions, net	7,798	35,293
Foreign exchange loss on borrowings	-	49,259
Other financial expenses	11,753	2,046
Total financial expenses	75,172	130,818
Total financial expense, net	58,784	16,076

Other financial income primarily reflects exchange gains incurred on cash and cash equivalents, including bank deposits denominated mainly in EUR. Fair valuation losses on derivative transactions in 2009 contain HUF 3,745 million loss on the fair valuation of the call option held by the Group on the MOL shares representing 7% of its share capital owned by CEZ (see Note 17).

29 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2009	2008
	HUF million	HUF million
Exchange differences on translating foreign operations		
Gains / (losses) arising during the year	387	57,002
Reclassification adjustments for gains and losses included in the income statement	115	-
	502	57,002
Available-for-sale financial assets, net of deferred tax		
Gains / (losses) arising during the year	5,003	(7)
Reclassification adjustments for gains and losses included in the income statement	-	-
	5,003	(7)
Cash-flow hedges, net of deferred tax		
Gains / (losses) arising during the year	1,775	(2,856)
Reclassification adjustments for gains and losses included in the income statement	(437)	-
	1,338	(2,856)
Share of other comprehensive income for associates		
Gains / (losses) arising during the year	8,016	(2,487)
Reclassification adjustments for gains and losses included in the income statement	(17,399)	-
	(9,383)	(2,487)

30 INCOME TAXES

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2009 and 2008 include the following components:

	2009	2008
	HUF million	HUF million
Current corporate income taxes	52,182	53,324
Local trade tax and innovation fee	12,089	13,871
Deferred corporate income taxes	15,860	(50,461)
Total income tax expense/(benefit)	80,131	16,734

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group. The applicable corporate income tax rate on the taxable income of the companies of the Group operating in Hungary was 16% both in 2009 and 2008. In addition, a solidarity surplus tax of 4% has been introduced by the Hungarian government from 1 September 2006 and a further, temporary surplus tax of 8% applicable for 2009 and 2010. Corporate tax rate will increase to 19% from 1 January 2010, and simultaneously the solidarity tax will be cancelled. Slovakian, Italian and Croatian tax rates were 19%, 36.9% and 20%, respectively, in both years. Enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

There is no dividend withholding tax in Hungary on dividends paid to foreign tax resident legal entities. As regards dividend paid to private individuals, a 10% personal income tax liability arises, also withheld at source.

Income tax recognised in other comprehensive income

	2009	2008
	HUF million	HUF million
Deferred tax recognised in other comprehensive income:		
Revaluations of available-for-sale financial assets	(730)	1,064
Revaluations of financial instruments treated as cash flow hedges	(391)	823
	(1,121)	1,887
Reclassifications from equity to profit or loss:		
Relating to available-for-sale financial assets	(595)	-
Relating to cash flow hedges	109	-
	(486)	-
Total income tax recognised in other comprehensive income	(1,607)	1,887

The deferred tax balances as of 31 December 2009 and 2008 in the consolidated balance sheet consist of the following items:

	BALANCE SHEET		RECOGNIZED IN INCOME STATEMENT	
	2009	2008	2009	2008
	HUF million	HUF million	HUF million	HUF million
Breakdown of net deferred tax assets				
Unrealized gains on inter-group transfers	27,154	30,566	(3,412)	6,880
Provisions	9,651	5,884	3,348	(142)
Depreciation, depletion and amortization	(14,439)	(10,103)	(4,046)	(4,336)
Differences in accounting for domestic oil and gas exploration and development	(5,937)	(4,938)	(999)	(1,067)
Capitalization of certain borrowing costs	(3,235)	(3,178)	(57)	(1,655)
Embedded derivatives	(786)	(395)	-	-
Foreign exchange differences	1,262	(536)	1,798	281
Valuation of financial instruments	(730)	(509)	(236)	32
Capitalized periodic maintenance costs	(1,111)	(978)	(133)	(472)
Statutory tax losses carried forward	14,419	33,090	(18,702)	32,931
Receivables write off	10,066	7,505	4,186	3,717
Other	541	(185)	49	(725)
Deferred tax assets	36,855	56,223		
Breakdown of net deferred tax liabilities				
Fair valuation of assets on acquisitions	(136,638)	(42,741)	2,843	1,728
Depreciation, depletion and amortization	(23,553)	(26,730)	(1,306)	951
Provisions	10,842	8,172	417	344
Statutory losses carried forward	13,645	3,184	3,359	2,168
Elimination of inter-company transactions	(124)	151	(284)	229
Receivables write off	685	417	60	383
Capitalization of borrowing costs	(447)	(316)	(134)	(310)
Foreign exchange differences	(33)	(580)	340	(556)
Inventory valuation difference	3,629	2,081	247	9,294
Valuation of financial instruments	1,174	-	(462)	-
Other	(2,416)	156	(2,736)	786
Deferred tax liabilities	(133,236)	(56,206)		
Net deferred tax asset / (liability)	(96,381)	17		
Deferred tax (expense) / income			(15,860)	50,461

Analysis of movements in net deferred tax assets and liabilities during the year

	2009	2008
	HUF million	HUF million
Net deferred tax asset / (liability) at 1 January	17	(47,209)
Recognized in income statement	(15,860)	50,461
Recognized directly in fair valuation reserve	(1,121)	823
Acquisition of subsidiaries (see Note 7)	(79,096)	(731)
Exchange difference	(321)	(3,327)
Net deferred tax asset / (liability) at 31 December	(96,381)	17

The unrealized gains on intra-group transfers contain primarily the results of the gas unbundling. Due to the fact that this gain increased the tax base of the assets, but has been eliminated in the consolidation, the increase in the future depreciation gives rise to a deferred tax asset.

Significant tax losses arose in 2008 at MOL Plc. as a result of the tax-deductible book value of shares cancelled in the capital decrease and the tax-deductible loss on fair valuation of certain options attached to shares held by third parties (see Note 17). These transactions are treated differently for IFRS and tax purposes so do not affect profit before tax presented in these financial statements. Such tax losses have not yet been fully used by the parent company. Additional tax losses arose at INA in 2009 and at MMBF Zrt., IES S.p.a., TVK Plc. and some of TVK's subsidiaries in 2008. Tax losses are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Since the Group estimates that these companies will have taxable profits available in the future to offset with these tax

losses, a deferred tax asset of HUF 28,064 million and HUF 36,274 million has been recognized as of 31 December 2009 and 2008, respectively.

No deferred tax assets have been recognized in respect of such losses elsewhere in the Group as they may not be used to offset taxable profits and they have arisen in subsidiaries that have been loss-making for some time. The amount of such tax losses was HUF 5,548 million and HUF 21,748 million as of 31 December 2009 and 2008, respectively.

From the unused tax losses at the end of the period, HUF 87,682 million has no expiry, while HUF 61,927 million can be utilized between 2010 and 2014.

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

	2009	2008
	HUF million	HUF million
Profit before tax per consolidated income statement	188,123	157,958
Tax at the applicable tax rate (16%)	30,100	25,273
Solidarity surplus tax and local trade tax	33,907	12,450
Differences not expected to reverse	15,259	(26,319)
Effect of different tax rates	(2,691)	(8,473)
Losses of subsidiaries not recognized as an asset	6,720	6,459
Non-taxable income	(2,212)	4,342
Revaluation of deferred tax assets and liabilities	(4,213)	(2,010)
Impact of changes in Hungarian tax legislation	4,854	5,661
Tax effect of discontinued operation	(535)	-
Other	(1,058)	(649)
Total income tax expense / (benefit) at the effective income tax rate of 43% (2008: 11%)	80,131	16,734

Differences not expected to reverse primarily include the tax impact of gains on treasury share transactions (see Note 17) which have been realized under Hungarian accounting standards and included in current year tax base. Under IFRS, however these have not and will never be recognized in the consolidated income statement.

31 DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

Discontinued operations

The Government of the Republic of Croatia and the Hungarian oil company MOL signed a Master Agreement on Natural Gas Business (a framework agreement regulating some basic issues regarding the future of the natural gas market and the supply of natural gas in Croatia) on 30 January 2009. Based on the contract the government or an entity wholly owned and designated by the government for this purpose will take over the gas trading activity of INA.

Through the implementation of the Master Agreement on Natural Gas Business, gas business was separated from INA and subsidiary Prirodni plin d.o.o. Zagreb was established at 1 July 2009. Pursuant to its business strategy, INA maintained only onshore and offshore exploration and production activities in the Republic of Croatia.

Since the gas trading activity represents a major line of business, the Group presents related results as losses from discontinued operations. In the comparative period, INA Group has been consolidated using the equity method, therefore the discontinued gas trading operation was not separately reported.

	2009
	HUF million
Net revenue	73,591
Release of provision made for onerous contract	14,852
Total operating income	88,443
Raw materials and consumables used	87,070
Personnel expenses	111
Depreciation, depletion, amortization and impairment	-
Other operating expenses	3,045
Total operating expenses	90,226
Operating profit	(1,783)
Finance expense, net	1,559
Profit/ (loss) before tax from a discontinued operation	(3,342)
Tax income:	
Income tax expense	-
Related to measurement to fair value less costs to sell	-
Profit/ (loss) for the year from a discontinued operation	(3,342)

	2009
	HUF million
Assets	
Inventories	19,614
Trade receivables, net	11,352
Other current assets	3,736
Cash and cash equivalents	1,598
Total current assets	36,300
Assets classified as held for sale	36,300
Liabilities	
Provisions	21
Other non-current liabilities	11
Trade and other payables	9,083
Short-term debt	7
Liability directly associated with assets classified as held for sale	9,122
Net assets directly associated with disposal group	27,178

Net cash flows incurred due to discontinued operation:

2009	
	HUF million
Operating cash flow	(17,996)
Investing cash flow	-
Net cash (outflow)/ inflow	(17,996)

2009	
	HUF
Earnings per share	
Basic, from discontinued operation	(39)
Diluted, from discontinued operation	(39)

Disposal Groups

Considering the requirements of the conditional approval of the Anti-Monopoly Office of Croatia on the Amendment to the Shareholders' Agreement signed by and between MOL and the Government of Croatia retail activities of Crobenz d.d. a 100% subsidiary of INA d.d. should be sold. The sale obligation refers to the sale of the part of Crobenz's retail network consisting of fourteen fuel stations and other resources that guarantee the sustainable market operation to the respective entrepreneur.

MOL and INA have 9 months for the compliance with the above decision dated 9 June 2009 and cannot repurchase the Company within the following 5 years.

The assets and liabilities associated with the retail activities of Crobenz are classified as held for sale.

2009	
	HUF million
Assets	
Intangible assets	66
Property, plant and equipment, net	769
Total non-current assets	835
Inventories	234
Trade receivables, net	193
Other current assets	25
Total current assets	452
Assets classified as held for sale	1,287
Liabilities	
Long-term debt net of current portion	688
Provisions	38
Deferred tax liabilities	(646)
Trade and other payables	181
Current portion of long-term debt	138
Liability directly associated with assets classified as held for sale	399
Net assets directly associated with disposal group	888

Reconciliation of assets and liabilities classified as held for sale

2009	
	HUF million
Assets associated with discontinuing operations	36,300
Assets associated with disposal groups	1,287
Total assets classified as held for sale	37,587

2009	
	HUF million
Liabilities associated with discontinuing operations	9,122
Liabilities associated with disposal groups	399
Total liabilities classified as held for sale	9,521

32 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net profit for the period less dividends on preference shares) by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated considering the dilutive effect of the convertible bonds and the potentially dilutive effect of the conversion option embedded in the Perpetual Exchangeable Capital Securities in the number of outstanding shares and by excluding the fair valuation difference of the conversion option from the net income attributable to equity holders of the parent. As the convertible bond program has been finished in 2008 and the fair valuation difference of the conversion option had an anti-dilutive effect in 2009, the diluted EPS is equal with the basic EPS.

	INCOME (HUF MILLION)	WEIGHTED AVERAGE NUMBER OF SHARES	EARNINGS PER SHARE (HUF)
Basic Earnings Per Share 2008	141,418	88,181,688	1,604
Diluted Earnings Per Share 2008	76,979	94,448,532	815
Basic Earnings Per Share 2009	115,796	85,324,368	1,357
Diluted Earnings Per Share 2009	115,796	85,324,368	1,357

	2009 HUF MILLION	2008 HUF MILLION
Net profit attributable to ordinary shareholders for basic earnings per share	115,796	141,418
Fair value of conversion option	-	(64,550)
Interest on convertible bonds	-	111
Net profit attributable to ordinary shareholders for diluted earnings per share	115,796	76,979

	2009	2008
Weighted average number of ordinary shares for basic earnings per share	85,324,368	88,181,688
Effect of dilution – Weighted average number of conversion of perpetual exchangeable securities	-	6,007,479
Effect of dilution – Weighted average number of convertible bonds	-	259,365
Adjusted weighted average number of ordinary shares for diluted earnings per share	85,324,368	94,448,532

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As financial risk management is a centralized function in MOL Group, it is possible to integrate and measure all risks at group level in a model using Monte Carlo simulation. A monthly Financial Risk Report is submitted to the senior management.

As a general approach, risk management considers the business as a well-balanced integrated portfolio and does not hedge particular elements of its commodity exposure. Therefore, MOL actively manages its commodity exposures for the following purposes only:

- Corporate Level Objectives – maintenance of financial ratios, protection against large cash transaction exposures etc. ,
- Business Unit Objectives – To reduce the exposure of a Business Unit's Cash-Flow to market price fluctuations in case of changes from the normal course of business (ex: planned refinery shutdowns)

MOL follows two different strategies based on the level of Net Gearing. In the two scenarios, Risk Management focuses on the followings:

- In a High Gearing situation, the prime objective of risk management is to reduce the probability of breaching debt covenants, where a breach would seriously impair the company's ability to fund its operations.
- In Low Gearing status, the focus of risk management shall be directed more toward guarding of shareholder value by maintaining discipline in CAPEX spending, ensuring risk-aware project selection.

In line with MOL's risk management policy, no speculative transactions are allowed. Any derivative transaction the company may enter is under ISDA (International Swaps and Derivatives Association) agreements.

Key Exposures

Group Risk Management identifies and measures the key risk drivers and quantifies their impact on the group's performance. MOL uses a bottom-up model for monitoring the key exposures. According to the model, the diesel crack spread, the dated Brent price and gasoline crack spread have the biggest contribution to the cash-flow volatility. The cash-flow volatility implied by the FX rates, the key refined and petrochemical products are also significant. On the whole, the top 10 risk drivers explain cca 80% of the total cash-flow volatility.

Commodity Price Risk Management

MOL Group as an integrated oil and gas company is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from long crude oil position to the extent of its group level production, long refinery margin position to the extent of the refined product volumes and long petrochemical margin position.

MOL can enter into hedging transactions for the above mentioned Corporate Level Objectives and Business Unit Objectives purposes only.

In 2009 MOL concluded short term commodity swap transactions for inventory hedging purposes. These transactions are initiated to reduce exposure to potential price movements during the refinery maintenance periods. As of 31 December 2009 and 2008 the fair value of open commodity derivative transactions were a net receivable of HUF 146 million and a net liability of HUF 172 million (see Note 15 and 22), respectively.

Foreign Currency Risk Management

The Group's oil business constitutes a long USD cash flow exposure, while its petrochemical business adds a long EUR cash flow position. At group level, the Group has a net long USD, long EUR and short HUF, short RUB, short HRK, short RON operating cash flow position.

When MOL is in high gearing status, the Group follows the basic economic currency risk management principle that the currency mix of the debt portfolio should reflect the net operating cash flow position of the Group.

The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 31 December 2009 and 2008, there were no open cross currency transactions.

The Group has two long-term international gas transit agreements (expiring in 2017 and 2019) under which consideration is calculated in SDR. The contractual provisions prescribing price calculation in SDR have been identified as a SDR/USD swap, being an embedded derivative under IAS 39, as the Group considers USD price setting to be closely related to the host contract. This derivative has been separated from the host contract and designated as a cash flow hedge to the host gas transit contract. The fair value of the embedded SDR derivative is a net receivable of HUF 4,139 million (HUF 3,353 million net of deferred tax) as of 31 December 2009 (see Note 12). The corresponding figure as of 31 December 2008 was HUF 1,973 million net receivable (HUF 1,578 million net of deferred tax). The decrease in the fair value of this instrument has been debited to equity. The hedge had no ineffective part in 2009 and 2008.

The Group classifies its forward exchange contracts and currency exchange options either as fair value hedges, in case of debts, as cash-flow hedges in case a designated hedging relationship exist or as stand-alone derivatives and carries them at fair value.

During 2008 MOL Energiakereskedő Kft. entered into foreign exchange forward transactions in order to minimize foreign exchange exposure in its gas purchase contracts. Forward exchange contracts

were designated as cash-flow hedges relating to the purchase of minimum quantities negotiated in the underlying contracts. As of 31 December 2008 the notional amount of open forward exchange contracts was USD 24.7 million, which expired in 2009. The related asset was HUF 663 million (see Note 15) from which HUF 545 million was recorded directly in equity being the fair value of the cash-flow hedge. The remaining HUF 118 million was recorded as financial income being the fair value of the standalone derivative relating to the volume purchased in excess of minimum quantities.

As of 31 December 2009 and 2008 the fair value of open foreign exchange forward transactions was a net receivable of HUF 65 million (see Note 15) and a net liability of HUF 170 million (see Note 22), respectively.

As of 31 December 2008 the fair value of open currency exchange options was an asset of HUF 328 million (see Note 15).

Interest rate risk management

As an energy company, MOL has limited interest rate exposure. The ratio of fix/floating interest debt is determined by the Board of Directors on the basis of the suggestion of Group Risk Management from time to time, based on international best practice.

As result of the successful 750M EUR Bond transaction, the fixed portion of the total debt increased substantially. The level of interest that was fixed with the Eurobond issuance has been the lowest since the transaction. As of 31 December 2009 and 2008, 17.7% and 20.2% of the Group's debt was at fixed rates respectively.

The Group may use interest rate swaps to manage the relative level of its exposure to cash flow interest rate risk associated with floating interest-bearing borrowings.

As of 31 December 2009 and 2008, there was no open interest rate swap transaction.

Sensitivity analysis for key exposures

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

EFFECT ON PROFIT FROM OPERATIONS	2009 HUF BILLION	2008 HUF BILLION
	(excluding INA)	
Brent crude oil price (change by +/- 5 USD/bbl; with fixed crack spreads and petrochemical margin)		
Refining and Marketing	+ / - 2.0	- / + 0.0
Exploration and Production	+ 3.8 / - 4.2	+ / - 6.1
Petrochemical	- / + 3.5	- / + 3.9
Crack spread (change by +/- 10 USD/t)		
Refining and Marketing	+ / - 33.2	+ / - 24.7
Exploration and Production	+ 0.7 / - 0.8	n/a
Integrated petrochemical margin (change by +/- 10 EUR/t)		
Petrochemical	+ / - 3.1	+ / - 2.8
Exchange rates (change by +/- 10 HUF/USD; with fixed crack spreads)		
Refining and Marketing	+ / - 11.6	+ / - 21.5
Exploration and Production	+ 5.9 / - 6.1	+ / - 9.3
Petrochemical	- / + 9.6	- / + 14.8
Exchange rates (change by +/- 10 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)		
Refining and Marketing	+ / - 2.6	+ / - 1.2
Petrochemical	+ / - 11.4	+ / - 13.3
Retail	+ / - 0.5	n/a

Other Exposures

Credit risk

The Group provides a variety of customers with products and services, none of whom, based on volume and creditworthiness, present significant credit risk. Group procedures ensure that sales are made to customers with appropriate credit history and do not exceed an acceptable credit exposure limit.

Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to cover the liquidity risk in accordance with its financing strategy. The amount of undrawn major credit facilities as of 31 December 2009 consists of the following:

	HUF MILLION
Long - term loan facilities available (general corporate purpose loan facilities)	414,410
Short - term facilities available	169,886
Total loan facilities available	584,296

The main pillars of MOL Group's long-term funds are as follows, the EUR 1.5 billion, EUR 825 million and EUR 700 million syndicated multi-currency revolving loan facility, and the EUR 750 million Eurobond raised by MOL Plc. and USD 1 billion syndicated multi-currency revolving loan facility taken by INA.

Taking into account the financial market situation MOL started its refinancing process of the EUR 2.1 billion syndicated multi-currency revolving loan facility maturing in 2010. In November 2009, MOL signed a EUR 450 million forward start revolving facility agreement, which was increased to EUR 525 million in December. The facility will be available for the Group from 1 October 2010.

The tenor of the Forward Start Loan is 18 months which can be extended by 6 months upon to MOL's request. As part of this transaction EUR 600 million was cancelled out of the EUR 2.1 billion facility agreement, because it was largely undrawn.

As the diversification of funding is a high priority for MOL, it initiated negotiations with alternative lenders about raising further funding.

On 17 June 2009 MOL signed an 8 year, EUR 200 million loan agreement with EBRD (European Bank for Reconstruction and Development) to finance the strategic and commercial gas storage project.

Furthermore in December, 2009, a 3 year, HUF 30 billion bilateral loan was raised by FGSZ Zrt. for general corporate purposes.

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 and 2008 based on contractual undiscounted payments.

31 DECEMBER 2009	ON DEMAND	LESS THAN 1 MONTH	1 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	43	781	2,861	2,092	5,777
Floating rate long-term bank loans	-	67,844	44,311	616,416	23,620	752,191
Floating-rate other long-term loans	-	-	77	3	-	80
Floating-rate short-term bank loans	-	1,283	81,034	-	-	82,317
Floating-rate other short-term loans	-	-	27,930	-	-	27,930
Fixed rate bonds	-	-	7,871	31,485	211,001	250,357
Other	-	-	-	-	-	-
Non-interest bearing long-term liabilities	-	8	206	5,219	5,171	10,604
Transferred "A" shares with put and call options attached	-	-	43,805	-	-	43,805
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	71,318	250,399	174,582	-	-	426,299
Total	71,318	319,577	380,597	655,984	241,884	1,669,360

31 DECEMBER 2008	ON DEMAND	LESS THAN 1 MONTH	1 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Interest-bearing loans and borrowings:						
Obligations under financial leases	-	40	613	2,086	1,846	4,585
Floating rate long-term bank loans	2,091	84,849	7,182	589,525	7,357	691,004
Floating-rate other long-term loans	-	2	88	90	-	180
Floating-rate short-term bank loans	175	323	66,123	-	-	66,621
Floating-rate other short-term loans	44	-	17,088	-	-	17,132
Fixed rate bonds	-	-	7,695	30,781	213,975	252,451
Other	-	-	-	-	-	-
Non-interest bearing long-term liabilities	-	-	435	1,308	3,598	5,341
Transferred "A" shares with put and call options attached	-	-	75,908	-	-	75,908
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	1,613	191,076	158,429	-	-	351,118
Total	3,923	276,290	333,561	623,790	226,776	1,464,340

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2009 and 31 December 2008.

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

	2009	2008
	HUF million	HUF million
Long-term debt, net of current portion	829,111	728,735
Current portion of long-term debt	103,577	101,797
Short-term debt	178,457	80,918
Less: Cash and cash equivalents	184,594	222,074
Net debt	926,551	689,376
Equity attributable to equity holders of the parent	1,314,490	1,112,981
Non-controlling interest	558,605	118,419
Total equity	1,873,095	1,231,400
Capital and net debt	2,799,646	1,920,776
Gearing ratio (%)	33.1	35.9

34 FINANCIAL INSTRUMENTS

Financial instruments in the balance sheet include investments, other non-current assets, trade receivables, other current assets, cash and cash equivalents, short-term and long-term debt, other long-term liabilities, trade and other payables. Derivatives are presented as other non-current assets, other non-current liabilities, other current assets and trade and other payables. Fair value of fixed rate bond which is carried at amortized cost is based on market prices.

Carrying amounts and fair values of the financial instruments are the following:

	CARRYING AMOUNT		FAIR VALUE	
	2009 HUF MILLION	2008 HUF MILLION	2009 HUF MILLION	2008 HUF MILLION
Financial assets				
Net receivable from currency risk hedging derivatives (see Note 12)	4,139	1,973	4,139	1,973
Available-for-sale investments (see Note 11)	18,614	842	18,614	842
Loans given (see Note 12 and 15)	22,628	3,146	22,628	3,146
Trade receivables (see Note 14)	410,668	327,484	410,668	327,484
Receivables from foreign exchange forward transactions designated as cash-flow hedge (see Note 15)	-	545	-	545
Receivables from currency exchange options (see Note 15)	-	328	-	328
Receivables from foreign exchange forward transactions (see Note 15)	65	118	65	118
Receivables from currency risk hedging derivatives (see Note 15)	1,097	-	1,097	-
Net receivables from commodity price transactions (see Note 15)	146	-	146	-
Fair value of the option on MOL shares transferred to CEZ (see Note 15)	3,989	-	3,989	-
Fair value of share swap (see Note 15)	496	-	496	-
Other current assets (excluding derivatives, Loans given and prepaid and recoverable taxes, see Note 15)	33,355	36,658	33,355	36,658
Cash and cash equivalents (see Note 16)	184,594	222,074	184,594	222,074
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under financial leases	4,396	3,464	4,396	3,464
Floating rate long-term bank loans	719,342	621,911	719,342	621,911
Floating rate other long-term loans	300	130	300	130
Floating rate short-term bank loans	178,451	80,868	178,451	80,868
Floating-rate other short-term loans	6	44	6	44
Fixed rate bonds	204,109	199,409	165,937	118,106
Non-interest bearing long-term liabilities	4,541	5,341	4,541	5,341
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and 21)	19,698	-	19,698	-
Transferred "A" shares with put and call options attached (see Note 17 and 22)	43,417	74,963	43,417	74,963
Payable from currency risk hedging derivatives (see Note 21)	362	-	362	-
Net liabilities from commodity price transactions (see Note 22)	-	172	-	172
Liabilities from foreign exchange forward transactions (see Note 22)	-	170	-	170
Trade and other payables (excluding derivatives, Transferred "A" shares with put and call options attached and taxes and contributions, see Note 22)	496,299	350,216	496,299	350,216

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets and liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The financial assets and liabilities measured by the Group at fair value as at 31 December 2009 and 2008 are categorised as follows:

	31 Dec 2009	LEVEL 1	LEVEL 2	LEVEL 3
	HUF MILLION	HUF MILLION	HUF MILLION	HUF MILLION
Financial assets				
Available for sale investment in JANAF d.d. (see Note 11)	12,473	12,473	-	-
Net receivable from currency risk hedging derivatives (see Note 12)	4,139	-	4,139	-
Receivables from currency risk hedging derivatives (see Note 15)	1,097	-	1,097	-
Net receivables from commodity price transactions (see Note 15)	146	-	146	-
Receivables from foreign exchange forward transactions (see Note 15)	65	-	65	-
Fair value of the option on MOL shares transferred to CEZ (see Note 15 and 17)	3,989	-	-	3,989
Fair value of share swap (see Note 15)	496	-	496	-
Financial liabilities				
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	19,698	-	19,698	-
Payable from currency risk hedging derivatives (see Note 21)	362	-	362	-

	31 Dec 2008	LEVEL 1	LEVEL 2	LEVEL 3
	HUF MILLION	HUF MILLION	HUF MILLION	HUF MILLION
Financial assets				
Net receivable from currency risk hedging derivatives (see Note 12)	1,973	-	1,973	-
Receivables from foreign exchange forward transactions designated as cash-flow hedge (see Note 15)	545	-	-	545
Receivables from currency exchange options (see Note 15)	328	-	328	-
Receivables from foreign exchange forward transactions (see Note 15)	118	-	118	-
Financial liabilities				
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17)	-	-	-	-
Net liabilities from commodity price transactions (see Note 22)	172	-	172	-
Liabilities from foreign exchange forward transactions (see Note 22)	170	-	170	-

35 COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

The total value of guarantees undertaken to parties outside the Group is HUF 38,602 million.

Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2009 is HUF 189.6 billion, of which HUF 66.9 billion relates to capital and contractual commitments of Földgázszállító Zrt. (Gas Transmission), HUF 66.4 billion relates to capital and contractual commitments of INA, HUF 16.3 billion relates to capital and contractual commitments of Energopetrol d.d., HUF 9.7 billion relates to capital and contractual commitments of Slovnaft and HUF 19.1 billion relates to MOL Plc. (the majority of which will arise in 2010-2011).

Gas Purchases Obligation, Take or Pay Contract

The TVK Erőmű Kft. has concluded a long-term gas purchase contract with E.ON Földgáz Trade Zrt. in order to ensure continuous operation of the power plant. As of 31 December 2009, 739 million cubic meters of natural gas (of which 628 mcm under take-or-pay commitment) will be purchased during the period ending 2018 based on this contract.

Operating leases

The operating lease liabilities are as follows:

	2009	2008
	HUF million	HUF million
Due not later than 1 year	7,561	3,391
Due two to five years	6,874	5,267
Due over five years	1,566	1,726
Total	16,001	10,384

Out of the outstanding operating lease liabilities as of 31 December 2009 HUF 1,245 million were contracted by Slovnaft, HUF 4,860 million were contracted by INA and HUF 7,655 million were contracted by MOL Plc.

Authority procedures, litigation

The European Commission started an investigation in April 2005, based upon the alleged cartel activity of paraffin producers and traders in Europe. The investigation affected some 10 major paraffin producers and traders throughout Europe. The decision was adopted in October 2008 and stated that the companies harmonized their commercial activities on the European (European Economic Area) paraffin market and participated in a continuous cartel infringement. In case of MOL the amount of fine was set in EUR 23.7 million which was paid by MOL in early 2009.

In relation to the above described EU Commission decision the former paraffin customers may have the right to claim private damages from the paraffin cartel participants, i.e. from MOL, too. Currently a proceeding is going on against the decision of the European Commission before the European Court of Justice; accordingly for the time being and in the current phase MOL is not in the position to make any legal or fiscal estimation about the potential claims, if any.

Surgutneftegas brought four legal proceedings against MOL Plc., two litigations in the Budapest Municipal Court and two judicial reviews in the Municipal Court of Budapest acting as Court of Registration.

In the first claim Surgutneftegas alleges that the Resolution of the Board of Directors which in the absence of the acknowledgement of notice of the Hungarian Energy Office prevented the incorporation of Surgutneftegas into the share register violates the provisions of relevant laws. The first hearing was held on November 11, 2009 where the case was not examined yet by the court on the merits; and the next hearing is set for May 5, 2010.

In the second proceeding Surgutneftegas is seeking primarily for the repeal of all the resolutions of the AGM held on April 23, 2009 and alternatively for the repeal of the resolutions of the same AGM amending the Articles of Association of MOL Plc. The first hearing was held before the Budapest Municipal Court on November 13, 2009, where the case was not examined yet by the court on the merits; and the next hearing is scheduled for May 7, 2010.

Surgutneftegas has initiated a judicial review before the Municipal Court of Budapest, acting as Court of Registration in order to investigate the lawfulness of the resolution of the Board of Directors which in the absence of the acknowledgement of notice of the Hungarian Energy Office refused the incorporation of the Surgutneftegas in the share register. The Municipal Court of Budapest, acting as Court of

Registration refused the claim of Surgutneftegas at first instance with its resolution issued on January 26, 2010. Surgutneftegas did not appeal the decision.

In the second judicial review before the same court Surgutneftegas supplemented its motion specified above (investigation of the lawfulness of the resolution of the Board of Directors when refusing the incorporation of the Surgutneftegas in the share register) claiming the Municipal Court of Budapest, acting as Court of Registration to repeal all the resolutions of the annual general meeting held on April 23, 2009. The Municipal Court of Budapest, acting as Court of Registration refused the claim of Surgutneftegas at first instance with its resolution issued on February 2, 2010.

One judicial review has been initiated by OMV against MOL in the Municipal Court of Budapest, acting as Court of Registration. OMV claims that the provisions of the Articles of Association of MOL regarding the “B” shares breach the requirements of Act XXVI of 2007 on golden shares and Act IV of 2006 (Corporate Law), furthermore, OMV states that it is discriminatory to waive certain entities (Magyar Nemzeti Vagyonkezelő Zrt. and its legal successors) from the 10% voting limitation imposed by the Articles of Association. The court of first instance has rejected OMV’s request. OMV has filed an appeal against the decision.

One further legal issue brought by OMV against MOL relates to a claim by OMV that a resolution approved by the AGM of MOL, which resolved to limit the number of recallable members of the Board of Directors to 3 members at any one time, is contradictory to the Hungarian Corporate Act.

On this basis, OMV requested the courts allow MOL’s AGM to take the necessary measures to correct these issues. MOL stated that the 30-day non-extendable time period available for OMV as a shareholder present at the AGM to initiate any procedure against the resolutions of the AGM referred to above had already elapsed, and that OMV had no other legal basis to proceed against these resolutions. The Court of First Instance accepted these arguments and dismissed OMV’s claim. The plaintiff filed an appeal against this judgement. The Court of Second Instance set aside the appealed judgement and referred the case back to the Court of First Instance. The Court of First Instance has held two hearings but has yet to reach a decision. The next hearing before this court is scheduled for June 1, 2010.

The Anti-Monopoly Office of the Slovak Republic, Abuse of Dominance Department stated in a letter dated November 21, 2005 that it was commencing administrative proceedings against Slovnaft in relation to a possible breach of the Protection of Competition Act No. 136/2001 Z.z. Such administrative proceedings are focused on control over Slovnaft’s price and discount policy with an emphasis on the oil and petrol prices. In decision dated December 22, 2006 the Abuse of Dominance Department of the Anti-Monopoly Office of the Slovak Republic stated that Slovnaft had abused its dominant position in the relevant diesel oil and motor petrol wholesale markets and imposed a fine of SKK 300 million.

In January 2008 Slovnaft a.s. as plaintiff filed an action against the decision of the Anti-Monopoly Office of the Slovak Republic in the Regional Court in Bratislava for review of the lawfulness of the decision of the Council of the Anti-Monopoly Office and the procedure carried out in making that decision. This included the first instance decision of the Anti-Monopoly Office of the Slovak Republic, especially the administrative procedure. On March 20, 2008 the Regional court in Bratislava found for Slovnaft, a.s. and suspended the obligation of Slovnaft a.s. to pay the fine of SKK 300 million until a final and legally binding court decision on the merits of the case was provided. As a result, the total sum of the penalty initially imposed on Slovnaft, a.s. was transferred by the Anti-Monopoly Office back to Slovnaft, a.s. on April 8, 2008.

The Regional Court in Bratislava decided the case at its last hearing, held on December 15, 2009, and overruled the first and second instance decisions of the Anti-Monopoly Office. The case has been sent back to the Anti-Monopoly Office for their review. The Regional Court in Bratislava alleged several serious legal breaches during the proceedings held by the Anti-Monopoly Office and stated that the calculation of the imposed penalty was excessive, incorrect and inappropriate relative to the alleged breach of competition law by Slovnaft, a.s. . The Anti-Monopoly Office is bound by the decision of the Regional Court in Bratislava and must adopt a new resolution with regards to the level of the imposed penalty in line with the instructions and findings of the Regional Court in Bratislava.

The Russian Court of Arbitration imposed upon Slovnaft, as defendant, a duty to pay Mende Rossi, a Russian company which claimed that it entered into a contract with Slovnaft in 1993, an amount of USD 15.7 million together with 16% default interest per annum on the amount of USD 9 million from 24 June 1994 until payment. In addition Slovnaft was ordered to pay the costs of the proceedings for an alleged failure to supply crude oil supplies to Mende-Rossi as per a resolution of the company dated April 1996.

Mende-Rossi also applied for the enforcement of the decision of the Russian Court of Arbitration in Austria and Slovakia in 1997 (which was ultimately refused). In addition, Mende-Rossi sought enforcement in the Czech Republic, where proceedings are ongoing. The probability of success in the case cannot be quantified, since it is an extremely complicated matter both factually and legally.

According to the decision of the Municipal Court of Prague adopted on February 24, 2009 the decision of the first instance court – District Court Prague 4 – on September 2005 ordering the enforcement of the Russian Court of Arbitration’s decision on Slovnaft’s property is now binding. However, there is a parallel proceeding in the Czech Republic brought by Slovnaft aimed at preventing this enforcement. The District Court Prague 4 of November 22, 2005 held that enforcement of its original decision is on hold whilst a decision is reached regarding Slovnaft’s application to prevent the enforcement.

In the Czech Republic, the following court proceedings are still pending:

On October 12, 2005 Slovnaft filed against Ashford (who subsequently purchased the right to claim against Slovnaft from Mende-Rossi a separate petition to stop or terminate the enforcement of the decision of the Russian Court of Arbitration. This claim is yet to progress any further.

On May 29, 2009 Slovnaft also filed an Extraordinary Appeal (Dovolanie) to the Supreme Court of the Czech Republic against the decision adopted by the Municipal Court of Prague on February 24, 2009 ordering enforcement against the property of Slovnaft.

Proceedings concerning the action to nullify an agreement concluded in 2006 between Slovnaft and MOLTRADE Mineralimpex Zrt on transfer of ownership of Slovnaft Česká republika, spol. s r.o. company are pending. The participants in these open court proceedings are Ashford and MOLTRADE Mineralimpex Zrt. No new facts have appeared in this dispute.

None of the litigations described above have any impact on the accompanying consolidated financial statements except as explicitly noted. MOL Group entities are parties to a number of civil actions arising in the ordinary course of business. Currently, no further litigation exists that could have a material adverse affect on the financial condition, assets, results or business of the Group. The value of litigation where members of the MOL Group act as defendant is HUF 33,506 million for which HUF 18,161 million provision has been made.

MOL Group has also filed suits, totalling HUF 2,945 million.

Environmental liabilities

MOL’s operations are subject to the risk of liability arising from environmental damage or pollution and the cost of any associated remedial work. MOL is currently responsible for significant remediation of past environmental damage relating to its operations. Accordingly, MOL has established a provision of HUF 69,563 million for the estimated cost as at 31 December 2009 for probable and quantifiable costs of rectifying past environmental damage (see Note 20). Although the management believes that these provisions are sufficient to satisfy such requirements to the extent that the related costs are reasonably estimable, future regulatory developments or differences between known environmental conditions and actual conditions could cause a revaluation of these estimates.

In addition, some of the Group’s premises may be affected by contamination where the cost of rectification is currently not quantifiable or legal requirement to do so is not evident. The main case where such contingent liabilities may exist is the Tiszaújváros site, including both the facilities of TVK and MOL’s

Tisza refinery, where the Group has identified potentially significant underground water and surface soil contamination. In accordance with the resolutions of the regional environmental authorities combined for TVK and MOL's Tisza Refinery, the Group is required to complete a detailed investigation and submit the results and technical specifications to the authorities. Based on these results the authorities are expected to specify a future environmental risk management plan and to bring a resolution requiring TVK and MOL to jointly perform this plan in order to manage the underground water contamination. The amount of obligation originating from this plan cannot be estimated currently, but it is not expected to exceed HUF 4 billion.

Furthermore, the technology applied in oil and gas exploration and development activities by the Group's Hungarian predecessor before 1976 (being the year when the act on environmental protection and hazardous waste has become effective) may give rise to future remediation of drilling mud produced. This waste material has been treated and disposed of in line with environmental regulations ruling at that time, however, subsequent changes in legal definitions may result in further re-location and remediation requirements. The existence of such obligation, and consequently the potential expenditure associated with it is dependent on the extent, volume and composition of drilling mud left behind at the numerous production sites, which cannot be estimated currently, but is not expected to exceed HUF 3-5 billion.

Further to more detailed site investigations to be conducted in the future and the advancement of national legislation or authority practice, additional contingent liabilities may arise at the industrial park around Mantova refinery and the Croatian refineries, depots and retail sites which have been acquired in recent business combinations. As at 31 December, 2009, on Group level the aggregate amount of contingent liabilities recorded on the balance sheet as environmental liabilities was HUF 41.3 billion (HUF 13.4 billion at 31 December, 2008).

36 EVENTS AFTER THE REPORTING PERIOD

On 11 March 2010 MOL exercised its American call option with cash-settlement method under the option agreement signed on 16 March 2009 with ING Bank N.V. ("ING") regarding 5,220,000 MOL Series "A" Ordinary shares. The settlement occurred on 16 March 2010 and the strike price was EUR 30.97 per share.

At the same time, MOL and ING signed a share option agreement and as a result of these transactions, ING received a European put option with respect to its 5,220,000 'A' series MOL shares and MOL received an American call option regarding those shares. The maturity for both options is 1 year. The strike price for the call and put options is EUR 75.36 per share.

37 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH-FLOWS

Cash and cash equivalents comprise the following at 31 December

	2009	2008
	HUF million	HUF million
Cash and cash equivalents attributable to continuing operations	184,594	222,074
Cash and cash equivalents attributable to discontinuing operations	1,598	-
Cash and cash equivalents at the end of the year	186,192	222,074

Analysis of net cash outflow on acquisition of subsidiaries and non-controlling interest

	2009	2008
	HUF million	HUF million
Cash consideration	(6,814)	(13,040)
Cash at bank or on hand acquired	148	882
Net cash outflow on acquisition of subsidiaries and joint ventures	(6,666)	(12,158)

Issuance of long-term debt

	2009	2008
	HUF million	HUF million
Increase in long-term debts	521,009	1,133,043
Non cash-flow element: unrealised exchange gains / (losses)	3,222	(35,818)
Total issuance of long-term debt	524,231	1,097,225

38 RELATED PARTY TRANSACTIONS

Transactions with associated companies in the normal course of business

	2009	2008
	HUF million	HUF million
Trade receivables due from related parties	6,299	5,493
Trade payables due to related parties	6,475	6,181
Net sales to related parties	47,491	67,866

The Group purchased and sold goods and services with related parties during the ordinary course of business in 2009 and 2008. All of these transactions were conducted under market prices and conditions. INA Group has been consolidated using the equity method until June 30, 2009, therefore transactions have been included in the balance of net sales above until that date.

Remuneration of the members of the Board of Directors and Supervisory Board

Directors' total remuneration approximated HUF 122 million and HUF 115 million in 2009 and 2008, respectively. In addition, the non-executive directors participate in a long-term incentive scheme details of which are given below. Executive members do not receive any additional remuneration for their participation in the Board in excess of their managerial compensation package. Total remuneration of members of the Supervisory Board approximated HUF 84 million in 2009 and HUF 76 million in 2008.

Non-executive directors are remunerated with the following net amounts in addition to the profit sharing program:

• Non-executive directors	25,000 EUR/year
• Chairman of the Board	31,250 EUR /year

In case the position of the Chairman is not occupied by a non-executive director, it is the non-executive vice Chairman who is entitled for this payment. Directors who are not Hungarian citizens and do not have permanent address in Hungary are provided with EUR 1,500 on each Board meeting (maximum 15 times) when travelling to Hungary. Directors who are chairmen of the committees are provided with EUR 1,000 per month.

Number of shares held by members of the Board of Directors and Supervisory Board and the management

	2009	2008
	Number of shares	Number of shares
Board of Directors	421,490	466,441
Supervisory Board	547	891
Senior Management (except executive Board members)	156,191	218,352
Total	578,228	685,684

Transactions with the Officers and Management of the Company

Mr. Sándor Csányi, deputy chairman of the Board of Directors is also the Chairman-CEO of OTP Bank Plc. MOL Plc. and some of its subsidiaries have contractual relationship with the members of OTP Group, including having bank accounts and deposits, using credit card and brokerage services and obtaining loan financing. No transactions out of the usual conduct of business have been concluded with OTP in 2009 or 2008. All of these transactions are on an arm's-length basis.

A close family member of Mr. Miklós Kamarás, member of the Board of Directors, has direct control over Roff-Petrol Bt., an operator of four fuel stations, which had HUF 84 million and HUF 78 million income from this service in 2009 and 2008, respectively.

The brother of Mr. János Major - former member of the Supervisory Board - is the managing director of CSÚCS 94 Kft. which provided maintenance services to Petroszolg Kft. amounting to HUF 20 million during 2008. In 2008 there was rental service provided by MOL Plc. to CSÚCS 94 Kft. amounting to HUF 1 million. There was no transaction in 2009.

Mr. Slavomír Hatina, member of the Supervisory Board has an indirect interest of a Slovakian company Granitol a.s. through Slovintegra a.s. The Group has sold polyethylene to this company in 2009 and 2008 amounted to HUF 3,153 million and HUF 193 million respectively, carried out on usual commercial terms and market prices. Additionally, Mr. Hatina has an indirect interest of a Slovakian company Real-H.M. s.r.o. through BAITEC Group a.s. The Group has sold goods to this company in amount of HUF 2,614 million and HUF 5,170 million carried out on usual commercial terms and market prices during 2009 and 2008, respectively.

Mr. József Molnár, Executive Vice President for Finance and his close family members are the owners of MoNa -Arbor Kft. The close family members are managing directors of the Kft, which provided services to Petroszolg Kft. In 2008 the Group has purchased services from the company in an amount of HUF 2.4 million carried out on usual commercial terms and market prices. There was no transaction in 2009.

A close family member of Ms. Tünde Tóth-Zsiga, Group Head of Internal Audit is the majority shareholder of Landimpex Kft, which provided services to MOL Plc. In 2009 the Group has purchased services from the company in an amount of HUF 1.2 million carried out on usual commercial terms and market prices.

Mr. Oszkár Világi, a member of the Board of Directors in Slovnaft and Slovnaft's Chief Executive Officer is a partner in legal firm Ruzicka Csekcs s.r.o. The company and its predecessor CVD s.r.o provided legal services to the Group in the value of HUF 104 million and HUF 78 million in 2009 and 2008, respectively.

Mr. Pavol Buday, member of the Supervisory Board in Slovnaft is statutory representative of APOLKA s.r.o. that provided services to Slovnaft in the value of HUF 21 million and HUF 34 million in 2009 and 2008, respectively. In 2009 APOLKA s.r.o. has also purchased services from Slovnaft in the value of HUF 13 million carried out on usual commercial terms and market prices.

The spouse of Mr. Bojan Milković, Chief Executive Officer of INA is an executive director of Generalturist, a tourist trade company. During 2009, this company arranged travel services for INA Group in a value of HUF 217 million.

Key management compensation

	2009	2008
	HUF million	HUF million
Salaries and other short-term employee benefits	2,097	2,451
Termination benefits	-	-
Post-employment benefits	17	17
Other long-term benefits	-	-
Share-based payments	-	186
Total	2,114	2,654

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

No loans have been granted to Directors or members of the Supervisory Board.

39 SHARE-BASED PAYMENT PLANS

The expense recognized for employee services received during the year is shown in the following table:

	2009	2008
	HUF million	HUF million
Expense arising from equity-settled share-based payment transactions	-	133
Expense / (reversal of expense) arising from cash-settled share-based payment transactions	1,960	(973)
Total expense / (reversal of expense) arising from share-based payment transactions	1,960	(840)

The share-based payments are described below.

The share-based payments serve the management's long term incentive.

MOL's previous convertible bond program has been closed in 2008. The long term incentive program has been revised. The new Complex long term managerial incentive system employs two incentive systems in parallel: profit sharing incentive – based on value added methodology – and the previous option based incentive.

2009 is a transition period of time, when managers could decide between the previous incentive based on option and the new complex incentive system. As of 2010 the long term incentive should be determined for all entitled managers according to the rules of the new system.

Share Option Incentive Schemes for management

The incentive system based on stock options launched in 2006 ensures the interest of the management of the MOL Group in the long-term increase of MOL stock price.

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

- covers a 5-year period starting annually, where periods split into:
 - a 3-year waiting period and a 2-year redemption period in case of managers staying in the previous system for 2009,
 - a 2-year waiting period and a 3-year redemption period in case of managers choosing the new system already for 2009, and it is valid for all of the entitled managers from 2010.
- its rate is defined by the quantity of units specified by MOL job category
- the value of the units is set annually (in each year since the initiation of the scheme, 1 unit equals to 100 MOL shares).

According to the new system it is not possible to redeem the share option until the end of the second year (waiting period); the redemption period lasts from 1 January of the 3rd year until 31 December of the 5th year.

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

Details of the share option rights granted during the year were as follows:

	NUMBER OF SHARES IN CONVERSION OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES IN CONVERSION OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	2009	2009	2008	2008
	share	HUF/share	share	HUF/share
Outstanding at the beginning of the year	451,165	22,974	293,984	20,712
Granted during the year	248,573	10,987	178,659	26,432
Forfeited during the year	(39,355)	23,578	(21,478)	20,783
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	660,383	18,426	451,165	22,974
Exercisable at the end of the year	115,040	20,170	-	-

As required by IFRS 2, this share-based compensation is accounted for as cash-settled payments, expensing the fair value of the benefit as determined at vesting date during the vesting period. As a consequence of increasing share prices, HUF 1,960 million expenses have been incurred in 2009, recorded as personnel-type expenses with a corresponding increase in Trade and other payables. In 2008 expenses recorded in preceding years with respect to this scheme has been reversed in a value of HUF 973 million.

Fair value as of the balance sheet date was calculated using the binomial option pricing model. The inputs to the model were as follows:

	2009	2008
Weighted average exercise price (HUF / share)	18,426	22,974
Share price as of 31 December 2009 (HUF / share)	17,247	9,898
Expected volatility based on historical data	44.25%	40.59%
Expected dividend yield	1.93%	4.81%
Estimated maturity (years)	2.82	3.12
Risk free interest rate	2.08%	2.23%

Profit sharing incentive

The profit sharing incentive relates to long-term, sustainable increase of profitability, based on the value added methodology, thus ensuring that the interest of the participants of the incentive system corresponds with that of shareholders of the Group .

It is a cash-settled annual net bonus calculated on the basis of increase in the value added. (Value added: recognises a profit performance generated on top of the cost of capital invested)

Since the basis of determining one unit of the profit-sharing incentive for any given year is the audited financial statement for that year approved by the Annual General Meeting (MOL Plc.), the incentive should be disbursed subsequent to the Annual General Meeting (MOL Plc.) summoned to close the given year.

No payment is expected with respect to 2009 based on this new incentive system.

HISTORICAL SUMMARY FINANCIAL INFORMATION (IFRS)

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

	2005	2006 restated	2007 restated		2008 restated	2008 restated	2009	2009
	HUF millions	HUF millions	HUF millions		HUF millions	USD millions**	HUF millions	USD millions***
Net revenue and other operating income	2,473,614	2,992,149	2,669,014		3,554,752	20,691	3,364,460	16,631
Total operating expenses	2,169,178	2,582,577	2,313,509		3,355,528	19,532	3,115,889	15,402
Profit from operations	304,436	409,572	355,505		199,224	1,160	248,571	1,229
Profit for the year attributable to equity holders of the parent	244,919	329,483	257,796		141,418	823	115,796	572

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER

	2005	2006 restated	2007 restated		2008 restated	2008 restated	2009	2009
	HUF millions	HUF millions	HUF millions		HUF millions	HUF millions**	HUF millions	USD millions****
Non-current assets	1,344,176	1,301,035	1,544,236		2,027,899	10,792	3,129,801	16,639
Current assets	684,659	864,297	888,521		888,514	4,729	1,099,598	5,846
Total assets	2,028,835	2,165,332	2,432,757		2,916,413	15,521	4,229,399	22,485
Equity attributable to equity holders of the parent	983,279	1,079,666	792,164		1,112,981	5,923	1,314,490	6,988
Minority interest	70,359	191,537	127,417		118,419	630	558,605	2,970
Non-current liabilities	427,979	410,987	861,702		943,516	5,021	1,283,785	6,825
Current liabilities	547,218	483,142	651,474		741,497	3,946	1,072,519	5,702
Total equity and liabilities	2,028,835	2,165,332	2,432,757		2,916,413	15,521	4,229,399	22,485

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

	2005	2006 restated	2007 restated		2008 restated	2008 restated	2009	2009
	HUF millions	HUF millions	HUF millions		HUF millions	HUF millions*	HUF millions	USD millions***
Net cash provided by operating activities	282,159	529,508	315,506		347,203	2,021	411,170	2,032
Net cash provided by / (used in) investing activities	(259,480)	111,669	(336,978)		(474,792)	(2,764)	(272,448)	(1,347)
Net cash provided by / (used in) financing activities	(49,472)	(287,481)	(245,951)		209,070	1,217	(169,713)	(839)
(Decrease)/increase in cash and cash equivalents	(26,793)	353,696	(267,423)		81,481	474	(30,991)	(153)

* 2008 average HUF/USD 171.8

** 2008 year-end HUF/USD 187.9

*** 2009 average HUF/USD 202.3

**** 2009 year-end HUF/USD 188.1

KEY GROUP OPERATING DATA

GROSS PROVED DEVELOPED AND UNDEVELOPED RESERVES (ACCORDING TO SEC RULES)*

MAJOR DOMESTIC FIELDS AND REMAINING OTHER PROPERTIES	NATURAL GAS		CRUDE OIL		COMBINED	
	MCM	BCF	KT	MILLION BBL	KTOE	MILLION BOE
December 31, 2005	27,494.8	971.0	6,365.3	48.1	31,425.0	237.3
Revision of previous estimates	534.2	18.9	269.8	2.0	812.5	6.1
Extension and discoveries	44.4	1.6	62.7	0.5	106.5	0.8
Production	(3,224.6)	(113.9)	(885.5)	(6.7)	(3,664.6)	(27.7)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
December 31, 2006	24,848.8	877.5	5,812.0	43.9	28,679.4	216.5
Revision of previous estimates	(1,483.8)	(52.4)	(18.4)	(0.1)	(1,421.1)	(10.7)
Extension and discoveries	194.9	6.9	0.0	0.0	167.5	1.3
Production	(2,620.3)	(92.5)	(838.4)	(6.3)	(3,029.2)	(22.9)
Purchase/sale of minerals in place	(2,261.6)	(79.9)	0.0	0.0	(2,245.3)	(17.0)
December 31, 2007	18,678.0	659.6	4,955.3	37.4	22,151.3	167.2
Revision of previous estimates	(3,486.4)	(123.1)	(903.5)	(6.8)	(4,489.7)	(33.9)
Extension and discoveries	37.0	1.3	0.0	0.0	38.2	0.3
Production	(2,619.8)	(92.5)	(811.2)	(6.1)	(3,051.4)	(23.0)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
December 31, 2008	12,608.7	445.3	3,240.6	24.5	14,648.4	110.6
Revision of previous estimates	716.4	25.3	999.2	7.5	1,061.6	8.0
Extension and discoveries	390.8	13.8	26.6	0.2	395.3	3.0
Production	(2,751.3)	(97.2)	(780.1)	(5.9)	(3,120.2)	(23.6)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
December 31, 2009	10,964.7	387.2	3,486.3	26.3	12,985.1	98.0

RESERVES IN ABROAD	NATURAL GAS		CRUDE OIL		COMBINED	
	MCM	BCF	KT	MILLION BBL	KTOE	MILLION BOE
December 31, 2005	0.0	0.0	7,257.1	52.8	7,257.1	52.8
Revision of previous estimates	0.0	0.0	(18.9)	(0.2)	(18.9)	(0.2)
Extension and discoveries	82.7	2.9	0.0	0.0	69.0	0.6
Production	0.0	0.0	(1,307.7)	(9.5)	(1,307.7)	(9.5)
Purchase/sale of minerals in place	0.0	0.0	863.0	6.0	863.0	6.0
December 31, 2006	82.7	2.9	6,793.5	49.1	6,862.5	49.7
Revision of previous estimates	41.0	1.4	6,531.8	45.7	6,560.2	45.9
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(57.6)	(2.0)	(1,305.1)	(9.5)	(1,349.2)	(9.8)
Purchase/sale of minerals in place	0.0	0.0	313.8	2.3	313.8	2.3
December 31, 2007	66.1	2.3	12,334.1	87.7	12,387.3	88.1
Revision of previous estimates	20.8	0.7	(5,011.4)	(35.0)	(4,994.1)	(34.8)
Extension and discoveries	0.0	0.0	74.8	0.5	74.8	0.5
Production	(53.1)	(1.9)	(1,191.7)	(8.6)	(1,234.5)	(9.0)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
December 31, 2008	33.8	1.2	6,205.8	44.6	6,233.5	44.9
Revision of previous estimates	1,700.7	60.1	943.0	7.1	2,295.1	18.2
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(68.2)	(2.4)	(1,019.5)	(7.4)	(1,073.5)	(7.8)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
December 31, 2009	1,666.3	58.8	6,129.3	44.4	7,455.1	55.2
Total (domestic+int') hydrocarbon reserves as of Dec 31, 2005	27,494.8	971.0	13,622.4	100.8	38,682.1	290.0
Total (domestic+int') hydrocarbon reserves as of Dec 31, 2006	24,931.5	880.4	12,605.5	93.0	35,541.9	266.2
Total (domestic+int') hydrocarbon reserves as of Dec 31, 2007	18,744.1	661.9	17,289.4	125.1	34,538.6	255.4
Total (domestic+int') hydrocarbon reserves as of Dec 31, 2008	12,642.5	446.5	9,446.4	69.1	20,882.0	155.5
Total (domestic+int') hydrocarbon reserves as of Dec 31, 2009	12,631.0	446.1	9,615.7	70.7	20,440.2	153.3

*The reserves does not include information about MOL's share proportionate to its ownership from reserves of INA, d.d., but includes 100% of reserves of MMBF Plc.

GROSS RESERVES (ACCORDING TO SPE RULES)*

PROVED RESERVES	NATURAL GAS		CRUDE OIL		COMBINED	
	MCM	Bcf	KT	MILLION BBL	KTOE	MILLION BOE
Hungary as of December 31, 2007	18,249.9	644.5	7,768.2	58.6	22,484.6	169.8
Revision of previous estimates	(1,552.4)	(54.8)	(3,315.6)	(25.0)	(3,454.6)	(26.1)
Extension and discoveries	50.9	1.8	7.8	0.1	58.1	0.4
Production	(2,619.8)	(92.5)	(811.2)	(6.1)	(3,051.4)	(23.0)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2008	14,128.6	498.9	3,649.2	27.6	16,036.7	121.1
Revision of previous estimates	335.0	11.8	764.1	5.8	260.6	2.0
Extension and discoveries	413.3	14.6	66.3	0.5	453.8	3.4
Production	(2,751.3)	(97.2)	(780.1)	(5.9)	(3,120.2)	(23.6)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2009	12,125.6	428.2	3,699.5	27.9	13,630.9	102.9
Russia, Pakistan as of December 31, 2007	1,787.6	63.1	13,434.8	95.6	14,858.0	107.5
Revision of previous estimates	0.0	0.0	230.0	1.9	229.9	1.7
Extension and discoveries	0.0	0.0	448.4	3.3	448.4	3.3
Production	(53.1)	(1.9)	(1,191.7)	(8.6)	(1,234.5)	(9.0)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Russia, Pakistan as of December 31, 2008	1,734.5	61.3	12,921.5	92.1	14,301.8	103.5
Revision of previous estimates	0.0	0.0	435.6	3.2	435.0	3.2
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(68.2)	(2.4)	(1,019.5)	(7.4)	(1,073.5)	(7.8)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Russia, Pakistan as of December 31, 2009	1,666.3	58.8	12,337.6	87.9	13,663.3	98.8
INA d.d. (25%) as of December 31, 2007	7,964.7	281.3	2,447.9	18.1	10,559.3	67.4
Revision of previous estimates	113.5	4.0	73.2	0.6	186.4	1.7
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(568.3)	(20.1)	(203.2)	(1.5)	(772.4)	(5.4)
Purchase/sale of minerals in place	6,656.8	235.1	2,054.6	15.2	8,840.4	56.5
INA d.d. (47,16%) as of December 31, 2008	14,166.8	500.3	4,372.6	32.3	18,813.8	120.2
Revision of previous estimates	(825.7)	(29.2)	1,158.3	8.7	106.7	11.0
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(2,500.4)	(88.3)	(777.0)	(5.8)	(2,968.5)	(20.7)
Purchase/sale of minerals in place	15,873.1	560.6	4,899.2	36.2	21,079.7	134.7
INA d.d. (100%) as of December 31, 2009	26,713.8	943.4	9,653.1	71.4	37,031.7	245.3
Total (domestic+int') hydrocarbon reserves as of December 31, 2007	28,002.2	988.9	23,650.9	172.3	47,901.9	344.7
Total (domestic+int') hydrocarbon reserves as of December 31, 2008	30,029.9	1,060.5	20,943.3	152.0	49,152.3	344.8
Total (domestic+int') hydrocarbon reserves as of December 31, 2009	40,505.7	1,430.4	25,690.2	187.3	64,326.0	447.0

* The reserves include information about 100% of MMBF Plc's reserves. In case of INA, d.d. reserves data include MOL's share proportionate to its ownership from reserves of INA, d.d. till 31 December, 2008. Due to full consolidation of INA, d.d. reserves data for 31 December, 2009 include 100 % of INA's reserves. In case of INA revision, extensions, discoveries and production figures are calculated by assuming 100% of MOL's share for full year.

GROSS RESERVES (ACCORDING TO SPE RULES)*

PROVED RESERVES	NATURAL GAS		CRUDE OIL		COMBINED	
	MCM	Bcf	KT	MILLION BBL	KTOE	MILLION BOE
Hungary as of December 31, 2007	23,003.1	812.3	9,477.5	71.6	27,784.8	209.8
Revision of previous estimates	1,063.4	37.6	(2,457.4)	(18.6)	(676.6)	(5.1)
Extension and discoveries	96.9	3.4	194.3	1.5	285.1	2.2
Production	(2,619.8)	(92.5)	(811.2)	(6.1)	(3,051.4)	(23.0)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2008	21,543.6	760.8	6,403.3	48.3	24,342.0	183.8
Revision of previous estimates	2,514.6	88.8	938.9	7.1	1,472.0	11.1
Extension and discoveries	1,044.5	36.9	196.6	1.5	1,126.3	8.5
Production	(2,751.3)	(97.2)	(780.1)	(5.9)	(3,120.2)	(23.6)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2009	22,351.2	789.3	6,758.7	51.0	23,820.0	179.8
Russia, Pakistan as of December 31, 2007	1,947.6	68.8	16,557.6	118.0	18,105.8	130.8
Revision of previous estimates	0.0	0.0	1,316.1	10.1	1,316.0	9.9
Extension and discoveries	0.0	0.0	5,046.6	36.7	5,046.6	36.7
Production	(53.1)	(1.9)	(1,191.7)	(8.6)	(1,234.5)	(9.0)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Russia, Pakistan as of December 31, 2008	1,894.5	66.9	21,728.7	156.1	23,234.0	168.5
Revision of previous estimates	0.0	0.0	(73.7)	(0.5)	(74.2)	(0.6)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(68.2)	(2.4)	(1,019.5)	(7.4)	(1,073.5)	(7.8)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0	0.0
Russia, Pakistan as of December 31, 2009	1,826.3	64.5	20,635.5	148.2	22,086.2	160.1
INA d.d. (25%) as of December 31, 2007	11,189.5	395.2	3,198.4	23.6	14,667.9	93.6
Revision of previous estimates	989.1	34.9	90.0	0.7	1,127.1	7.4
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(568.3)	(20.1)	(203.2)	(1.5)	(772.4)	(5.4)
Purchase/sale of minerals in place	10,291.4	363.4	2,734.8	20.2	13,316.1	84.7
INA d.d. (47,16%) as of December 31, 2008	21,901.7	773.4	5,820.1	43.0	28,338.8	180.3
Revision of previous estimates	(8,770.5)	(309.7)	1,156.0	8.7	(8,183.2)	(36.6)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0	0.0
Production	(2,500.4)	(88.3)	(777.0)	(5.8)	(2,968.5)	(20.7)
Purchase/sale of minerals in place	24,539.5	866.6	6,521.0	48.2	31,752.0	202.1
INA d.d. (100%) as of December 31, 2009	35,170.3	1,242.0	12,720.1	94.1	48,939.0	325.1
Total (domestic+int') hydrocarbon reserves as of December 31, 2007	36,140.2	1,276.3	29,233.5	213.1	60,558.6	434.2
Total (domestic+int') hydrocarbon reserves as of December 31, 2008	45,339.8	1,601.2	33,952.0	247.5	75,914.8	532.6
Total (domestic+int') hydrocarbon reserves as of December 31, 2008	59,347.8	2,095.8	40,114.3	293.4	94,845.3	665.1

* The reserves include information about 100% of MMBF Plc's reserves. In case of INA, d.d. reserves data include MOL's share proportionate to its ownership from reserves of INA, d.d. till 31 December, 2008. Due to full consolidation of INA, d.d. reserves data for 31 December, 2009 include 100 % of INA's reserves. In case of INA revision, extensions, discoveries and production figures are calculated by assuming 100% of MOL's share for full year.

AVERAGE PRODUCTION COSTS*	2005	2006	2007	2008	2009	2009**
Crude oil						
USD/bbl	6.28	6.33	9.98	13.53	15.49	18.98
Natural gas						
USD/MMcf	937.7	861.3	936.3	1,347.6	997.7	1,477.2
Total USD/boe	6.05	5.87	8.03	11.16	11.21	14.06

*excluding MMBF Plc. production from 2008

**Including INA H2

EXPLORATION AND DEVELOPMENT DATA	2005	2006	2007	2008	2009**	2009*
Wells tested	41 (28)	19 (15)	52 (31)	32 (24)	57 (45)	73 (54)
of which exploration wells (of which foreign)	12 (2)	7 (3)	16 (3)	12 (6)	13 (5)	17 (8)
crude oil (of which foreign)	1 (0)	2 (0)	0 (0)	2 (1)	3 (1)	5 (3)
natural gas (of which foreign)	2 (1)	1 (0)	8 (0)	6 (2)	6 (2)	6 (2)
dry/non commercial well (of which foreign)	9 (1)	4 (3)	8 (3)	4 (3)	4 (2)	6 (3)
of which development wells (of which foreign)	29 (26)	12 (12)	36 (28)	20 (18)	44 (40)	56 (46)
crude oil (of which foreign)	29 (26)	11 (11)	31 (26)	17 (16)	41 (39)	43 (41)
natural gas (of which foreign)	0 (0)	1 (1)	3 (2)	2 (2)	3 (1)	12 (4)
dry well (of which foreign)	0 (0)	0 (0)	2 (0)	1 (0)	0 (0)	1 (1)

*MOL and INA

**MOL

HYDROCARBON PRODUCTION** (GROSS FIGURES) (KT)	2005	2006	2007	2008	2009	2009***
Crude oil (domestic)*	884	857	799	743	715	715
Crude oil (international)	1,369	1,310	1,323	1,181	1,011	1,446
Condensates (domestic)	206	216	162	163	146	146
Condensates (international)	0	0	10	11	8	78
LPG (domestic)	206	200	157	133	125	125
LPG (international)	0	0	0	0	0	28
Other gas products (domestic)	51	43	41	33	29	29
Other gas products (international)****	0	0	0	0	0	37

*excluding separated condensate

**excluding MMBF Plc. production from 2008

***Including INA H2

****Contains products produced from 20 Mm³ of net dry gas.

NATURAL GAS PRODUCTION** (NET DRY) (MCM)	2005	2006	2007	2008	2009	2009***
Natural gas production (domestic)*	2,966	3,028	2,488	2,480	2,280	2,280
Natural gas production (international)	31	51	58	53	68	1,102

* from 2006 excluding original cushion gas production from MOL Natural Gas Storage due to the sale of storage

**excluding MMBF Plc. production from 2008

***Including INA H2

NATURAL GAS TRANSMISSION VOLUME (MCM)	2005	2006	2007	2008	2009
Hungarian transmission	17,714	17,278	14,961	15,140	14,913
Transit	2,570	2,386	2,390	2,427	1,768

TRANSMISSION FEE (HUF/CM)	2005	2006	2007	2008	2009
Hungarian transmission fee	3.03	3.16	3.68	3.89	4.44

CRUDE OIL PROCESSING (KT)	2005	2006	2007	2008	2009*
Domestic crude oil	908	852	800	771	1,052
Imported crude oil	11,503	11,673	12,487	14,259	15,529
Total crude oil processing	12,411	12,525	13,287	15,030	16,581
Condensates processing	210	214	162	197	254
Other feedstock	2,433	2,371	2,854	2,914	2,865
Total throughput	15,054	15,110	16,303	18,141	19,700
Contract and joint processing	0	0	0	0	0
Average distillation capacity used Duna Refinery %	91	89	91	88	81
Average distillation capacity used Slovnaft %	95	98	98	100	95

* MOL Group with INA from 1July, 2009

CRUDE OIL PRODUCT SALES (KT)	2005	2006	2006	2008	2009*
Domestic sales	4,065	4,630	4,701	4,753	4,751
Gas and heating oils	1,919	2,345	2,438	2,577	2,614
Motor gasolines	1,148	1,286	1,331	1,297	1,319
Fuel oils	166	132	161	75	90
Bitumen	244	300	163	207	197
Lubricants	26	24	26	20	21
Other products	562	543	582	577	510
Sales in Slovakia	1,378	1,464	1,524	1,626	1,427
Gas and heating oils	719	786	838	905	807
Motor gasolines	420	406	444	457	412
Lubricants	15	11	10	8	9
Bitumen	96	99	85	93	77
Other products	128	162	147	163	122
Sales in Croatia					1,457
Gas and heating oils					784
Motor gasolines					314
Lubricants					6
Bitumen					70
Other products					283
Exprot sales	6,004	5,714	6,576	8,810	9,242
Gas and heating oils	3,264	3,254	3,671	5,013	4,949
Motor gasolines	1,534	1,263	1,365	1,667	1,911
Lubricants (without base-oil)	28	28	26	22	24
Bitumen	191	128	300	885	878
Other products	987	1,041	1,214	1,223	1,480
Total crude oil product sales	11,447	11,808	12,801	15,189	16,877

* MOL Group with INA from 1July, 2009

PETROCHEMICAL PRODUCTION (KT)	2005	2006	2007	2008	2009
Ethylene	796	775	870	812	789
LDPE	284	263	270	246	231
HDPE	353	360	404	361	387
PP	441	496	545	515	511

PETROCHEMICAL SALES (KT)	2005	2006	2007	2008	2009
Domestic sales	468	479	491	447	385
Slovakia	69	72	84	78	80
Export sales	758	819	912	833	881
Total product sales	1,295	1,370	1,487	1,358	1,346

AVERAGE HEADCOUNT (PERSON)	2005	2006	2007	2008	2009*
Exploration and Production	1,502	1,428	1,504	1,516	1,498
Refining and Marketing	2,953	2,796	2,836	2,882	2,854
Gas and Power	6	1	0	17	33
Corporate Services	580	504	539	539	521
Headquarters and other	489	461	427	430	439
MOL Nyrt. total	5,530	5,190	5,306	5,384	5,345
Subsidiaries	10,056	9,121	9,194	10,606	20,189
MOL Group	15,586	14,311	14,500	15,990	25,534

* MOL Group with INA from 1July, 2009

CLOSING HEADCOUNT (PERSON)	2005	2006	2007	2008	2009*
MOL Nyrt.	5,348	5,096	5,305	5,421	5,264
Subsidiaries	9,312	8,765	9,753	11,792	28,826
MOL Group	14,660	13,861	15,058	17,213	34,090

* MOL Group with INA

SUPPLEMENTARY OIL AND GAS INDUSTRY DISCLOSURES (UNAUDITED)

The SEC adopted revised rules for the modernisation of oil and gas reporting requirements in 2008, and the FASB adopted a revised standard for oil and gas reserves estimation and disclosures 2010. All the figures referring to December 31, 2009 or to the total of 2009 in these disclosures, including the reserves and the standardised measure of discounted future cash flows, are calculated on the basis of the revised SEC and FASB standards. All the figures presented in these disclosures for the years 2008 and 2007 are reported in accordance with the earlier disclosure standards in effect during such periods. The tables for the current reporting period and the 2008 and 2007 historical data have been aligned to the modernised SEC requirement for geographic area disclosure. Thus the regional analysis below is on a continent basis, with separate information on countries that contain 15% or more of the total proved reserves.

These disclosures do not include information about MOL's share in INA's oil and gas activities, as these disclosures were not available on INA's oil and gas activities in 2009 or for previous years; and about MOL's share in equity consolidated Pearl project (in Kurdistan region of Iraq), as these disclosures were not available on its activities for 2009.

A) RESERVES

Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. The reserves reported exclude volumes attributable to oil and gas discoveries that are not at present considered proved. Such reserves will be included when technical, fiscal and other conditions allow them to be economically developed and produced.

Oil and gas reserves cannot be measured exactly since estimation involves indirect data subjective judgement and arbitrary determinations. Estimates remain subject to revision.

Estimated net proved reserves of crude oil and natural gas liquids at the end of the year and the changes in such reserves during the year are set out below.

CRUDE OIL AND CONDENSATE (KT)							
	CONSOLIDATED COMPANIES				ASSOCIATED COMPANIES	TOTAL	
	Europe	Asia		Africa	Total		
	Hungary	Russia	Rest of Asia				
Reserves At 31 December 2007	6,718	8,159	10	-	14,887	-	14,887
Revision of previous estimates	(1,794)	(2,527)	7	-	(4,314)	-	(4,314)
Extensions and discoveries	10	57			67	-	67
Improved recovery						-	
Purchase of minerals						-	
Sales of minerals						-	
Production	(901)	(813)	(9)		(1,724)	-	(1,724)
Reserves At 31 December 2008	4,033	4,876	7	-	8,916	-	8,916
Revision of previous estimates	1,131	246	203	-	1,580	-	1,580
Extensions and discoveries	84				84	-	84
Improved recovery						-	
Purchase of minerals						-	
Sales of minerals						-	
Production	(897)	(746)	(7)		(1,650)	-	(1,650)
Reserves At 31 December 2009	4,351	4,377	203	-	8,930	-	8,930
Proved developed reserves as of							
31 December 2007	5,046	2,859	10	-	7,915	-	7,915
31 December 2008	3,140	4,103	7	-	7,160	-	7,160
31 December 2009	3,262	3,540	203	-	7,004	-	7,004
Proved non developed reserves as of							
31 December 2007	1,672	5,300	-	-	6,972	-	6,972
31 December 2008	893	863	-	-	1,756	-	1,756
31 December 2009	1,089	837	-	-	1,926	-	1,926

NATURAL GAS (MILLIONS OF CUBIC METER)							
	CONSOLIDATED COMPANIES				ASSOCIATED COMPANIES	TOTAL	
	Europe	Asia		Africa	Total		
	Hungary	Russia	Rest of Asia				
Reserves At 31 December 2007	12,008	-	59	-	12,067	-	12,067
Revision of previous estimates	27		18		45	-	45
Extensions and discoveries	33				33	-	33
Improved recovery						-	
Purchase of minerals						-	
Sales of minerals						-	
Production	(1,422)	-	(47)		(1,469)	-	(1,469)
Reserves At 31 December 2008	10,646	-	30	-	10,676	-	10,676
Revision of previous estimates	(1,910)		1,502		(408)	-	(408)
Extensions and discoveries	339				339	-	339
Improved recovery						-	
Purchase of minerals						-	
Sales of minerals						-	
Production	(1,958)	-	(61)		(2,018)	-	(2,018)
Reserves At 31 December 2009	7,117	-	1,472	-	8,589	-	8,589
Proved developed reserves as of							
31 December 2007	7,652	-	59	-	7,711	-	7,711
31 December 2008	8,361	-	30	-	8,391	-	8,391
31 December 2009	5,575	-	1,472	-	7,046	-	7,046
Proved non developed reserves as of							
31 December 2007	4,356	-	-	-	4,356	-	4,356
31 December 2008	2,284	-	-	-	2,284	-	2,284
31 December 2009	1,542	-	-	-	1,542	-	1,542

CRUDE OIL, CONDENSATE AND NATURAL GAS (KT EQUIVALENT)							
	CONSOLIDATED COMPANIES				ASSOCIATED COMPANIES	TOTAL	
	Europe	Asia		Africa	Total		
	Hungary	Russia	Rest of Asia				
Reserves At 31 December 2007	16,483	8,159	69	-	24,699	-	24,699
Revision of previous estimates	(1,854)	(2,527)	10		(4,359)	-	(4,359)
Extensions and discoveries	36	10			94	-	94
Improved recovery						-	
Purchase of minerals						-	
Sales of minerals						-	
Production	(2,035)	(813)	(47)		(2,895)	-	(2,895)
Reserves At 31 December 2008	12,630	4,876	32	-	17,538	-	17,538
Revision of previous estimates	(602)	246	1,397		1,041	-	1,041
Extensions and discoveries	354				354	-	354
Improved recovery						-	
Purchase of minerals						-	
Sales of minerals						-	
Production	(2,477)	(746)	(55)		(3,278)	-	(3,278)
Reserves At 31 December 2009	9,906	4,377	1,374	-	15,656	-	15,656
Proved developed reserves as of							
31 December 2007	11,497	2,859	69	-	14,425	-	14,425
31 December 2008	9,725	4,103	32	-	13,770	-	13,770
31 December 2009	7,738	3,540	1,374	-	12,652	-	12,652
Proved non developed reserves as of							
31 December 2007	4,986	5,300	-	-	10,286	-	10,286
31 December 2008	2,905	863	-	-	3,769	-	3,769
31 December 2009	2,167	837	-	-	3,004	-	3,004

B) CAPITALISED COSTS

The aggregate amount of tangible and intangible fixed assets of Group companies relating to oil and gas exploration and production activities and the aggregate amount of the related depreciation, depletion, amortisation and impairment at December 31 are shown in the table below:

HUF MILLION							
	CONSOLIDATED COMPANIES				ASSOCIATED COMPANIES	TOTAL	
	Europe	Asia		Africa	Total		
	Hungary	Russia	Rest of Asia				
At 31 December 2007						-	
Gross value	330,286	122,319	16,344	-	468,948	-	468,948
Proved properties	330,286	102,026	3,938	-	436,250	-	436,250
Unproved properties	-	20,293	12,405	-	32,698	-	32,698
Accumulated DD&A and impairments	235,476	30,453	11,417	-	277,346	-	277,346
FX differences	-	1,002	406	-	1,408	-	1,408
Net capitalised costs	94,810	90,864	4,521	-	190,194	-	190,194
At 31 December 2008						-	
Gross value	356,267	94,621	68,151	14,764	533,803	-	533,803
Proved properties	356,267	90,428	6,951	-	453,647	-	453,647
Unproved properties	-	4,192	61,200	14,764	80,157	-	80,157
Accumulated DD&A and impairments	252,024	37,677	12,238	5,943	307,882	-	307,882
FX differences	-	5,320	55	-	5,375	-	5,375
Net capitalised costs	104,244	51,624	55,857	8,821	220,546	-	220,546
At 31 December 2009						-	
Gross value	379,840	155,935	31,105	14,769	581,649	-	581,649
Proved properties	379,840	150,724	8,422	-	538,986	-	538,986
Unproved properties	-	5,212	22,682	14,769	42,663	-	42,663
Accumulated DD&A and impairments	277,392	45,794	13,328	6,276	342,790	-	342,790
FX differences	-	7,470	356	(31)	7,796	-	7,796
Net capitalised costs	102,488	102,671	17,421	8,524	231,064	-	231,064

C) COSTS INCURRED

Costs incurred by Group companies during the year in oil and gas property acquisition, exploration and development activities, whether capitalised or expensed directly, are shown in the table below.

HUF MILLION							
	CONSOLIDATED COMPANIES					ASSOCIATED COMPANIES	TOTAL
	Europe	Asia		Africa	Total		
	Hungary	Russia	Rest of Asia				
For year ended 31 December 2007							
Acquisition of properties	-	9,886	-	-	9,886	-	9,886
Proved	-	1,338	-	-	1,338	-	1,338
Unproved	-	8,548	-	-	8,548	-	8,548
Exploration	9,009	7,598	7,221	-	16,607	-	16,607
G&G	1,579	248	2,566	-	4,393	-	4,393
Drilling	7,383	29	3,891	-	11,303	-	11,303
Rental fee, other	48	99	765	-	912	-	912
Development	15,139	9,580	973	-	25,692	-	25,692
Total costs incurred	24,148	19,842	8,195	-	52,185	-	52,185
For year ended 31 December 2008							
Acquisition of properties	-	-	4,416	7,415	11,831	-	11,831
Proved	-	-	-	-	-	-	-
Unproved	-	-	4,416	7,415	11,831	-	11,831
Exploration	9,717	6,035	8,586	5,000	29,337	-	29,337
G&G	3,228	2,421	5,784	493	11,926	-	11,926
Drilling	6,451	3,472	1,696	4,356	15,976	-	15,976
Rental fee, other	37	141	1,105	151	1,434	-	1,434
Development	9,227	14,964	2,148	-	26,339	-	26,339
Total costs incurred	18,943	20,998	15,150	12,414	67,506	-	67,506
For year ended 31 December 2009							
Acquisition of properties	-	-	-	-	-	-	-
Proved	-	-	-	-	-	-	-
Unproved	-	-	-	-	-	-	-
Exploration	10,757	1,583	8,283	2,605	23,228	-	23,228
G&G	632	340	2,208	2,088	5,268	-	5,268
Drilling	10,125	1,100	4,588	2	15,815	-	15,815
Rental fee, other	-	143	1,488	514	2,145	-	2,145
Development	12,524	18,189	1,214	-	31,927	-	31,927
Total costs incurred	23,281	19,773	9,497	2,605	55,155	-	55,155

D) EARNINGS

Earnings of Group companies from exploration and production activities excluding financing costs and related tax effects.

HUF MILLION							
	CONSOLIDATED COMPANIES				ASSOCIATED COMPANIES	TOTAL	
	Europe	Asia		Africa	Total		
	Hungary	Russia	Rest of Asia				
For year ended 31 December 2007							
Sales	128,694	37,328	1,744		167,766	-	167,766
third parties	43,848	37,328	1,744		82,921	-	82,921
intra-group	84,846	-	-		84,846	-	84,846
Production costs	(18,899)	(4,371)	(249)		(23,519)	-	(23,519)
Exploration expense	(4,507)	(653)	(3,037)		(8,197)	-	(8,197)
DD&A	(26,876)	(8,163)	(5,442)		(40,480)	-	(40,480)
Other income/(costs)	(4,543)	(723)	1,266		(4,001)	-	(4,001)
Earnings before taxation	73,870	21,674	(3,974)		91,570	-	91,570
Taxation	(17,602)	(4,654)	(3)		(22,259)	-	(22,259)
Earnings from operation	56,268	17,020	(3,978)		69,310	-	69,310
For year ended 31 December 2008							
Sales	187,871	28,631	1,885	-	218,386	-	218,386
third parties	85,155	28,631	1,885	-	115,670	-	115,670
intra-group	102,716	-	-	-	102,716	-	102,716
Production costs	(22,697)	(6,855)	(357)	-	(29,909)	-	(29,909)
Exploration expense	(4,322)	1,046	(10,476)	(643)	(14,396)	-	(14,396)
DD&A	(22,543)	(7,168)	(803)	(5,943)	(36,456)	-	(36,456)
Other income/(costs)	(5,126)	(9,821)	4,000	(39)	(10,986)	-	(10,986)
Earnings before taxation	133,182	5,832	(5,751)	(6,625)	126,639	-	126,639
Taxation	(24,788)	(958)	(14)	-	(25,760)	-	(25,760)
Earnings from operation	108,395	4,874	(5,765)	(6,625)	100,879	-	100,879
For year ended 31 December 2009							
Sales	176,310	24,573	2,117	679	203,680	-	203,680
third parties	99,226	24,573	2,117	679	126,596	-	126,596
intra-group	77,084	-	-	-	77,084	-	77,084
Production costs	(22,287)	(6,548)	(697)	-	(29,532)	-	(29,532)
Exploration expense	(4,531)	(3,068)	(3,581)	(2,602)	(13,801)	-	(13,801)
DD&A	(26,079)	(8,165)	(1,089)	(330)	(35,664)		(35,664)
Other income/(costs)	11,757	1,543	(510)	(347)	12,442	-	12,442
Earnings before taxation	135,169	8,317	(3,760)	(2,600)	137,125	-	137,125
Taxation	(31,260)	(3,164)	-	-	(34,424)	-	(34,424)
Earnings from operation	103,909	5,153	(3,760)	(2,600)	102,701	-	102,701

Other income/cost does not include the administration cost inside MOL Plc.

E/1) STANDARDISED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The following table presents the standardized measure of discounted future net cash flows and their changes relating to crude oil and natural gas production from the group's estimated proved reserves and based on a 12-month unweighted arithmetic average sales price, calculated on a first day of the month basis, with cost factors based on those at the end of each year, currently enacted tax rates and a 10% annual discount factor. For the 2008 and 2007 periods, the price and costs were those at year end.

Future net cash flows have been prepared on the basis of certain assumptions which may or may not be realized. These include the timing of future production, the estimation of crude oil and natural gas reserves and the application of average crude oil and natural gas prices and exchange rates. Furthermore, both proved reserves estimates and production forecasts are subject to revision as further technical information becomes available and economic conditions change.

The standardised measure of discounted future net cash flows does not purport nor should it be interpreted to present the fair value of the Company's oil and gas reserves. An estimate of fair value would also take into account, among other things, the recovery of reserves not presently classified as proved, anticipated future changes in prices and costs and a discount factor more representative of the time value of money and risks inherent in reserves estimate.

2007 CONSOLIDATED COMPANIES					
HUF MILLION	Europe	Asia		Africa	Total
	Hungary	Russia	Rest of Asia		
Future cash inflows	1,361,413	375,343	2,315	-	1,739,071
Future production costs	(249,959)	(62,356)	(100)	-	(312,415)
Future development and other costs	(170,634)	(62,992)	(138)	-	(233,764)
Future tax expense	(209,564)	(57,358)	(962)	-	(267,883)
Future net cash flows	731,257	192,637	1,114	-	925,008
Effect of discounting	(262,803)	(104,566)	(116)	-	(367,485)
Standardised measure of discounted future cash flows	468,454	88,071	999	-	557,523

2008 CONSOLIDATED COMPANIES					
HUF MILLION	Europe	Asia		Africa	Total
	Hungary	Russia	Rest of Asia		
Future cash inflows	1,183,704	108,792	784	-	1,293,280
Future production costs	(177,051)	(40,943)	(146)	-	(218,140)
Future development and other costs	(163,969)	(25,459)	(1,925)	-	(191,354)
Future tax expense	(217,217)	(8,050)	(133)	-	(225,400)
Future net cash flows	625,466	34,340	(1,421)	-	658,386
Effect of discounting	(170,689)	(10,434)	129	-	(180,994)
Standardised measure of discounted future cash flows	454,777	23,906	(1,292)	-	477,392

2009 CONSOLIDATED COMPANIES					
HUF MILLION	Europe	Asia		Africa	Total
	Hungary	Russia	Rest of Asia		
Future cash inflows	789,702	154,278	50,300	-	994,280
Future production costs	(160,275)	(49,278)	(2,463)	-	(212,015)
Future development and other costs	(174,337)	(26,098)	(2,129)	-	(202,564)
Future tax expense	(120,275)	(11,485)	(17,991)	-	(149,751)
Future net cash flows	334,815	67,418	27,718	-	429,950
Effect of discounting	(68,191)	(25,447)	(12,184)	-	(105,822)
Standardised measure of discounted future cash flows	266,624	41,971	15,533	-	324,128

E/2) CHANGE IN STANDARDISED MEASURE OF DISCOUNTED FUTURE CASH FLOWS

HUF MILLION							
	CONSOLIDATED COMPANIES					ASSOCIATED COMPANIES	TOTAL
	Europe	Asia		Africa	Total		
	Hungary	Russia	Rest of Asia				
At 31 December 2007	468,454	88,071	999	-	557,523	-	557,523
Net changes in prices and production costs	265,510	18,248	(357)	-	283,401	-	283,401
Sales and transfers of oil and gas, net of production costs during the year	(166,612)	(20,030)	(1,738)	-	(188,380)	-	(188,380)
Development and other costs incurred during the year	10,078	14,964	4,171	-	29,213	-	29,213
Net cash from extensions, discoveries and improved recovery	2,646	62	-	-	2,708	-	2,708
Development and other cost related to future production	(4,037)	13,513	(5,783)	-	3,693	-	3,693
Purchase/Sale of minerals in place	-	-	-	-	-	-	-
Revisions of previous reserve estimate	(155,452)	125,500	488	-	(280,464)	-	(280,464)
Accretion of discount	59,269	11,723	186	-	71,178	-	71,178
Net change in income tax	(25,078)	22,855	742	-	(1,480)	-	(1,480)
At 31 December 2008	454,777	23,906	(1,292)	-	477,392	-	477,392
Net changes in prices and production costs	(189,723)	21,643	(1,358)	-	(169,439)	-	(169,439)
Sales and transfers of oil and gas, net of production costs during the year	(154,022)	(18,025)	(1,228)	-	(173,276)	-	(173,276)
Development and other costs incurred during the year	13,324	18,189	1,002	-	32,515	-	32,515
Net cash from extensions, discoveries and improved recovery	29,160	-	-	-	29,160	-	29,160
Development and other cost related to future production	(15,831)	(14,768)	(239)	-	(30,838)	-	(30,838)
Purchase/Sale of minerals in place	-	-	-	-	--	-	-
Revisions of previous reserve estimate	3,363	8,865	28,761	-	40,989	-	40,989
Accretion of discount	60,409	3,021	(117)	-	63,313	-	63,313
Net change in income tax	65,168	(859)	(9,996)	-	54,312	-	54,312
At 31 December 2009	266,624	41,971	15,533	-	324,128	-	324,128



"OUR EFFORTS TOWARDS SUSTAINABLE DEVELOPMENT WERE VIEWED ALSO POSITIVELY BY THE CAPITAL MARKETS, AS MOL – EXCLUSIVELY IN THE CENTRAL-EASTERN-EUROPE AREA – HAS BECOME ELIGIBLE FOR INCLUSION IN THE SUSTAINABILITY YEARBOOK 2010 (BRONZE CLASS) PUBLISHED BY DOW JONES SUSTAINABILITY INDEX'S ANALYST, SAM. THE ACKNOWLEDGEMENT THAT MOL IS IN THE BEST 15% SUSTAINABILITY PERFORMER OF THE OIL AND GAS INDUSTRY IS DUE TO OUR LONG-TERM FOCUS IN THOSE ENVIRONMENTAL AND SOCIAL AREAS, WHICH ARE CRITICAL TO OUR SECTOR SUCH AS CLIMATE CHANGE, TRANSPARENCY, OCCUPATIONAL HEALTH AND SAFETY, ATTRACTING AND RETAINING TALENTS OR CUSTOMER RELATIONSHIP MANAGEMENT. IN ADDITION, THE BONUS INCENTIVES OF OUR MANAGERS IS PARTLY BASED ON PERFORMANCE INDICATORS RELATED TO SUSTAINABLE DEVELOPMENT TARGETS."

GYÖRGY MOSONYI
GROUP CHIEF EXECUTIVE OFFICER

OVERVIEW AND TARGETS

More information:



OVERVIEW OF 2009 (OUR TARGETS AND ACHIEVEMENTS RELATED TO OUR 7 STRATEGIC SD INITIATIVES):

1. Strengthen good governance and risk management		
Improve Code of Ethics related processes	The ethical monitoring system was improved and related expectations and KPIs were defined for Country Chairmen	●*
Launch an e-learning ethics training program (the planned rate of participants is 70% of MOL Group employees who have intranet access)	An e-learning training program was developed and launched at the beginning of 2010	●
Integrate ethics training into competency training events for managers, employees and special target groups like newcomers and expatriates	Training material was developed and ethical training was included as a part of competency training for managers	●
Integrate reputation risk into our ERM (Enterprise Risk Management) framework in order to further strengthen the awareness of reputational risks to the company	Reputation risk was integrated into our ERM framework as one of the risk elements	●
2. Concentrate on future portfolio steering		
Increase market activity in the renewable energy utilization sector in Hungary	In our geothermal project company (CEGE) 2D and 3D geothermal models at potential areas were finalized for two regions	●
Investigate new options for the production of renewable fuels and energy sources	<ul style="list-style-type: none"> Second generation bio-fuel research project experiments and quality measurements are in line with the planned time frame The feasibility of biogas production from the by-products of our bio-diesel plant is proven; the project has now reached the basic engineering phase 	●
3. Focus on internal and external customer relations		
Maintain a high level of customer satisfaction in all business divisions	In Retail and Petchem divisions we improved, and in Wholesale we maintained levels of customer satisfaction	●
4. Enhance trust & credibility among stakeholders		
Facilitate stakeholder dialogue on MOL Group's sustainability reporting and performance	We organised 3 discussions with (1) SD experts and professionals, (2) employees as represented by the European Workers Council, (3) the "environment" as represented through authorities, national parks and NGOs	●
Continue holding safety campaigns for customers at our filling stations	A campaign to sell stickers calling drivers attention to road safety was launched. A part of the revenue collected was offered to the Hungarian Global Road Safety Partnership	●
Review and restructure our corporate giving related processes	We developed an internal group level guideline containing principles and policies on corporate giving	●

* ○ ● ● ● – level of fulfillment of the task (●=100%)

5. Reduce environmental footprint		
Reduce specific CO ₂ emissions by 1% as a direct result of greenhouse gas (GHG) reduction initiatives	This target was reached (from -1 to -8 % depending on business division) due to energy-efficiency projects and changing production patterns	●
Reduce group level fresh water withdrawals by 10%	Reduction in total water withdrawal was 8.6% when compared to 2008, mainly due to small improvements in our systems and lower production level	●
Have a self-assessment based Declaration of Conformity to Group HSE Management System of higher than 70%	According to annual Assurance Letters from our businesses and involved subsidiaries, conformity for Y2009 reached 75%	●
Expand our CO ₂ strategy into a climate strategy and set up GHG protocol, inventory and workflow for scope 2-3 emissions	(1) MOL Group's climate change statement was issued, (2) background studies were developed, (3) scope-2 and scope-3 emissions were estimated	●
Introduction of a new risk-assessment methodology designed to prevent oil spills in pipelines in Hungarian production facilities	In order to be sure of the fastest intervention response in case of any pollution, we created emergency storage in one of our critical areas (two others are planned for 2010)	●
6. Manage opportunities, risk & liabilities in the value chain		
Reduce the total reportable occupational illness frequency (TROIF) to zero	There were no occupational illnesses in MOL Group	●
Have each business unit contribute by involving at least 60% of employees in the Workplace Health Promotion program and maintain an Absence Rate of not more than 3.14% (MOL, SN, SPC, TVK)	The participation rate at our STEP program reached 62.4% and the absence rate was far below the target: 1.98%	●
Zero work-related fatal accidents in MOL Group (staff, contractors and third parties)	1 own staff and 1 contractor fatality	○
Keep lost time injury frequency (LTIF) below 1.0	In 2009 the LTIF rate rose slightly above our challenging target (1.18), but most of the injuries were not technology related	○
Road accident rate (RAR) should not exceed 2.0	Achieved results far below our target: 1.62	●
Incident inquiry rate should reach at least 80%	The rate was 95% considering all those cases where own staff/ own premises were involved	●
7. Capitalize on human resources		
Identify skill mapping and competency development practices within the Group, and launch a pilot project with the aim of defining professional career and competency models in business divisions	We defined a system of competency mapping and development. Employees participated in different complex competency development programs and we ran a professional competency management pilot within our Exploration and Production Division	●
Establish TVK Chair both at the University of Miskolc and at University of Debrecen, within the Faculties of Technical Science	In 2009 we established TVK Faculties at The University of Miskolc and at The University of Debrecen	●

AWARDS AND ACKNOWLEDGEMENTS

SAM's corporate sustainability assessment

MOL (the only central-eastern European company) made it into the group of world leading companies included in the recently published SAM (Sustainable Asset Management) Sustainability Yearbook. SAM is a Swiss analyst company which works in connection with the Dow Jones Sustainability Index. MOL was also awarded the title of "Sector Mover", thereby recognising its efforts in the field of sustainability.



'Top Companies for Leaders' Global Study 2009

In the survey managed by Fortune Magazine, The RBL Group and Hewitt Associates, MOL Plc. became the first company in the Central-European region – out of more than 500 companies worldwide – who has received a special recognition among European companies for considerable progress demonstrated in people development processes by adopting of both leading-edge development and management practices and a very reflective understanding of where MOL still needs to improve.

Best Annual Report (PR contest)

MOL won first prize in the PR Contest of the Kreativ Group in the Annual Report category. Economic, social and environmental achievements have been presented in an online format for the first time.

Oil company performance list in exploration and production

John S. Herold Inc. and Harrison Lovegrove & Company, for the 42nd time, put together a list of the top performance of oil companies in Exploration and Production. From more than 230 oil-and gas industry corporations analysed in the study, MOL received first place in Europe and 38th place in the World considering equivalent value for one barrel of oil. MOL got to the top of the list in 2003 for the first time and since that time it has attained the title of the most effective European corporation several times.

Euromoney list

MOL Group was ranked as no. 1 in two categories on the Euromoney regional list. The British financial periodical selected MOL to be the best energy company in Central and Eastern Europe in 2009 following the votes of 101 analysts, who took the view that MOL had the best corporate management in Hungary.

Award of Coordination Center for Transport Development

The Coordination Center for Transport Development recognised MOL for its high quality service and tidy management of the filling station at M1 161. Moson, Hungary (which operates in cooperation with Marché).

European Network of Workplace Health Promotion

MOL was recognized again for its "STEP – Take a step for your health" programme. MOL developed an individual health plan for nearly 2,000 employees and offers its staff small-group stress management sessions. MOL spends nearly HUF 500 mn per year on statutory health screenings and its own health programme in the region.

TVK: Cycling-friend Workplace 2009

The Ministry of Environment and Water and the Ministry for Transport in 2009 launched the "Cycling-friend Workplace 2009" title for small, medium and large corporations, public institutions, and non-profit organisation categories. TVK Plc.'s proposal for large companies gained it the right to use the title.



Slovnaft: Via Bona Slovakia Ethical award

In 2009 SLOVNAFT was awarded a prize – the Via Bona Slovakia Ethical award for transparency and anticorruption activities.

FGSZ: Best Employer

In 2009, in the year's Best Employers Study launched by Hewitt Associates, FGSZ Ltd. ranked first in the category for companies with 250-1000 employees (around 30,000 employees from 150 companies contributed to the survey).

TARGETS FOR 2010 TO SUPPORT OUR 7 STRATEGIC SD INITIATIVES

1. Strengthen good governance and risk management

- Review and amend the Code of Ethics and related processes
- Increasing ethical awareness of employees through communication and e-learning
- Set up HSE Risk Map of PSM (Process Safety Management) critical processes

2. Concentrate on future portfolio steering

- Test water reservoirs based on MOL's selected existing non-productive hydrocarbon wells, and develop business model for geothermal energy production
- Take further steps towards fulfilling our biogas project aims in our biodiesel plant
- Continue the investigation of possibilities to use renewable energy sources in refining

3. Focus on internal and external customer relations

- Maintain a high level of customer satisfaction in all business divisions
- Define an integrated international branding process for MOL Group

4. Enhance trust & credibility among stakeholders

- Set up and/or formalize the stakeholder engagement processes
- Introduce and regulate corporate volunteering (in MOL Plc.)
- Prepare a qualitative analysis on the social impact of the "Green Belt" donation programme

5. Reduce environmental footprint

- Reduce specific CO₂ emissions by 1% as a direct result of greenhouse gas (GHG) reduction initiatives
- Reduce group level fresh water intake by 10%
- Set up group and business unit biodiversity systems

6. Manage opportunities, risk & liabilities in the value chain

- Have a total reportable occupational illness frequency (TROIF) of zero
- Have each business unit contribute by involving at least 75% of employees in the Workplace Health Promotion program and keep Absence Rate no higher than 2.5% (MOL, SN, SPC, TVK, MOL-LUB)
- Have no work-related fatalities in MOL Group (staff, contractors and third parties)
- Reduce lost time injury frequency (LTIF) to below 1.0
- Road accident rate (RAR) should not exceed 1.6

7. Capitalize on human resources

- Extend the Employee Performance Management System to Hungarian MOL Group companies (MOL-LUB, FGSZ and Petroszolg)
- Create a group level guideline for equal opportunities and work-life balance; prepare our first equal opportunity plan

CARING FOR THE ENVIRONMENT

More information:

 www.mol.hu/environment



- Besides our biofuel program, MOL uses several channels for informing its wholesale and retail customers about ways to improve fuel efficiency.
- MOL's R&D experts are working on developing methods for capturing the carbon dioxide emitted by some refinery plants and utilizing it locally, without the need for underground storage.
- Based on its related knowledge and experience gained in exploration and production activities in the area of carbon capture and storage (CCS), MOL is positioning itself as a geo-science service provider.
- We see good opportunities for JI/CDM projects to be implemented with our foreign exploration and production subsidiaries, where local use of flare gas in new power plant investments will result in significantly lower carbon dioxide emissions.
- Supported also by our R&D activity, we will continue realizing projects aiming at utilizing Hungarian geothermal potential for heat and power generation.

R&D on second generation biofuels

MOL plans to produce second generation bio-fuels and quality bio-components from a wider range of feedstock. Therefore we have established a consortium with partners from agricultural and scientific fields and kicked off the Jedlik Ányos Project. The main advantage of the technology under development is that no byproducts are created in large amounts and a wider range of commodities (e.g. vegetable oil - from any source - used cooking oil, animal fats) can be used to produce excellent quality bio-diesel with a high cetan number, good oxidation stability and cold flow properties. The first objective was realized in 2009 as a new generation bio-diesel pilot facility became operational. Our next goal is to scale-up the technology.

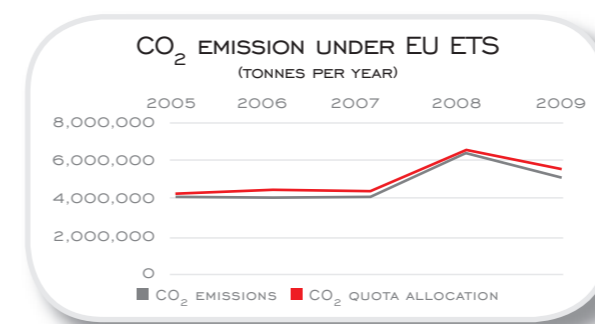
OUR GHG EMISSIONS

Each business unit involved managed to meet and exceed our CO₂ reduction target: decreases in specific emissions ranged from -1 to -8%.

In 2009 we emitted from installations covered by the European emission trading scheme (ETS) 5.14 Mt CO₂. Compared to 2008, emissions decreased by 1.26 Mt. Comparison between 2008 and 2009 is not easy, because we cannot report the same data for scope of installations: the Slovnaft power plant has been outsourced to our joint venture (JV) company with CEZ (from 01.04.2009 it is a separate legal entity operated by JV itself). Consequently, its GHG emission data accounts only for the 1st quarter of 2009. Besides this fact, a significant fraction of CO₂ reductions resulted from changes in production patterns, while a contribution to the reduction was also delivered through continued efforts in energy efficiency measures.

In 2009 five projects were approved in our Exploration and Production Division under the "ENRAC" – Energy Rationalization – umbrella project. One type concerns replacing gas engine driven compressors with electric ones; the other type involves modernizing steam heating systems in our gas technology units through replacing them with water heating types.

By implementation of a series of heat and electrical energy saving measures at Refining and Petchem Divisions, we increased energy efficiency, with a corresponding decrease in CO₂ emissions.



CLIMATE CHANGE

As a result of increasing attention being paid to climate change issues in MOL and intensive internal discussions in the form of thematic workshops and meetings at the highest managerial level, the management of MOL Group adopted a company statement about climate change in 2009. Instead of passive compliance, MOL has adopted a proactive approach, which means a gradual transformation of its business model into one suitable for a carbon constrained world.

While the climate change statement provides a long term, strategic framework for our efforts, we also set quantitative GHG targets: our aim is to reduce our specific CO₂ emissions by 1% (baseline year is 2007).

We aim to be transparent in respect of our contributions to the fight against global climate change, therefore we publicly report about our performance. Apart from traditional SD reporting, in 2009 we participated in the Central-Eastern European Carbon Disclosure Project, where climate change related data are collected on behalf of major global investors. In parallel, we enhanced our level of reporting on indirect GHG emissions as well.

In this respect, the following areas and activities are in the company's focus:

- In line with EU regulations, we are increasing the proportion of bio components blended into crude based motor fuels.

ENERGY EFFICIENCY

In 2009 for the first time we calculated energy consumption at a group level to include all our operations which are involved in the HSE reporting system. Total primary energy (natural gas and other hydrocarbon) consumption was 70,582,532 GJ, while indirect energy (electricity, heat and steam) consumption reached 19,029,381 GJ. Refineries and petrochemical sites account for ca. 90% of total energy consumption. Compared to 2008, there was a ca. 2% decrease in energy consumption at our refineries. This drop is the combined impact of a decrease in volume of processed crude oil – as a response to dropoff in market demand due to the recession -, a slight increase of light products in our product mix which require relatively higher energy use in their production, and the implementation of actions to increase the efficiency of energy use in refining processes (such as technological innovation and good housekeeping measures – e.g. Advance Process Control optimization, decreasing Low Pressure steam consumption of some units and pipe heating, etc.)

The energy consumption of the Petchem Division decreased due to efficiency improvements and energetic optimization projects and the 52 day turnaround of Steam Cracker-1 (at Tiszaújváros, HU). In 2009 MOL Group commenced work on a comprehensive energy audit which was intended to cover energy utilization in all core areas. The objective was to optimize and harmonize the energy consumption of different processes/technologies at a group level. As a first step, the energy supply system of the TVK was examined. Besides this new initiative, there have been dozens of energy-efficiency measures implemented in our business divisions, which – in addition to the lower production levels – resulted in a slight decrease in our energy consumption.

The estimated amount of greenhouse gas emissions resulted from our indirect energy consumption – i.e. purchased electricity, steam and heat – ('Scope-2') amounted ca. 1.4 Mt in 2009.

AIR EMISSIONS

Air emissions (excluding GHG) – compared to 2008 recalculated data – dropped by 36.3% compared to the previous year thanks on the one hand to the outsourcing of the Slovnaft power plant and on the other hand to a series of projects aimed at decreasing our environmental impacts.

At Exploration and Production, a sulphur recovery unit was commissioned at the Sávolc south east gathering station, enabling the use of all the associated gases produced from the field in the boiler without creation of air pollution. We aim to continue with more boiler modifications and energy efficiency improvements in coming years.

At Refining, we focus on basic pollutant emission reductions. We have installed low NO_x burners and an air preheater at Slovnaft for the Vacuum gasoil hydrocracker furnaces. The Leakage Detection And Repair (LDAR) program at the Slovnaft refinery for VOC reduction has been operational for several years. In the future we will continue in our efforts to reduce air emissions. We have started project preparation at the Danube Refinery Central Gas Unit to reduce the H₂S content of flue gas and we have prepared a study aimed at reducing odours in the vicinity of the Zala Refinery.

In Petchem (Slovnaft Petrochemicals), the steam cracker furnaces reconstruction project (ECO VISION) continued during 2009 with significant environmental benefits such as reduction of NO_x emissions and energy consumption. Further, reduction of NO_x emissions was achieved through replacement of old-fashioned burners at three SPC cracking furnaces.

Compared to Refining or Petchem divisions, Logistics and Retail divisions are not so significant in terms of air emissions, but we have not forgotten about these either. With the aim of VOC reduction in mind we exchanged the Vapor Recovery Unit (VRU) at Szajol base logistics depot and installed a dry-technology VRU at Százhalombatta Railway Loading. Similar improvements are planned at our Komárom base depot. We also installed a bottom loading system at some of our MOL Austria logistics depots.

WATER MANAGEMENT

In 2009 we achieved a further reduction in water consumption and wastewater discharge. The reduction in total water withdrawals reached 8.6% compared to 2008 data mainly due to small improvements in our systems and production reduction. In parallel, several technological improvements were made at the water treatment stage as well.

Water withdrawal

At Duna Refinery the amount of total water withdrawals decreased by 14% in 2009 (compared to 2008) due to unit shutdowns along with a slowdown in production plans and the purchasing of steam from external sources.

Total water withdrawals decreased at the Tisza Refinery in 2009 (compared to 2008) due to unit shutdowns and fewer tank calibrations – which are postponed to 2010. Rainwater collected on site was recycled at a ratio of more than 50% of the total water used for technology purposes.

At Slovnaft Refinery total water withdrawals decreased by 11% in 2009 as compared to 2008 due to improvements in the water cooling processes and decreased production.

Total water withdrawal by source in 2009 [th m³]:

	2008	2009	CHANGE IN %
Municipal water supplies or other water utilities	2,186	2,015	(7.8%)
Surface Water Withdrawal	67,699	60,031	(11.3%)
Ground Water Withdrawal	30,859	30,163	(2.3%)
Rainwater Collected Directly and Stored	591	584	(1.2%)
Wastewater from Other Organisations	8,234	7,411	(10.0%)
Total Water Withdrawal	109,655	100,204	(8.6%)

Water discharge

The total volume of water discharged was 84.7 mn m³ in 2009, mainly discharged into surface waters. The Danube and Tisza rivers are those most affected.

We reviewed the ground water risk assessment of the Duna Refinery defining proposals to extend the monitoring system. At the Zala Refinery upgrading of the biological wastewater treatment facility (which started in 2008) is under way; the project will be finished in 2010.

Last year we modernized the wastewater treatment unit at the Slovnaft Refinery. With the installation of a fine bubble aeration system and new pumps and enhanced sludge processing, a significant efficiency improvement was achieved. The amount of discharged oil recorded increased due to a new, more precise way of measurement.

Modernization of the obsolete wastewater treatment plants was completed in the Kapušany, Hronský Beňadik and Horný Hričov depots to improve the removal of organics. In order to comply with the Water Act for the period 2010-2012, we initiated projects to install a leakage indication system with associated isolation of manipulation areas and wastewater tanks in the Stožok, Hronský Beňadik and Horný Hričov tank farms. We also prepared a project for the revamping of the old pipeline from Bratislava refinery to the Barge loading harbour to reduce the risk of further leakages.

At our Slovakian petrochemical plant we decreased water consumption by recycling demineralised water used for the cleaning of cylinder filters for the process cooling water containers. As a result of optimizing the pH-regulating system we also managed to save deionised water.

Regarding our main discharge water quality indicators – e.g. TPH, BOD, COD - in 2009, we can declare that an almost 30% decrease was realised when comparing with the same parameters from 2005.

WASTE MANAGEMENT AND SPILLS

In 2009 the total amount of hazardous waste from MOL Group operations amounted to 66.8 thousand tons, a decrease of one third from last year's 98.8 thousand tons. This was mainly due to fewer overhauls and tank reconstruction works, which were postponed or deleted due to production rescheduling.

WASTE (t)	2005	2006	2007	2008	2009
Hazardous Waste	180,885	167,589	85,171	98,791	66,782
Non-hazardous Waste	n.a.	n.a.	n.a.	57,619	66,873
Total	n.a.	n.a.	n.a.	156,410	133,655

We strive to minimize the impacts of our projects and operations. For instance, in Pakistan, 4,000 tons of oil based mud cuttings were treated in an environmentally friendly manner, i.e. bioremediation. The treated cuttings were utilized as fill material for the construction of different access roads.

A major part of the refinery wastes were handled in our own waste treatment facilities (incinerators and waste-water treatment works) at the Duna, Zala and Tisza Refineries. In order to meet legal requirements and increase the efficiency of both the Duna and Tisza Refinery waste incinerators we prepared a feasibility study. Using these methods emissions to the environment can be reduced and the capacity of incinerators can be increased.

We have also incorporated waste reduction methods into our refinery processes in order to (1) reduce the amount of oily sludge and to reuse it by a three-phase centrifuge, (2) reduce the amount of biological sludge through the use of press filters.

Besides creating less waste compared to last year (by 14.5%), we significantly increased the ratio of recycled or reused waste.

In our Lubricants Division 9.2% (5,145 tons / 56,000 tons) of oil which is sold is recollected and used as an input in our refineries.

WASTE – METHODS (T)	2005	2006	2007	2008	2009
Waste Disposed / Landfilled	180,018	256,429	74,959	81,214	68,198
Waste Reused / Recycled	35,261	55,016	96,324	43,007	65,457
Total	215,279	311,445	171,283	124,221	133,655
Ratio of reused/recycled waste	n.a.	n.a.	n.a.	27.5%	49.0%

WASTE – TREATMENTS (T)	2005	2006	2007	2008	2009
Waste Composted	n.a.	n.a.	n.a.	2,715	33,846
Waste Incinerated	n.a.	n.a.	n.a.	22,315	20,134
Waste to Deep Well Injection	n.a.	n.a.	n.a.	2,986	2,363

Spills

In 2009 we had 17 spills of above 1 m³, resulting in a total volume of 245 m³ lost material, which is less than third of last year's spilled volume.

Primarily affected businesses were Logistics, Refining and Exploration and Production. Compared to 2008, at Logistics there was no major pipeline failure and consequently the number of spills has been reduced, and their average volume decreased to a fifth of the amount lost (altogether four cases resulting in 170 m³ of loss in this department). From the Refining department's six spills (total volume of 59 m³) the largest happened at a crude storage area in wintertime: all 45 m³ of leaked and subsequently frozen material was collected without any environmental consequences.

Our Exploration and Production Division witnessed some small (below 1m³), often only oily water spills around the production areas. Here, a total of 7 spills of over 1 m³ occurred, with 15.65 m³ of total material loss.

In 2009 we continued replacing certain pipeline sections, similarly to the practice followed in past years, in order to reduce the number of failures and irregularities.

REMEDIATION

Most of the remediation and monitoring activities were implemented in Hungary and Slovakia, and the number of sites or locations involved was over 300. These actions covered the entire value chain; in addition to long-term remediation activities in refineries, petrochemical and logistic sites, we also improved the environmental status of various production facilities and filling stations.

MOL Group spent more than HUF 2 bn on remediation of environmental damages in 2009. Group company spending share was as follows: MOL – nearly HUF 1.4 bn, Slovnaft – HUF 0.4 bn and TVK HUF 0.2 bn.

In 2009 MOL, TVK, their consortium partners and the National Office of Research and Technology (NKTH) concluded a cooperation agreement that provides non-refundable funds for a 4-year research project called “Chemical sector and liveable environment – development of innovative technologies for the protection of the environment”. The aim is to develop in situ technologies which have zero or minimal energy demand, produce a minimal amount of waste, can be managed on-line, and have low CAPEX and OPEX demands.

2010 will again pose major challenges to our experts, as INA integration will require high priority action in regard to remediation of “inherited” damages. In 2009 all existing and potential action was reviewed,

so we are confident that we will in the future be able to take account of successful activities also in this field of our operations.

BIODIVERSITY

In 2009 a Biodiversity Team was set up within the company to identify the business case for biodiversity, and define further steps to be taken. The team reviewed the current operations of the company, and identified some case studies where local initiatives were made towards protection of biodiversity.

The team's task included a review of existing data within the company regarding biodiversity: data sources were identified for gathering information about the location of properties owned in or adjacent to protected areas or areas of high biodiversity value. We are now able to provide information about the activities of MOL Group that are most critical from a nature protection point of view.

HSE PENALTIES

Thanks to some serious unit upgrade/reconstruction work in our refineries in 2008, we significantly reduced air emissions in 2009, so compared to the HUF 92.2 mn of HSE related penalties paid in 2008, MOL Group paid in 2009 only HUF 14.7 mn. This is still not acceptable, but – considering the HSE aspects of oil and gas industry – clearly shows a huge improvement in the level of compliance. From this amount there were some small environmental-protection related issues (HUF 5.9 mn) caused mainly by inadequate contractor performance, and some safety-related penalties. We did not receive any non-monetary sanctions in 2009.

FOCUSING ON PEOPLE

More information:

 www.mol.hu/people



HEALTH AND SAFETY

Work Safety

Although the industry we work in is widely known for its high operational risks, our work-related injury statistics show that we are in control of our operations in terms of health and safety.

In 2009 we had a slightly higher number of Lost Time Injury (LTI) cases compared with last year (28 cases instead of the tolerable 24) so we were not able to keep our Lost Time Injury Frequency (=LTI cases per one million worked hours) under 1. The positive message is still that the majority of injuries (18 cases out of 28) that happened on our sites were not serious technology-related injuries, but rather slips, trips and falls.

	2005	2006	2007	2008	2009
Lost Time Injury (LTI)	33	58	37	24	28*
Lost Time Injury Frequency (LTIF)	1.70	2.20	1.52	0.99	1.18

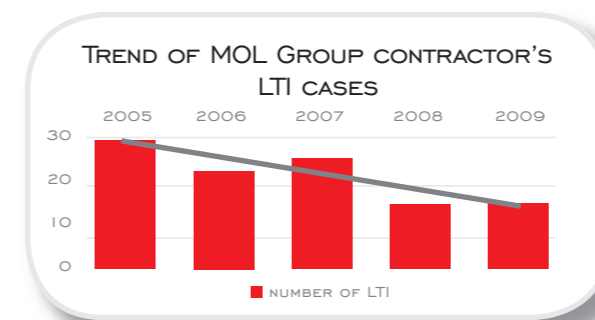
* company staff fatality included

In 2009, unfortunately we need to report on two fatal accidents. In the first half of the year a contractor in Russia, working for Matjushkinskaya Vertical, was seriously injured in an explosion which happened while maintenance was being performed, and later died in hospital. In the second half of the year a MOL company employee who was working as truck driver at Slovnaft Trans caused an accident through non-compliance with traffic rules in which he died. We investigated the accidents according to our internal standards, and developed an action plan to avoid such accidents in the future. We deeply regret the loss of these lives.

NUMBER OF FATALITIES	2005	2006	2007	2008	2009
Employees	1	0	0	0	1
Contractors	0	1	0	2	1
3rd parties	0	1	2	2	0

Contractor Safety

Prior to contracting, our selected strategic and long-term contractors are pre-evaluated by an external audit company regarding whether they are able to fulfill and comply with our HSE Management System. By the end of 2009 we had pre-qualified more than 150 contractors, out of which 57 had already passed the second round of auditing. 46 percent of contractors achieved a Basic level, 48% an Advanced level and 6% of contractors achieved a level of Excellence.



Road Safety

Since road safety is still an important aspect in company life – although we paid significant attention in previous years to manage the risks arising from road traffic, we unfortunately lost one of our driver colleagues in a road accident – we have maintained the Road Safety Program.

We recommend and offer to our drivers an advanced driving course. The four modules of the course are: slippery roads, driving off-road, driving at night and in poor visibility conditions, and untrained drivers training. The aim is to train our drivers for special road conditions through defensive driving training in order to reduce traffic risks.

As a result of our efforts, we have decreased our road accident rate (RAR) to 1.62 (number of accidents per 1 million km driven), far below our target of 2.0.

In addition to training of our own employees we draw also drivers’ and customers’ attention to traffic risks and to correct behaviour behind the wheel: the MOL Retail Network displays posters, pictures and leaflets in filling stations. Our internal company magazine (‘Panorama’) publishes road safety alerts and other articles in connection with road safety for MOL employees and their family members and customers of the filling stations.

Health Protection and Promotion

In 2009 we continued implementing our programs in the frame of the Occupational Health (OH) Management System. The main steps are:

- A new pre-employment psychological examination process was initiated in order to increase safety at work.
- A new method was introduced in order to increase the quality of the Biological Monitoring of employees. The method includes training material for employees as well.
- Within our Comprehensive Risk Assessment project (“COMPASS”) a new workplace risk assessment tool covering all safety and occupational risks was implemented at group level.
- A group level pandemic preparedness plan was developed by our experts and more than 30% of our employees were vaccinated against H1N1 and other preventive measures were taken to prevent a potential pandemic infection.
- Several audits of the relevant internal regulation were conducted at the Business Units.

Thanks to a well-regulated OH area supported by high quality external service providers and the disciplined work of our operating staff, in 2009 we recorded no occupational illness in our business divisions.

The company workplace health promotion program (“Take a STEP for your health”) was also continued. The program received an overwhelming response, even though participation was fully voluntary.

- In 2008-2009 62% of the MOL, Slovnaft, TVK, SPC, MOL-LUB, Petrolszolg, SMaO and Moltrans employees (7,432 employees) participated in at least one STEP program. The program was also extended to three new subsidiaries, Intermol Serbia, MOL Slovenia and Tifon Croatia.
- More than 7,500 voluntary medical screenings were performed in this period.
- The absence rate – one of the key indicators of the STEP program – reached in the targeted companies a very low level: 1.98.
- More than 3,000 MOL employees and 2,000 family members registered for different company organised events (a summer Party, family days and STEP days).
- Nearly 1,500 employees were involved in regular sport activities, and at least 250 employees and 400 family members participated in different self-financed movement-based activities (training events, outdoor weekends, and healthy walks).

Process Safety: a comprehensive risk assessment (COMPASS)

At the beginning of 2009 the COMPASS Global Operative Regulation – a crucial part of our group level HSE MS – was created, which provides a comprehensive corporate framework for HSE risk assessment and management. Together with proposed risk control measures this will be put into a group level risk register, throughout which we aim to achieve not only consistent and transparent assessment practice but an overall HSE Risk Map of the Group as well.

In 2009 the minimum HSE risk assessment requirements at the group, division and business management levels were established, providing standardized risk assessment methodologies and tools using international practices in HSE risk assessment (quantitative and qualitative methods), which are conducted in accordance

with 10 respected methodologies (e.g. Hazid, Envid, JSA, Hazop, QRA, EIA, etc.).

The COMPASS project merges the former SEVESO and process safety management (PSM) projects and therefore within one project all kinds of HSE risks processes, jobs, health and environmental related issues will be assessed.

ATTRACTING EMPLOYEES

Competitive compensation and the career opportunities provided by the growing size of the Group coupled with active career management enable us to retain key people and attract new talents from the market.

Competitive compensation

Our job grading system is based on HAY methodology, in 2009 ca. 70% of MOL Group employees’ position (without INA) were graded according to HAY. It is designed to create a single, logical, transparent and consistent system which ensures the adequate treatment of our employees based on the nature of their work and their position within the company and provides the basis for a fair compensation system. Compensation packages based on HAY grades and performance appraisals aim at the upper quarter of the local markets but take into consideration the financial resources and special needs/situation of local companies.

Ratios of corporate minimum wage compared to local minimum wage at significant operating locations in 2009 (%):

COUNTRY (COMPANY)	2009
Croatia (INA d.d.)	132.9%
Hungary (MOL Plc.)	171.0%
Pakistan (MOL Pakistan Ltd.)	250.0%
Russia (MOL Russ Ooo.)	200.9%
Serbia (Intermol d.o.o.)	112.6%
Slovakia (Slovnaft a.s.)	152.3%

Our fringe benefit system – which amounts to 20-40% of one’s annual compensation package subject to national tax, health and pension requirements – ensures a flexible choice of social (e.g. health care services/payments, child and/or pension care, insurance, etc.) and other non-social (e.g. internet, meal or culture voucher, etc.) fringe benefits according to the needs of the employee.

We manage a performance-related compensation system. Employees receive an annual bonus (a so-called profit-sharing incentive) which is paid out once a year, while the managers’ compensation system consists of short and long term incentive elements (e.g. a bonus, a complex long term incentive linked to MOL’s stock price and company performance/results).

Career management

Career directions and promotions are given with a long-term perspective to support both business strategy and individual growth, but employee preferences and aspirations are also considered besides career history and job evaluation (using the elements of performance, leadership and professional competencies and retention risk).

In our Career Management System (CMS) ca. 1100 participants from 37 MOL Group companies were appraised till the end of 2009 out of whom we have sent more than 40 managers/experts to INA on expatriate assignments since the second half of the year...

Investing in education

The highest recognition of our long-term efforts to attract and retain talents is that MOL is considered as the second of the most desired companies in Hungary to work at, according to the “Most Desired Company 2009” survey run by AIESEC, the international association for students in economics studies (we were fourth in 2008).

Partnership with universities: In 2009 we renewed our three-year agreements of cooperation with strategic universities and we established TVK Faculties at The University of Miskolc and at The University of Debrecen, a MOL Chair at The University of Pannonia (MSc), and with our support an MSc Faculty was established at The University of Miskolc.

We continued our strategic partnership programs which cover internship programs, student community support with corporate lectures and refinery visits, competitions, MOL Group managers’ contributions to regular educational courses and educational programs with company managers and specialists, student projects on corporate issues, diploma assignments and consulting, scholarships, support given via foundations, sponsorship and research and development projects.

Partnership with secondary education: We maintain close and regular co-operation with secondary schools. We support more than 60 vocational schools (e.g. vocational schools for the chemical, gas and mechanical industries and schools for physically and mentally challenged people). In 2009 we offered internships to 332 students with a background in the fields of chemistry, gas and mechanical engineering subjects at MOL Group.

Secondary school students’ interests are targeted with site visits, attend informal lectures and talks about future career possibilities within the oil and gas industry, and at last but not least with support of natural science competitions.

Investment in education by the type of support provided:

		2008	2009
Internship (person)		307	332
Development subvention	Vocational school (institution)	51	62
	Universities (institution)	9	10
Scholarship	Study support (person)	34	27
	PhD (person)	5	7
	Professorship (person)	1	1

Freshhh is an international English language on-line contest run by the MOL Group, which has continuously been exciting huge interest among student communities since 2007. It has boosted our “Employer Brand image”, generated many questions and queries from potential employees, and contributed to MOL Group’s image as an international company.

As a result of the contest, the best students were offered job or internship opportunities at our companies and a number of scholarship contracts have been signed with the most talented undergraduate students.

	2007	2008	2009
Number of teams	271	273	342
Number of universities	35	60	95
Number of countries	12	29	35

Growww, MOL Group’s one-year new graduate program was run for the third time in 2009. Over the last three years more than 300 fresh graduates have been taken on, out of whom 93% remained with the Group (in Hungary, Slovakia, Italy and Pakistan) and we already have promoted a few of them to managerial positions.

In 2009 there were more than 1,500 applicants in Hungary, Slovakia and Italy and after the recruitment process a total of 77 fresh graduates were selected to join MOL Group in September.

The program is perceived by top management as having such a high value that even during the financial crisis we did not terminate the program but focused instead especially on students with engineering background.

In 2010 we plan to have the number of participants reach 250, including INA.

DIVISION	2007	2008	2009
Exploration and Production	7	39	16
Refining and Marketing	30	39	41
Petrochemicals	19	13	6
Retail	6	6	0
Lubricants	3	3	1
Supply and Trading*	n.a.	2	2
Functional areas	32	46	11
Total	97	148	77

* including Gas and Power Division which existed until 30.06.2009.

RETAINING EMPLOYEES

Performance management

Our Performance Management System (PMS) comprises various elements at group and company levels, all of which focus on ensuring a link between MOL Group objectives, actions, plans and individual performance. The complexity of the system ensures that regular feedback on performance is used to define bonus payouts and salary increases, and also provide input to career-potential evaluation and therefore link current performance to long-term career growth.

To support the execution of MOL Group strategy, the enhancement of a merit-based corporate culture and equal opportunity in the form of an Employee Performance Management System (EPMS) – already operational in TVK Plc., Slovnaft a.s. and partly in MOL Plc. – was extended and fine-tuned in 2009 to all MOL Plc. employees (increasing employee coverage from ca. 6,000 to ca. 9,000 employees) alongside the rules and values of managerial PMS.

From 2009 the pre-condition of payouts is the fulfillment of specified business results (defined as being a certain level of the targeted MOL Group’s EBIT).

Participants in managerial and employee PMS in MOL Group (in 2009):

EMPLOYEE GROUP	NUMBER OF PARTICIPANTS	RATIO TO THE TOTAL NUMBER OF POSITIONS
Managerial positions	745	100%
Non-managerial positions	8,900	51.7%

Human capital development

Our business success is built on well-educated, professional and engaged employees. We provide a complex system of professional and leadership competency development in order to develop and retain MOL employees. These programs are aimed at bridging the gap between the current/assessed and desired competencies/skill level.

Employee competency development: The purpose of complex competency development is to have a workforce that is not only capable of solving problems independently but also capable of sharing their knowledge with others at an integrated and also on local level. It focuses on developing wider target groups, the involvement of managers and cross-organisational integration.

The development process starts with the measurement of the current competencies via Development Centers (DC). A total of 295 employees were appraised in 2008 and took part in development process in 2009 while a further 249 employees in R&M and functional divisions were appraised through DC in 2009.

In E&P we focus on investing in young people in terms of managerial skills development in order to maintain the efficiency of our expanding activities from a business operations point of view. Therefore a ‘Young Talent Program’ has been developed and initiated involving subsidiaries in order to identify and check managerial potential in our employee pool.

In the R&M Division, Refining organisation the complex program called ‘Navigátor’ was created to support leaders and experts – as focal points and facilitators of changes – in realizing the Refining Vision. The learning process is built on real situations deriving from MOL’s everyday operation and best-practices were designed for these training events.

In the R&M Division, the Logistics organisation also shaped its development process (so-called ‘Dynamism’), based on common values and goals. The programs are harmonized at a group level, and competency development is designed globally but realized locally, according to local needs.

Petrochemical Division’s Staféta program concentrates on shift leader development. During the “Basic” and “Advanced” programs (lasting 2 years) experts, engineers, plant leaders and mid-line managers are continually developed in order to achieve comprehensive employee and leadership competencies.

In the Lubricants segment sales people have been facing new challenges because of fierce competition on the market so the so-called ‘Titan’ program was designed to cover their development needs. As the first step of our Spectrum program on functional areas, 40 employees were assessed at our Development Centres (DC). This step will be followed by internal training based on DC results, focusing especially on strategic thinking and project management.

Leadership development: The Leadership Competency Model has served as one of the bases for most of our HR systems (selection, development centers, career management, development processes) for 3 years. In 2009 the leadership competence-based training catalogue was completed, involving ca. 40 training events and was available for all MOL Group subsidiaries.

The pilot of our competency-based training solution specifically designed for business unit leaders (“BUL Active Leader”) was delivered with the participation of MOL senior management members.

In 2009, as a follow-up to the Group Managerial Talent Program – a program in which participants receive formal business and leadership development training and steer group level projects – individual coaching guidance was offered to participants with great success. The coaches were internal senior managers who had previously taken part in an internal coach training program. The next Managerial Talent Program is planned for the period 2010/2011.

Professional competency training: Besides our continuing programs, started in previous years – ‘Jolly Joker’ in E&P and the ‘Refinery Complex Program’ in R&M - we launched a professional competency management pilot program within the E&P Division using a leading oil-industry learning & development provider’s (Petroskills) know-how.

The competency maps created therein will form the basis of learning, development (focusing on technical professional knowledge) and career planning. All pilot participants – 60 E&P professionals – made self-evaluations using tailored-to-MOL competency maps and this was followed by their supervisors’ cross-assessment. Based on the experiences of the pilot, a business case will be built regarding the possible roll-out options of the system for other areas.

Moreover, shift leader / front line leader training concepts were designed and implemented in the E&P Division in 2009 to strengthen formal and informal managerial skills (e.g. labour codes, feedback methods and performance evaluation, etc.).

The Process Industry Management System (PIMS) Academy is designed for those engineers and mathematicians who are interested in supply chain management. In 2009 the second course commenced with participants from different countries such as Croatia, Slovakia, Italy and Hungary. It is designed to create a common understanding about the optimisation software of the global refinery and marketing value chain.

Employee engagement

We conduct group level employee engagement surveys to analyse the level of engagement and satisfaction of our employees biannually. Questions in the survey cover – among others – the work environment, employee recognition and compensation, the quality of work, effective operation, professional growth, direct/unit/top management, processes and responsibilities, stress levels, workload and the reputation of the company. We believe that there is direct correlation between greater engagement and a higher response rate - and the fact that after the first engagement survey in 2006 more than 260 targeted actions were identified and almost all of them were implemented before the next survey. Thanks to these targeted actions the response rate of the 2008 survey increased significantly and there was also improvement in the overall level of engagement (especially as regards the opinion about management, work conditions, professional growth and the reputation of the company).

Continuing good practice after the 2008-year survey, all of our divisions and departments set up detailed and long-term action plans (ca. 520) according to the fields with lowest engagement levels, and implemented most of them (more than 80%) during 2009 like:

- Award ceremonies for outstanding performance and loyalty for improving recognition
- Information-sharing programs (monthly internal newsletters, regular regional meetings and workshops) for improving effective operations
- Professional internal and external training for increasing professional growth
- More attention is placed on HSE issues regarding the improvement of the work environment
- Long-term competency assessment and organisational development

EMPLOYEE ENGAGEMENT SURVEY	2006	2008
Coverage (%)	90	90
Response rate (%)	34	50
Engagement level (%)	65	67

COMMITMENT TO FAIR EMPLOYMENT

Equal opportunity and diversity

As an international company one of our core values is diversity, also regarding the origins of our employees. When possible we hire on the local labour market but in strategic positions or where knowledge transfer to local employees is necessary we fill positions using expatriates. This type of employment can last for a maximum of 3 years: such positions should be filled by local employees after knowledge transfer is completed.

In 2009 we conducted a voluntary and anonymous survey in MOL Plc. (receiving more than 800 answers) about their opinions on workplace equal opportunity practices, their ethnic background, changed work abilities and any physical or mental disabilities.

According to this survey and a former statistical analysis of MOL Plc.’s internal HR database we created our own diversity indicators on equal opportunity: like number of workforce by minority individuals, any form of disability, education, etc.

Breakdown of employees by diversity indicators according to the survey:

MOL PLC.	PERSON	RATIO TO MOL PLC. HEADCOUNT
Have no child in common household	319	40%
Have child in common household	206	26%
Have 2 or more children in common household	282	35%
Minority	35	0.8%
Any disability	20	0.4%
Changed work ability	22	0.5%

Breakdown of employees by diversity indicators according to the statistical analysis:

MOL PLC.	PERSON	RATIO TO MOL PLC. HEADCOUNT
5 years before retirement	203	3.8%
On childcare leave	93	1.7%
Highest education level		
Elementary school	74	1.4%
Vocational school	712	13.2%
Grammar school	2451	45.6%
Diploma (college or university)	2036	37.9%
PhD, MD	102	1.9%

ETHICS

In 2009, within the framework of ethics management we focused on communication, education and on the development of our ethical monitoring system, as summarised below.

- To strengthen internal communication, 7 articles were published in our internal company magazine ('Panorama'). The articles contained an ethical evaluation and interviews with executives on current ethical issues, such as the ethical dimension of the economic crisis, financial frauds, and the ethical aspects of retail business.
- Ethical education was launched in all subsidiaries where our Code of Ethics was implemented in 2009. Ethical lectures were attended by 100% of employees.
- All operators and employees of Hungarian filling stations participated at a special training session on ethics.
- The pilot of the integration of ethical training into competency development training events was launched and positive feedback was received.
- Code of Ethics e-learning material has been made available on the Company Intranet and testing of the material has been successfully finalised. For the first phase, initial participants on the e-learning program will be those employees of MOL Plc. who have PC access.
- Ethical expectations and KPIs were defined for all Country Chairmen. This evaluation system allows us to further improve our ethical framework.

Ethical issues

The following section details only those ethical cases which the Ethics Council dealt with. The Council's role is to ensure that every MOL Group employee complies with the Code, thus among other tasks it answers questions and oversees internal investigative processes. In 2009 a total of 11 questions were raised about a wide range of topics, including conflicts of interest, communication between colleagues and sexual harassment.

In 2009 the Ethics Council received altogether 8 notifications. Based on them, two ethical investigations were conducted by the Ethics Council and in 4 cases the Corporate Security department was asked to perform an investigation. As a result of the 6 investigations, ethical misconduct was proven in 4 cases. Although anti-discrimination is a priority issue for us, there were no notifications in this area.

The table below summarises ethical notifications received, broken down by stakeholder group (similarly to how ethical issues are categorised in the Code).

STAKEHOLDERS	TOPIC OF NOTIFICATION	TYPE OF INVESTIGATION	ETHICAL MISCONDUCT
Customers	Invoicing obligation	n.a.	n.a.
Shareholders	Fraud (anonymous)	Security Investigation	No
	Misappropriation	Security Investigation	No
	Internet usage	Security Investigation	Yes
Employees	Internet usage	Security Investigation	Yes
	Harassment	Ethical investigation	Yes
	Employment Contract (anonymous)	n.a.	n.a.
Health, safety and environment	-	-	-
Governmental relations, political activity	-	-	-
Local communities and society	-	-	-
Suppliers, business partners	Conflict of Interest	Ethical investigation	Yes
Competitors	-	-	-
Total	8	6	4

The Ethics Council reported all ethical issues to the Executive Board and proposed measures in cases of ethical misconduct. In one case the work contract with the employee concerned was terminated, while in two cases bonus incentives were withdrawn, and in one case - in order to raise awareness about a specific ethical norm – the Ethics Council issued a statement, which was communicated internally.

SOCIAL INVESTMENT

MOL Group, as a major Central East European company, is destined to show leadership in the field of good corporate citizenship. That is why instead of ad hoc responses to queries we maintain a structured and channeled process regarding our donation policy.

MOL Group's commitment towards social investment is centered around the following main areas:

- New Europe Foundation
 - talent support programme - Arts and Sciences
 - talent support programme - Sports
 - child healing programme
- Culture and sciences
- Environment and health
- Education

During 2009 MOL Group received more than 3,000 applications from individuals, associations, institutions and foundations of all kind. MOL Group allocated a total budget of more than HUF 1 bn solely for donation purposes representing a wider scope in donation activities.

Major highlights of donations in 2009 that symbolize our commitment and the guiding principles:

In Hungary the total amount of donations was 812 mn HUF. In-kind giving totaled in the amount of HUF 23 mn. Key partners:

- [New Europe Foundation for supporting young talents in culture and sports](#)
- Strategic co-operation with major and relevant Hungarian Universities
- [Budapest Spring Festival](#)
- [Hungarian Maltese Charity Service](#)
- [International Children's Safety Service](#)
- [Hungarian Red Cross](#)
- [Green Belt Programme](#)
- [VMSZ Water Rescue Assistance](#)
- [One \(Blood\) Drop Foundation](#)
- [Hungarian Special Olympics Association](#)
- [Museum of the Hungarian Petrol Industry](#)

In Slovakia the total amount of donations reached HUF 87 mn. Key partners:

- Talents of New Europe programme (with CEF)
- Green Oases (with Ekopolis foundation)
- Main partner of the first [web portal](#) on Corporate social responsibility in Slovakia
- Charity Fundraising – Children of Slovakia Foundation
- Clothing collection: Civil Association Lighthouse

In Romania the total amount of donations reached HUF 203 mn. Key partners:

- [Foundation for the Community](#)
- [The Romanian Environmental Partnership Foundation](#)
- [The Sapientia University](#)
- [The Ceangai Association](#)
- [The Szent Ferenc Foundation](#)
- [The Csiki Szekely Museum](#)

Corporate givings by countries in 2009:

	UNIT	HUNGARY	SLOVAKIA	ROMANIA	PAKISTAN	ITALY
Donations in cash	mn HUF	812.3	87.4	203.1	6.4	2.8
In-kind giving (Products and services)	mn HUF	22.7	0.4	0	0	0
Corporate volunteering	Hours	3,108	400	0	0	0

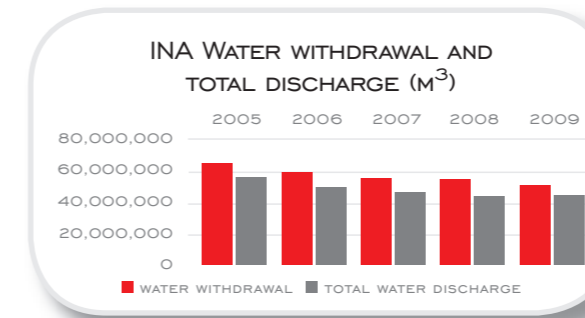
INA – OVERVIEW OF SUSTAINABLE DEVELOPMENT PERFORMANCE



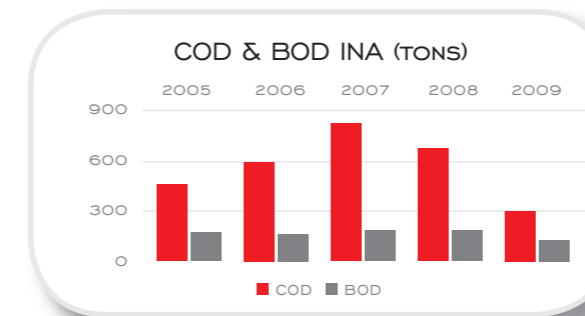
ENVIRONMENTAL PERFORMANCE

Water management

The figures for total water withdrawal and discharge have been continuously decreasing over the last five years - the figures are shown in the graph below.

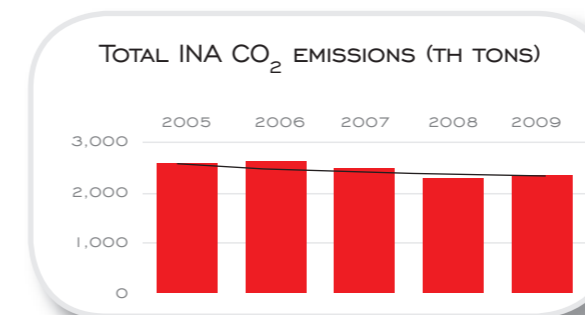


Due to instalment of the biological waste water treatment plant in Rijeka Refinery, INA has significantly improved its performance in regards to COD and BOD parameters. In addition, a chemical treatment of waste water has been improved in Rijeka Refinery through the setting up of an ECO-JET installation which had a positive impact on the overall COD and BOD in INA – that can be seen on the graph below.



Air emissions

INA overall air emissions increased in 2009 by 3.26%. The reason for the increase lies in the fact that emissions of CO₂ resulting from gas flaring in Rijeka Refinery were calculated in for the first time. Nevertheless, the overall trend in total air emissions is decreasing.



Greenhouse gas monitoring plans have been developed for all facilities mandated by the Regulation on the monitoring of greenhouse gas emissions in the Republic of Croatia and emission allowance trading as part of the Croatian industry preparation for the EU ETS. However, Croatian Industry will join the EU ETS after Croatia's accession to EU. As earlier mentioned, the figures for CO₂ emissions in 2009 increased due to the Rijeka Refinery's first time of calculating and reporting of CO₂ emissions resulting from flaring. Exploration and Production CO₂ emissions dropped with respect to 2008 by 13.6% (for reasons of both production decrease and the Okoli underground gas storage divestment).

GENERAL INFORMATION

Being one of the largest companies in Croatia, INA is committed to sustainable development and transparency. From INA's point of view, sustainable development is about ensuring a better quality of life for people today (through providing them with energy, products and employment) without compromising the quality of life of future generations.

INA published its first non-financial report as a biannual environmental report in 1996-1997 and since then has been reporting annually on all aspects of sustainable development. INA is an active member of United Nations Global Compact – the largest globally recognized network and is committed to promoting and supporting the ten principles of Global Compact in the areas of human rights, labor rights, the environment and combating corruption.

INA SD activity in 2009 was coordinated by the Sustainable Development and Corporate Social Responsibility Working Group, which is composed of members from ten business and functional divisions. This brief overview contains information about only INA d.d, without its subsidiaries.

Nitrogen oxide (NO_x) emissions in 2009 decreased by 39.4%, mainly due to replacement of gas compressors with electric engines and catalyst installing on some gas compressors in E&P units. In order to increase the fuel quality, INA is conducting a comprehensive refinery upgrading program in Rijeka and Sisak refineries. Up to now, the construction of new plants for enhancing the conversion of middle distillate fuels and desulphurization (Rijeka Refinery) and isomerisation and desulphurization of gasoline fractions (Sisak Refinery) have been completed, thus enabling production of EURO V fuels with a sulphur content of less than 10 ppm. The entire Refinery Modernization program is based on the utilization of the Best Available Technique and in line with IPPC compliance requirements.

Waste management and spills

In respect to 2008, the amount of hazardous waste produced decreased by 52.6%.

WASTE (T)	2005	2006	2007	2008	2009
Hazardous waste	8,335	6,365	6,100	8,299	3,921
Non-hazardous waste	25,435	6,947	7,535	7,282	8,384

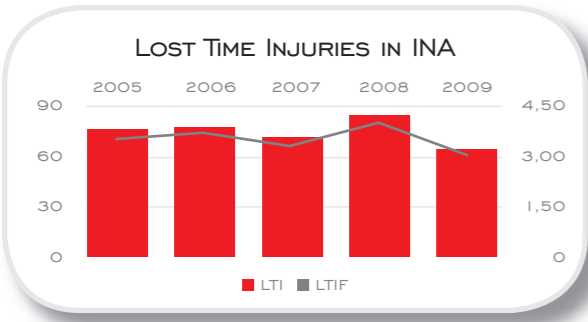
After an increase in hazardous waste production in 2008, which occurred due to some additional tank cleaning, the decreasing trend in hazardous waste production continued in 2009. A major contributor to the spill statistics is the Exploration and Production segment, because of the length of pipelines in operation and their physical layout, but also due to 3rd party actions (e.g. theft from pipelines). Exploration and Production is investing significant resources in pipeline refurbishment (either through relining pipes or complete replacement).

Compliance

One of the challenges ahead of INA is the alignment of its operations with European environmental standards. For all relevant facilities the IPPC (Integrated Pollution Prevention Control) status analysis and GHG monitoring plans have been developed. According to the rules of REACH directive, in order to be able to export its products on the EU market INA has pre-registered its products through MOL Plc., as its Only Representative. With the aim to assess its operations in the area of prevention of major accidents involving dangerous substances INA has developed safety reports for its facilities.

HEALTH AND SAFETY

In 2009 there were no fatalities during INA’s operations. Lost Time Injuries (and accordingly LTIF) decreased in relation to 2008.



No occupational illnesses were recorded in 2009. The number of fires increased from 4 in 2008 to 9 in 2009, however none of them caused any major damage. INA’s employees were trained in safe work practices, including initial fire extinguishing. Where required by the position, the employees undergo extra training in emergency procedures carried out by fire-safety experts. In the year 2009, 11,204 employees participated in different HSE education and training programs.

There is an ongoing program – ‘5 minutes for safety’ – performed at INA’s facilities with the aim of increasing employee awareness of implementing occupational safety measures in their workplaces. The program still does not cover the entire INA, d.d., but this is the goal for 2010.

OUR STAFF

The Collective Agreement and Labour Regulations of INA regulate working conditions, employer and employee rights and obligations, the process of dignity protection, salaries and other labour-related issues. INA abides by the principle of offering equal employment opportunities to everyone, in compliance with the Constitution, the Labour Act and other relevant regulations and international standards. Workers unions actively keep track of the status of disabled workers, women and war veterans. INA has recognized the importance and value of knowledge as well as the necessity of investing in human resource development. Our department of education outlined a vision: “With the right people in the right positions to achieve the highest goals”. A time of global crisis and recession can be an opportunity to address new challenges. In order to increase efficiency in training resource allocation, INA strengthened its focus on internal training and facilitating knowledge transfer. Specialized internal education activities have been established for the purposes of refinery modernization implementation (e.g. a training program for process personnel who manage modernised facilities).

SOCIETY

In December of 2009, the INA d.d. Sponsorship and Donation Policy came into force and the Code of Business Conduct and Ethics was reviewed. In 2009 INA has remained one of the most prominent donors for the scholarship program “Top Scholarships for Top Students”. Continuing the 15-year tradition, INA awarded Professor Wieslaw Borys from Krakow, Poland, an Award for the worldwide Promotion of Croatian Culture. An Environment Impact Assessment Study for the coking plant at the Rijeka Refinery was conducted and public consultation dialogue was established. As part of the local community support building, INA organised a visit for local community representatives to the Százhalombatta Refinery in December to demonstrate the working operation of the coking facility to the interested public.

AWARDS

INA’s innovators achieved great success at the 12th Moscow International Salon of Industrial Property (Archimedes), winning 15 diplomas, 5 medals and 14 special awards. Brand Finance Independent Consultancy recognised INA as the most valuable corporate brand in Croatia. INA, Oil and Gas Exploration and Production Division was awarded with a “Golden emblem” by the Ferdinandovac Municipality, for supporting the economy. For the third consecutive time, Croatian readers of Reader’s Digest magazine selected INA as the best company in the category of gasoline services. INA Petrol station Đakovo-Nazorova won the 2009 “Green Flower” Award presented by the Croatian National Tourist Board. The Croatian National Board also gave an award to INA’s petrol station in Krapinske toplice for improving the environment for tourists, and environmental protection activities.

SUSTAINABILITY PERFORMANCE DATA

Economic indicators

INDICATOR	UNIT	2005	2006	2007	2008	2009 WITHOUT INA	INA 2009	2009 MOL GROUP PROFORMA*	GRI CODE
Economic Data									
Employee wages and benefits	bn HUF	107.9	109.3	117.3	139.7	n.a.	n.a.	200.8	EC1
Payments to governments	bn HUF	150.3	215.7	227.8	249.3	n.a.	n.a.	197.7	EC1
Financial assistance received from government	bn HUF	0.9	35.3	0.8	0.4	n.a.	n.a.	0.5	EC4
Biofuel Sales Data									
Total fuel sales	kt	7,824.0	8,098.1	9,312.7	11,116.5	11,023.0	n.a.	11,023.0	
Total sales of fuels containing bio component	kt	212.7	1,107.0	4,157.3	8,357.4	8,932.7	0.0	8,932.7	
Total blended bio-ETBE	kt	10.9	35.8	78.1	84.8	89.8	0.0	89.8	
Total blended bio-ethanol	kt	n.a.	0.2	28.5	49.5	74.1	0.0	74.1	
Total blended FAME	kt	10.5	53.8	100.6	265.6	311.1	0.0	311.1	
Energy Consumption Data									
Natural Gas	GJ	n.a.	n.a.	n.a.	n.a.	16,758,698	867,829	17,626,527	EN3
Other hydrocarbon (fuel, gas, etc.)	GJ	n.a.	n.a.	n.a.	n.a.	53,823,834	20,861,095	74,684,929	EN3
Total primary energy consumption	GJ	n.a.	n.a.	n.a.	n.a.	70,582,532	21,728,924	92,311,456	EN3
Electricity	GJ	n.a.	n.a.	n.a.	n.a.	8,228,776	629,816	8,858,592	EN4
Other indirect energy (steam, heat, etc.)	GJ	n.a.	n.a.	n.a.	n.a.	10,800,605	18,584	10,819,189	EN4
Total indirect energy consumption	GJ	n.a.	n.a.	n.a.	n.a.	19,029,381	648,400	19,677,781	EN4
Customer Satisfaction									
Wholesale-customer satisfaction (MOL)**	%	86	87	88	88	86	n.a.	n.a.	PR6
Wholesale-customer satisfaction (Slovnafit)**	%	83	84	83	88	90	n.a.	n.a.	PR6
Average Retail-customer satisfaction**	%	44	34	39	38	44	n.a.	n.a.	PR6
Lubricant-customer satisfaction	scale 1-5	4.33	4.36	n.a.	4.48	4.43	n.a.	n.a.	PR6
Petrochemicals customer loyalty index**	%	9.56	12.96	13.28	14.39	19.52	n.a.	n.a.	PR6

We indicate with "n.a." where we have no data available.

Exchange rate based on Y2009 average, 1HRK=38,2HUF

*Total MOL Group 2009 including INA d.d. 2009 full year data, except financial data (EC1, EC4) which covers MOL Group including INA Group 2009 H2

**Methodologies to measure customer satisfaction in Wholesale, Retail and Petrochemicals are different

Environmental indicators

INDICATOR	UNIT	2005	2006	2007	2008	2009 WITHOUT INA	INA D.D. 2009	2009 MOL GROUP PROFORMA*	GRI CODE
Air Emissions									
Carbon Dioxide (CO ₂)	mn t	5.93	5.92	5.65	6.56	5.29	2.33	7.62	EN16
Carbon Dioxide (CO ₂) under ETS	mn t	4.09	4.00	4.09	6.39	5.14	n.a.	5.14	EN16
Methane (CH ₄)	t	n.a.	n.a.	n.a.	279.0	437.0	n.a.	n.a.	EN16
Total Direct GHG	mn t CO ₂ eq	n.a.	n.a.	n.a.	6.56	5.30	2.3	7.63	EN16
Ozone-Depleting Substances (ODS)	t	n.a.	n.a.	n.a.	2.0	3.3	n.a.	n.a.	EN19
Sulphur Dioxide (SO ₂)	t	11,333.0	13,455.0	10,059.0	8,804.7	4,389.4	12,392.4	16,781.8	EN20
Nitrogen Oxides (NO _x)	t	6,027.0	5,555.0	5,378.8	5,054.2	3,938.4	3,863.9	7,802.3	EN20
Volatile Organic Compounds (VOC)	t	5,395.0	4,394.0	4,325.2	5,626.8	3,683.2	n.a.	n.a.	EN20
Hazardous Air Pollutants (HAP)	t	n.a.	n.a.	n.a.	104.7	90.9	n.a.	n.a.	EN20
Carbon Monoxide (CO)	t	1,136.0	1,052.0	869.0	824.5	880.8	770.0	1,650.8	EN20
Particulate Matter (PM)	t	405.0	412.0	336.0	298.2	204.8	185.5	390.3	EN20
Water									
Total Water Withdrawal	th m ³	n.a.	n.a.	n.a.	109,655.4	100,203.7	52,733.0	152,936.7	EN8
Total Water Discharge	th m ³	n.a.	n.a.	n.a.	90,120.6	84,710.0	47,404.0	132,114.0	EN21
Total Petroleum Hydrocarbons (TPH)	t	87.0	62.0	36.0	29.8	44.1	75.6	119.7	EN21
Chemical Oxygen Demand (COD)	t	3,196.0	2,018.0	1,945.0	1,802.0	1,807.0	302.3	2,109.3	EN21
Biological Oxygen Demand (BOD)	t	522.0	498.0	490.0	378.0	387.4	119.9	507.2	EN21
Solid Substances (SS)	t	657.0	605.0	703.0	978.0	909.3	93.7	1,003.0	EN21
Waste									
Hazardous Waste	t	180,885.0	167,589.0	85,171.5	98,791.0	66,782.0	3,920.7	70,702.7	EN22
Non-hazardous Waste	t	n.a.	n.a.	n.a.	57,619.1	66,872.5	8,383.6	75,256.1	EN22
Waste Disposed / Landfilled	t	180,018.0	256,429.0	74,959.0	81,214.1	68,198.4	n.a.	n.a.	EN22
Waste Reused / Recycled	t	35,261.0	55,016.0	86,180.0	43,006.8	65,456.5	n.a.	n.a.	EN22
Spills and Discharges									
Number of Spills	pcs	7	8	3	12	17	4	21	EN23
Volume of Spills	m ³	n.a.	n.a.	n.a.	912.2	244.7	20.0	264.7	EN23
Other									
HSE Related Penalties	mn HUF	95.9	141.0	95.4	92.23	14.68	n.a.	n.a.	EN30
Environmental investments	mn HUF	n.a.	n.a.	n.a.	16,558.91	6,996.70	n.a.	n.a.	EN30
Environmental operating costs	mn HUF	n.a.	n.a.	n.a.	9,223.80	11,149.10	n.a.	n.a.	EN30

We indicate with "n.a." where we have no data available.

*Total MOL Group 2009 including INA d.d. 2009 full year data

Social indicators

INDICATOR	UNIT	2005	2006	2007	2008	2009 WITHOUT INA	INA 2009	2009 MOL GROUP PROFORMA*	GRI CODE
Health and Safety									
Lost Time Injury (LTI)	pcs	33.0	58.0	37.0	24.0	28.0	65.0	93.00	LA7
Lost Time Injury Frequency (LTIF)		1.70	2.20	1.52	0.99	1.18	3.10	2.09	LA7
Total Reportable Occupational Illnesses Frequency (TROIF)		0.08	0.00	0.00	0.04	0.00	0.00	0.00	LA7
Lost day rate (LDR)	%	n.a.	n.a.	n.a.	n.a.	0.05	0.30	0.15	LA7
Absentee Rate (AR)	%	n.a.	n.a.	n.a.	2.65	2.17	4.43	3.06	LA7
Number of fatalities for employees	pcs	1	0	0	0	1	0	1	LA7
Number of fatalities for contractors	pcs	0	1	0	2	1	0	1	LA7
Number of fatalities for 3rd parties	pcs	0	1	2	2	0	1	1	LA7
Number of fires	pcs	11	19	9	14	12	9	21	
Fire damage	mn HUF	0.1	387.2	26.7	49.4	55.8	n.a.	n.a.	
Employees**									
Total workforce	pple	14,660	13,861	15,058	17,338	17,963	16,304	34,267	LA1
Number of part-time employees	pple	n.a.	n.a.	92	125	114	37	151	LA1
Leavers	pple	768	707	1,540	1,136	988	133	1,121	LA2
Employee turnover rate	%	5.2	5.1	10.2	6.6	5.5	0.8	3.3	LA2
Employees represented by trade unions	%	97.8	97.3	85.5	93.3	91.4	85.1	n.a.	LA4
Employees covered by collective bargaining agreement	%	n.a.	n.a.	n.a.	94.5	93.4	n.a.	n.a.	LA4
Diversity***									
Ratio of women in total workforce	%	26.0	26.0	24.6	24.8	22.6	25.3	23.9	LA13
Ratio of women in non-managerial position	%	n.a.	n.a.	n.a.	25.1	22.9	n.a.	n.a.	LA13
Ratio of women in managerial position	%	11.7	14.1	18.5	19.4	12.3	n.a.	n.a.	LA13
Other Social									
Ethical notifications	pcs	n.a.	n.a.	3	13	8	n.a.	n.a.	
Ethical investigations	pcs	n.a.	n.a.	0	7	6	n.a.	n.a.	
Ethical misconduct	pcs	n.a.	n.a.	0	1	4	n.a.	n.a.	
Average hours of training per employee	hours	n.a.	n.a.	n.a.	n.a.	21	n.a.	n.a.	LA10
Donations	mn HUF	708.6	665.1	540.2	752.0	1,116.2	42.0	1,158.2	EC8
In-kind giving (Products and services)	mn HUF	n.a.	n.a.	n.a.	n.a.	23.1	0.0	23.1	EC8
Corporate volunteering	hours	n.a.	n.a.	n.a.	n.a.	3,508.0	0.0	3,508.0	EC8

We indicate with "n.a." where we have no data available.

Exchange rate based on Y2009 average, 1HRK=38,2HUF

*Total MOL Group 2009 including INA d.d. 2009 full year data

**Employee data includes total MOL Group (incl. INA d.d. and its subsidiaries)

***Major changes between 2008 and 2009 data are due to the higher number of reporting companies

OUR APPROACH

As a demonstration of MOL's resolve to integrate a sustainability approach into everyday business operations, in 2008 our management decided to merge our Annual and Sustainable Development Reports and move towards an "inclusive" reporting approach. This is the second year that MOL Group has reported on its economic, social and environmental performance in one integrated document.

The "Sustainability: non-financial performance" section of the Annual Report contains information on the key achievements, challenges and data of the given year about the most relevant topics for MOL in the area of sustainability. Beyond this report, on the webpage of the Group (www.mol.hu/sd) a general presentation of MOL's policies, management approaches and other SD-related information is maintained and updated regularly. While the Annual Report's main audience is assumed to be our shareholders, investors and sustainability analysts, our webpage is tailored to answering the information needs of all kind of stakeholders.

The sustainability performance data contained within the report was reviewed by Ernst & Young (please see the assurance statement for the specific engagement scope) and for the first time, the assurance process of the sustainability data were planned and performed in accordance with the International Federation of Accountants' ISAE3000 standard.

This Annual Report together with MOL's website (www.mol.hu/sd) meet the requirements of the A+ application level of the GRI G3 Sustainability Guidelines.



For the GRI compliance table [click here](#)

REPORT CONTENT AND MATERIALITY

All the topics that reflect MOL's significant economic, environmental and social impacts and might have impact on our stakeholders are treated as material concerns. When determining these issues, we take into consideration GRI G3 guidelines, recommendations of our industry's professional association (IPIECA) and industry-specific evaluation criteria from sustainability analysts such as the SAM Group. Moreover, issues related to governmental initiatives connected to SD are also judged to be material (e.g. compliance with legislation such as REACH). Priority is given to topics where our company has more significant impacts and makes effort to increase its performance.

MOL reports following the GRI G3 guidelines reaching the application level A+. Since there is no available oil and gas sector specific supplement, we strived to follow IPIECA-API "Oil and Gas Industry Guidance on Voluntary Sustainability Reporting" to determine additional, industry-specific indicators.

SCOPE AND BOUNDARY

As a consolidation method, MOL applies 'control' approach: the company accounts for 100 percent of the sustainability data from operations over which it has control. This includes all companies/operations where MOL or one of its subsidiaries acts as operator.

Due to the fact that our partnership with INA and the harmonization of our processes is ongoing, the non-financial chapter of our Annual Report does not cover INA's sustainability performance. However, we have added a short summary of INA's SD performance to this section and included some key sustainability data to the performance table (if you are interested further, you can read INA's own sustainable development report at www.ina.hr/sd)

In case of HSE data, we consider only operations which have a significant impact on health, safety and environment (so small offices and administration activities are excluded). Moreover, MOL Group HSE has 3 years to integrate any new acquisitions to its reporting system, therefore HSE performance data does not necessarily contain the figures of the operations acquired in the last three years. We reconsidered all of the HSE data (regarding Y2007, Y2008) excluding ZMB (Zapadno-Malobalyk Oil Field in Russia, a JV owned and JV operated company in which MOL has 50% ownership) data. In Y2009 its data are not reported on.

Our human resources organisation uses an IT application called BI (Business Intelligence) Data Port (SDHR modul) to gather - among others- sustainability related HR data from MOL Group companies. Last year we collected data from 15 companies receiving detailed information about 79.7% of MOL Group employees, in 2010 the scope is extended to 28 companies, 92.7% of MOL Group employees (those companies whose headcount do not exceed 20 employees are not, and probably won't be integrated even in the future into this reporting process).

This wider coverage may have caused significant decreases or increases in case of certain indicators. None of the HR indicators contains INA data, except where it is indicated.

Any other exceptions are indicated in the notes below or footnotes in the text.

To see the full list of reporting companies [click here](#).

NOTES ON THE SUSTAINABILITY DATA

The indicators are mainly based on measurements and calculations, in some cases on estimations, depending on the specific topic and site. Data is generated and collected at local level following the relevant corporate guidelines. Group level data is collected through the different business or functional divisions. The completeness and accuracy of the reported data are controlled at corporate level.

Biofuel sales

Total fuel sales refers to the consolidated sales of diesel / motor gasoline volume by companies (MOL, SN, IES) and commercial subsidiaries in the given year.

Total sales of fuels containing bio components refer to the volumes of diesel / motor gasoline blended with bio components. Data between 2005 and 2008 are restated to correct inadvertent understatements.

Total blended Bio-ETBE, bio-Ethanol and FAME refers to the volume which was directly blended into fuels in MOL Group owned refineries.

Energy consumption

Total electricity consumption is the amount of electricity purchased and consumed from sources external to the reporting organisation. Total other indirect energy consumption is the amount of intermediate energy (steam, heat, etc.) purchased and consumed from external sources. INA data contains only the Sisak and Rijeka refinery and excludes other operations.

Customer satisfaction

In Wholesale the same methodology is used in Hungary and Slovakia. Retail data covers MOL Plc., Slovnaft a.s. and MOL Romania. Perception of fuel quality, appearance and politeness of staff were measured. Lubricants: no analysis was made in 2007.

Air emissions

CO₂ emissions: Slovnaft Thermal Power Plant was outsourced to CEZ-MOL European Power Slovakia JV company (MOL retains 50% ownership), and has been operated by JV since 01.04.2009. From this date onwards, emissions are not reported. TVK power plant, MOL-CEZ European Power Hungary LTD (operated by MOL), and IES (Italy) CO₂ data are included. From 2005, CO₂ under ETS figures have been checked by an authorized verifier.

CH₄ emission: refers only to Exploration and Production. In 2009 we extended the scope of measurement and also recalculated data from 2008.

VOC and HAP: At some of our sites these indicators are measured and at some others calculated, but there are still sites without adequate data. In order to increase data reliability and coverage we aim to improve measurement capabilities in forthcoming years.

Ozone-depleting substances: refers to Logistics' atmospheric gas storage only.

SO₂, NO_x: Slovnaft Thermal Power Plant was outsourced to CEZ-MOL European Power Slovakia JV company (MOL retains 50% ownership), and has been operated by JV since 01.04.2009. From this date onwards, emissions are not reported.

Water withdrawal and discharges

Rainwater collected directly and stored: Slovnaft Refinery does not directly collect and store rainwater. We reconsidered our data (regarding Y2007, Y2008) by excluding the previously calculated figures based on yearly average rainfall.

Wastewater from other organisations: We reconsidered our data (regarding Y2008) by excluding the amount of wastewater not used but only treated by our businesses after take-over. This indicator therefore refers only to our Petrochemical businesses (in regard to taking over wastewater with only "heat pollution" for further use).

Water discharge: Depending on site circumstances and local regulations we discharge treated wastewater streams into surface waters or into the municipal sewage system. According to the nature and quantity of pollutants, the most commonly used wastewater treatment stages in our facilities are physical and/or biological (but extending to chemical treatment steps where needed). We believe that data breakdown by destination and treatment method is not material, therefore we do not report on it.

Solid Substances: Formerly we did not report on SS from the Duna Refinery (it was not considered a relevant parameter for our technological process), but considering other business reports, to make the data consistent, we include an estimation for DR for both Y2008 and Y2009.

Waste

Method of disposal has been determined using the European Unions' approach, the information was provided by our contractors.

Health and Safety

Absence rate: calculated with the absences because of any (non-occupational) accident or disease, and occupational accident or disease and occupational road accident

Employees

Total workforce: Total number of people working for the reporting organisation on the last day of the reporting period (including part-time employees and employees with indefinite contracts). Total workforce and also breakdown by employment type data are collected from BI (Business Intelligence) Data Port HR module, covering all MOL Group employees working in fully consolidated companies. Breakdowns by gender data are from BI Data Port SDHR module.

Leavers: Number of employees leaving the company during the reporting period voluntarily or due to dismissal, retirement, or death (outsourcing is not included). Calculation of turnover rate: the number of employees leaving the company is divided by the number of full time workforce.

Data is collected from BI (Business Intelligence) Data Port HR module covering all MOL Group employees working in fully consolidated companies.

Other social data

Trade unions and collective bargaining agreement: Data are from BI Data Port SDHR modul. Collective bargaining agreements include those signed by the reporting organisation itself or by employer organisations of which it is a member. These agreements can be at the sector, national, regional, organisational, or workplace level.

Training refers to: All types of vocational training and instruction, paid educational leave provided by the reporting organisation for its employees, training or education pursued externally and paid for in whole or in part by the reporting organisation and training on specific topics such as health and safety. Training does not include on-site coaching by supervisors. Training data are from BI Data Port SDHR modul.

Employee categories: Managerial employee groups involves positions graded as at least HAY 19 and above, non-managerial groups involve positions graded as maximum HAY 18 or below.

Volunteering: Only events during paid working hours are considered.



ASSURANCE STATEMENT

INDEPENDENT ASSURANCE STATEMENT TO MOL

Ernst & Young Advisory Ltd was commissioned to provide limited assurance over sustainability performance data relating to 2009 contained within the 'Sustainability: Non-Financial Performance' chapter of MOL Group's Annual Report 2009 (the Sustainability Report). The management of MOL Group (MOL) have prepared the Sustainability Report and are responsible for the collection and presentation of the information within it. Our responsibility in performing our work is to MOL management only, in accordance with the scope of work agreed with them. We do not, therefore, accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on this independent assurance statement is entirely at its own risk.

What did we do to form our conclusions?

Our assurance engagement has been planned and performed in accordance with ISAE3000¹ The sustainability performance data have been evaluated against the criteria of the application of the Global Reporting Initiative *G3 Sustainability Reporting Guidelines* (the Guidelines) and against completeness, consistency and accuracy criteria agreed with the management of MOL as follows:

Completeness

- Whether all material data sources have been included and that boundary definitions have been appropriately interpreted and applied.

Consistency

- Whether the corporate level guidance and tools provided to reporting units have provided a basis for consistent reporting of sustainability data across the reporting units.

Accuracy

- Whether there is supporting information for the sustainability data reported by sites to corporate level.
- Whether corporate level quality reviews have been completed and outstanding issues resolved or reported.
- Whether data have been accurately transposed from corporate level systems to the Sustainability Report and assumptions and limitations to the data have been correctly reported.

GRI

- Whether the Sustainability Report meets the requirements of the A+ application level of the GRI G3 Guidelines

In order to form our conclusions we undertook the steps outlined below:

1. Interviewed specialists responsible for managing, collating, and reviewing sustainability data at corporate level.
2. Reviewed a selection of management documentation and reporting tools including templates, guidance documents and databases.
3. Undertook three visits to key locations to examine the systems and processes in place for collecting and reporting sustainability data against the reporting definitions and guidance prepared by MOL, and to test the accuracy of a sample of reported data at a site level. The following sites were visited:
 - Slovnaft Refinery (Slovakia, Bratislava)
 - Duna Refinery (Hungary, Százhalombatta)
 - INA Sisak Refinery (Croatia, Sisak)

1 International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

4. Reviewed and challenged the sustainability data validation and collation processes at corporate reporting level and tested the completeness of coverage of reporting units. Our procedures included following the sample of sustainability data collected at each sites visited through to the Group reported performance data, and reviewing the processes applied by MOL management for corporate level review and challenge of the sustainability data.
5. Reviewed the Sustainability Report for the appropriate presentation of the data including the discussion of limitations and assumptions relating to the data presented.
6. Reviewed whether MOL's reporting has applied the GRI G3 Guidelines to a level consistent with the A+ application level.

Level of assurance

Our evidence gathering procedures have been designed to obtain a sufficient level of evidence to provide a limited level of assurance in accordance with ISAE3000. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Limitations of our review

- Our scope of work was limited to the sustainability performance data included in the Sustainability Report.
- We did not undertake a comprehensive review of all sustainability data reported to corporate by each of the sites we visited, but examined selected data sources and reviewed the processes for reporting data to corporate.
- Our review of sustainability data processes at an operational level was limited to the three sites we visited.
- We have not sought evidence to support the statements and claims presented within the Sustainability Report. We have not reviewed historical data, or trends described in the Sustainability Report that relate to sustainability performance data.

Our conclusions

Based on our review:

- We are not aware of any material reporting units which have been excluded from the scope of the sustainability data, with the exception of those reporting units disclosed within the Sustainability Report.
- Nothing has come to our attention that causes us to believe that the sustainability data has not been properly collated from the information reported by sites.
- We are not aware of any errors that would materially affect the reported sustainability data.
- Based on our review, including consideration of the Sustainability Report, MOL's Sustainable Development Web content and elements of the MOL Annual Report 2009, nothing has come to our attention that causes us to believe that MOL management's assertion that their sustainability reporting meets the requirements of the GRI A+ application level of the Guidelines is not fairly stated.

Our observations

Areas for potential improvement in the sustainability reporting process have been addressed in a separate report to MOL management. Our observations do not affect our conclusions on the Sustainability Report set out above.

Our assurance team

Our assurance team has included members from our global Climate Change and Sustainability Services network, which undertakes similar engagements to this with a number of significant multinational businesses.



Ernst & Young Advisory Ltd
Budapest, 1 April 2010



CORPORATE GOVERNANCE

MOL has always been committed to implementing the highest standards of corporate governance structures and practices. This is not only with regard to national expectations but also with reference to the continually evolving and improving standards of good governance on an international level. As a result MOL is geared towards shareholders' interests and keeps strengthening the economic, environmental and social performance in contributing to sustainable development and achieving long-term corporate sustainability, whilst taking into account the interests of a broader group of stakeholders inevitably necessary to enhance the generation of exceptional value for MOL's shareholders and people.

Among other things, the voluntary approval of the declaration on the Budapest Stock Exchange Corporate Governance Recommendations by the Annual General Meeting in 2006, before the official deadline, served as testament to the Company's commitment to corporate governance. In addition, MOL made a declaration concerning the application of the corporate governance recommendations of the Warsaw Stock Exchange prior to the admission of its shares to the Warsaw Stock Exchange in December 2004. The Company submits its declaration on this topic to both stock exchanges each year.

MOL's corporate governance practice meets the requirements of the regulations of the Budapest Stock Exchange, the directives of the Hungarian Financial Supervisory Authority and the relevant regulations of the Capital Market Act. MOL also subjects its policies to regular review to ensure that they take account of continually evolving international best practice in this area. MOL's Corporate Governance Code containing the main corporate governance principles of the Company has been adopted in 2006 and has been updated in 2010. This Code summarises its approach to shareholders' rights, main governing bodies, remuneration and ethical issues. The Corporate Governance Code has been published on the homepage of the Company.

In 2010 SAM Research AG, the analyst of Dow Jones Sustainability Index (DJSI) and Benchmarking report, awarded MOL's efforts towards sustainable development (environment, social and corporate governance practice) and MOL has become eligible for inclusion in Sustainability Yearbook 2010 (bronze class). MOL was also awarded as "Sector Mover - the company with the biggest proportional improvement" in its sustainability performance compared with last year. MOL is in the top 15% of the sector. SAM Research AG is a Zurich based Investment Group specialized for Sustainability Investment.

BOARD OF DIRECTORS

MOL's Board of Directors acts as the highest governance body of the Company and as such has collective responsibility for all corporate operations.

The Board's key activities are focused on achieving increasing shareholder value with considerations onto other stakeholders' interest; improving efficiency and profitability and ensuring transparency in corporate activities and sustainable operation. It also aims to ensure appropriate risk management, environmental protection and conditions for safety at work.

Given that MOL and its subsidiaries effectively operate as a single unit, the Board is also responsible for enforcing its aims and policies and for promoting the MOL culture throughout the entire Group.

The principles, policies and goals take account of the Board's specific and unique relationship with MOL's shareholders, the executive management and the Company. The composition of the Board reflects this

with the majority (eight of eleven members) made up of non-executive directors. At present, 7 members of the Board of Directors qualify as independent on the basis of its own set of criteria (based on NYSE and EU recommendations) and the declaration of directors.

The members of the Board of Directors and their independence status (professional CVs of the members are available on corporate homepage):

Zsolt Hernádi, Chairman-CEO	non-independent
Dr. Sándor Csányi, Vice Chairman	independent
László Akar	independent
Mulham Al-Jarf	independent
Dr. Miklós Dobák	independent
Dr. Gábor Horváth	independent
Miklós Kamarás	non-independent
Dr. Ernő Kemenes	independent
József Molnár	non-independent
György Mosonyi	non-independent
Iain Paterson	independent

As well as the member of the Board of Directors appointed by the Hungarian Energy Office:

Dr. Gyula Dávid* independent

* Pursuant to the 2 § of the Act LXV of 2008 his office has been abolished by the day of 31st May, 2009.

Operation of the Board of Directors

The Board acts and makes resolutions as a collective body.

The Board adopted a set of rules (Charter) to govern its own activities when the company was founded in 1991; these rules are regularly updated to ensure continued adherence to best practice standards.

The Board Charter covers:

- scope of the authority and responsibilities of the Board,
- scope of the committees operated by the Board,
- provision of information to the Board,
- main responsibilities of the Chairman and the Vice Chairman,
- order and preparation of Board meetings and the permanent items of the agenda, and
- decision-making mechanism and the manner in which the implementation of resolutions is monitored.

Members of the Board have signed a declaration on conflict of interest and they have reported their position as director in the Board to their employer or principal as regards other key management positions.

The Board of Directors prepares a formal evaluation of its own performance (the Committees evaluate their performance as well) and it reviews continuously its activity.

Report of the Board of Directors on its 2009 activities

In 2009, the Board of Directors held 8 meetings with an average attendance rate of 90% (6 ordinary and 2 extraordinary meetings). Alongside regular agenda items, such as reports by the Committees' chairmen on the activities pursued since the last Board meeting, or an overview of capital market developments, the Board of Directors also individually evaluates the performance of each of the company's business units.

The Board of Directors respectively paid highlighted attention to the treatment of the significantly changed external environment, the impacts of the global economic and financial crisis. In 2009, MOL remained disciplined to its reduced CAPEX plan, and financed it through the operating cash flow, which rose compared to the previous year. Thanks to our early answer to the crisis, our well-recognized efficiency leadership and integrated business model we managed to keep our strong balance sheet and stable financial position.

The Company's key task for the coming years is to maximize the value of its extended portfolio by harmonizing the operation and exploiting the synergies.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board operates committees to increase the efficiency of the Board's operations, and to provide the appropriate professional background for decision making. These Committees have the right to approve preliminary resolutions concerning issues specified in the Decision-making and Authorities List, which sets out the division of authority and responsibility between the Board and the executive management.

- The responsibilities of the Committees are determined by the Board of Directors.
- The Chairman of the Board of Directors may also request the Committees to perform certain tasks.

The members and chairs of the Committees are elected by the Board of Directors. The majority of the committee members is non-executive and independent.

The Board allocates responsibilities to the various Committees as follows:

Corporate Governance and Remuneration Committee:

Members and dates of appointment (professional backgrounds of members are available on company homepage):

- Dr. Sándor Csányi – Chairman, 17 November 2000
- Zsolt Hernádi, 8 September 2000
- Dr. Gábor Horváth, 8 September 2000
- Miklós Kamarás, 25 October 2002
- Mulham Al-Jarf, 23 April 2008

Responsibilities:

- analysis and evaluation of the activities of the Board of Directors,
- issues related to Board membership,
- promoting the relationship between shareholders and the Board,
- procedural, regulatory and ethical issues,
- reviewing corporate processes, procedures, organisational solutions and compensation systems and making recommendations on the introduction of best practice standards.

Finance and Risk Management Committee:

Members and dates of appointment (professional backgrounds of members are available on company homepage):

- Dr. Miklós Dobák – Chairman, 25 October 2002
- László Akar, 25 October 2002
- Dr. Ernő Kemenes, 25 October 2002
- Iain Paterson, 8 September 2000

Responsibilities:

- review of financial and related reports,
- monitoring the efficiency of the internal audit system,
- oversight of the risk management,
- review of planning, scope and results of the audit,
- ensuring the independence and objectivity of the external auditor.

Sustainable Development Committee:

Members and dates of appointment (professional backgrounds of members are available on company homepage):

- György Mosonyi – Chairman, 29 June 2006
- Dr. Ernő Kemenes, 29 June 2006
- Iain Paterson, 29 June 2006

Responsibilities:

- control of the operation under long-term economic, environmental and social aspects,
- evaluation of objectives and results regarding sustainable development,
- supervision of the non-financial (sustainability) chapter and the audit process of the annual report,
- accountability for sustainability performance of business divisions and subsidiaries.

Report of the Corporate Governance and Remuneration Committee on its 2009 activities

In 2009, the Corporate Governance and Remuneration Committee held 6 meetings with a 93% average attendance rate. In addition to the issues of corporate governance, remuneration and the composition of the management, the Committee discussed a number of key strategic and results-related topics prior to their presentation to the Board of Directors for discussion.

Report of the Finance and Risk Management Committee on its 2009 activities

In 2009, the Finance and Risk Management Committee held 5 meetings with a 90% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of internal audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial position and the status reports on risk management actions attached to these factors. The Committee provides for duties of Slovnaft a.s Audit Committee.

Report of the Sustainable Development Committee on its 2009 activities

In 2009, the Sustainable Development Committee held 3 meetings with a 100% attendance rate. The Committee evaluated the accomplishment of the actions in 2009, formed opinion on Sustainable Development Report and decided on 2010 directions and targets. The Committee considered with highlighted attention the achieved results of the Dow Jones Sustainability Evaluation and reports of business units.

RELATIONSHIP BETWEEN THE BOARD AND THE EXECUTIVE MANAGEMENT

The governance of the MOL Group is carried out in line with standardised corporate governance principles and practice, and, within its framework, the Board of Directors will meet its liabilities for the integrated corporate governance by defining the responsibilities and accountabilities of the Executive Board, established by the Board and securing the corporate operative activities, operating and organisational procedures, as well as standardised system for target-setting, reporting and audit (performance control system and business control system).

A consistent document prescribes the distribution of decision-making authorities between the Board of Directors and the company's organisations, defining the key control points required for efficiently developing and operating MOL Group processes.

Control and management of MOL Group will be implemented through business and functional organisations. The Executive Board (hereinafter "EB") will be responsible for harmonising their activities.

The EB is a forum for decision preparation and its role is to provide a direct link between the Board of Directors and the Company's staff and at the same time canalize the matters submitted to the full Board. The EB renders preliminary opinions and advises the Board members on certain proposals submitted to the full Board, the EB is also responsible for the oversight of the execution of the Board's resolutions.

On the EB meetings each member has an obligation to express their opinion, on the basis of which final decision is made by the Chairman-CEO. In case of a difference of opinion between the Chairman-CEO, GCEO or GCFO, the decision shall be made by the Board of Directors.

The Executive Board (EB) operates as an intermediary between the Board of Directors and the above management levels. Its members are:

Zsolt Hernádi	Chairman-CEO (C-CEO)
György Mosonyi	Group Chief Executive Officer (GCEO)
József Molnár	Group Chief Financial Officer (GCFO)
Zoltán Áldott	Executive Vice President, Exploration and Production
Ferenc Horváth	Executive Vice President, Refining and Marketing
József Simola	Executive Vice President, Corporate Centre

In 2009, the Executive Board held 44 meetings and discussed 9 issues on a meeting on average.

INCENTIVES PROVIDED FOR BOARD OF DIRECTORS

To ensure uniformity and transparency, in addition to fixed remuneration, MOL operates an incentive scheme for directors, which supports commitment of the participants and by taking the Company's profitability into consideration can ensure that the interests of the participants in the compensation program can coincide with those of the shareholders.

The basis of the effective incentive scheme for directors was approved by the Annual General Meeting (AGM) on 23rd April 2009.

Elements of the incentive scheme:

• Profit sharing incentive system (based on value added methodology)

The annual incentive of the Board Members will be determined according to an economic value added methodology. The Economic Value Added will recognize performance as a result on top of the cost of capital invested.

The incentive will consist of two parts: an absolute part (recognizing the performance only of the given year) and an incremental part (recognizing the performance of the given year compared to the average of the previous years).

Thus this methodology will reward the Board Members for increasing shareholder value on long-term and as a sustainable improvement.

The new incentive system applies to non-executive and executive Board members as well.

• **Fixed remuneration:** In addition to the Profit sharing incentive as of 1st January 2009, directors are provided with the following fixed net remuneration, following each AGM:

Directors	25,000 EUR/year
Chairmen of the Committees	31,250 EUR/year

Other benefits

Directors who are not Hungarian citizens and do not have a permanent address in Hungary are provided with gross 1,500 EUR for each Board or Committee meeting (maximum 15 times) they travel to Hungary for.

INCENTIVE SYSTEM FOR THE TOP MANAGEMENT

The incentive system for the top management from 2009 included the following elements:

1. Incentive (bonus)

The maximum bonus amount is 40-100% of the annual base salary, paid in cash on the basis of the evaluation following the AGM. The elements of the incentive system include:

- Identification and evaluation of corporate and Group level key financial indicators (e.g. ROACE, operating cash-flow, lost time injury frequency, CAPEX efficiency, unit production, processing, operating, logistics costs, etc.).

- Identification and evaluation of particular individual targets related to the responsibilities of the particular manager in the given year.

2. Relative performance incentive

The basis of the relative incentive is 10% of the annual base wage, and is determined on the basis of rank of manager-specific performance ratings.

3. Complex long term managerial incentive system

The complex long term managerial system which changes and supplements the previous, solely stock option based system, has been implemented uniformly in the Company (Group) as of 1st January 2010.

Purpose of the new incentive system is the implementation of a new incentive system for MOL Group managers which corresponds to the incentive system of the members of the Board of Directors of MOL Plc. and keeps MOL Group management's long term interest in the increase of the MOL stock price.

Two incentives employed parallel in the new system from year 2010:

50% Incentive based on option + 50% Profit-sharing incentive

Year 2009 is a transition period of time, when managers could decide between the previous incentive based on option and the new complex incentive system. As of 2010 the long term incentive should be determined for all entitled managers according to the rules of the new system.

Main characteristics of the two incentives:

1. Incentive stock option

Purpose of the incentive: to create the interest in the increase of MOL stock price. The incentive stock option is a material incentive disbursed in cash, calculated based on call options concerning MOL shares; it is determined as a gross benefit. Cycle time: 5 year periods starting annually.

The new system identifies the previous one. There was a modification only regarding the length of the waiting and redemption period: while in the old system a 2 year long redemption period followed the 3 year long waiting period, in the new system the option can be called after 2 year waiting period.

2. Profit sharing incentive

The Profit-sharing incentive incites the long-term, sustainable increase of profitability, based on the value added methodology, thus ensuring that the interest of the participants of the incentive system corresponds with that of shareholders of MOL Plc .

The Profit-sharing incentive is a cash-paid annual net bonus calculated on the basis of the increase of the value added. (Value added: recognises a profit performance generated on top of the cost of capital invested).

Since the base of the determination of one unit of the profit-sharing incentive for the given year is the audited financial statement for the given year approved by the AGM (MOL Plc.), the incentive should be disbursed following the AGM (MOL Plc.) summoned to close the given year .

Other Fringe Benefits

These include company cars (also used for private purposes), life insurance, accident insurance, travel insurance, liability insurance, and an annual medical check up.

SUPERVISORY BOARD

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the shareholders. In accordance with MOL's Articles of Association, the maximum number of members is nine (present membership is nine). In accordance with Company Law, three members of the MOL Supervisory Board are elected employee representatives with the other six appointed by the shareholders.

The members of the Supervisory Board and their independence status:

Dr. Mihály Kupa, Chairman	independent
Lajos Benedek	non-independent (employee representative)
John I. Charody	independent
Dr. Attila Chikán, Deputy Chairman	independent
Slavomír Hatina	independent
Attila Juhász	non-independent (employee representative)
Sándor Lámfalussy Prof	independent
József Kohán*	non-independent (employee representative)
István Vásárhelyi	independent

*Before József Kohán, until 30 April 2009 János Major was the member of the Supervisory Board with non-independent (employee representative) status.

As well as the member of the Supervisory Board appointed by the Hungarian Energy Office:

István Gergely* independent

*Pursuant to the 2 § of the Act LXV of 2008 his office has been abolished by the day of 31st May, 2009.

The chairman of the Supervisory Board will be the permanent invitee to the meetings of the Board of Directors and the Finance and Risk Management Committee.

Regular agenda points of the Supervisory Board include the quarterly report of the Board of Directors on company's operations and the reports of Internal Audit and Corporate Security. In addition, the Supervisory Board reviews the proposals for the Annual General Meeting. The Supervisory Board reviews its annual activity during the year.

In 2009 the Supervisory Board held 4 meetings with an 84% attendance rate.

Remuneration of the members of the Supervisory Board

The General Meeting held on April 27, 2005 approved a new remuneration scheme for the Supervisory Board. Under the new scheme, the members of the Supervisory Board receive remuneration of EUR 3,000/month, while the Chairman of the Supervisory Board receives remuneration of EUR 4,000/month. In addition to this monthly fee, the Chairman of the Supervisory Board is entitled to receive EUR 1,500 for participation in each Board of Directors or Board Committee meeting, up to 15 times per annum.

AUDIT COMMITTEE

In 2006, the general meeting appointed the Audit Committee comprised of independent members of the Supervisory Board. The Audit Committee strengthens the independent control over the financial and accounting policy of the Company. The independent Audit Committee's responsibilities include the following activities:

- providing opinion on the report as prescribed by the Accounting Act,
- auditor proposal and remuneration,
- preparation of the agreement with the auditor,
- monitoring the compliance of the conflict of interest rules and professional requirements applicable to the auditor, co-operation with the auditor, and proposal to the Board of Directors or General Meeting on necessary measures to be taken, if necessary,

- evaluation of the operation of the financial reporting system, proposal on necessary measures to be taken, and
- providing assistance to the operation of the Supervisory Board for the sake of supervision of the financial reporting system.

Members of the Audit Committee and dates of appointment (professional backgrounds of members are available on company homepage):

- John I. Charody, 27 April, 2006
- Dr. Attila Chikán 27 April, 2006
- Dr. Mihály Kupa 27 April, 2006

and in case of long-term incapacitation of any of the permanent members, Sándor Lámfalussy Prof.

Report of the Audit Committee on its 2009 activities

In 2009, the Audit Committee held 5 meetings with an 85% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of Internal Audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial position and the status reports on risk management actions attached to these factors. The Committee continuously monitored the Company's financial position in particular with regard to the impacts caused by the crisis. The Committee reviewed the materials of the Annual General Meeting (i.e. financial reports, statements of the Auditor).

EXTERNAL AUDITORS

The MOL Group was audited by Ernst & Young in both 2009 and 2008, excluding the operating company of the Fedorovsky Block in Kazakhstan and Energopetrol in both years and I&C Energo in 2008 (these entities were audited by PricewaterhouseCoopers, Deloitte and TPA Horwath Notia Audit s.r.o., respectively). INA Group, in which MOL gained management control in June, 2009 was audited by Deloitte in 2009 and 2008. INA Group has been treated as an associate and consolidated using the equity method prior to 30 June 2009 and has been fully consolidated afterwards.

Within the framework of the audit contract, Ernst & Young performs an audit of statutory financial statements, including interim financial statements of MOL Plc. prepared in accordance with Law C of 2000 on Accounting and the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Audits of the above mentioned financial statements are carried out in accordance with the Hungarian National Standards on Auditing, the International Standards on Auditing (ISA), the provisions of Accounting Law and other relevant regulations. The auditors ensure the continuity of the audit by scheduling regular on-site reviews during the year, participating in the meetings of MOL's governing bodies and through other forms of consultation. The auditors also review the stock exchange reports issued quarterly; however they do not perform an audit of or issue any opinion on such reports.

Ernst and Young also provided other services to MOL Plc. Summary of the fees paid to the auditors in 2009 and 2008 are as follows (HUF mn):

	2009	2008
Audit fee for MOL plc (including audit fee for interim financial statements)	156	182
Audit fee for subsidiaries	425	422
Other non-audit services	10	7
Tax advisory services	40	90
Total	631	701

The Board of Directors does not believe that non-audit services provided by Ernst & Young compromised their independence as auditors.

RELATIONSHIP WITH THE SHAREHOLDERS, INSIDER TRADING

The Board is aware of its commitment to represent and promote shareholders' interests, and recognises that it is fully accountable for the performance and activities of the MOL Group. To help ensure that the Company can meet shareholders' expectations in all areas, the Board continually analyses and evaluates developments, both in the broader external environment as well as at an operational level.

Formal channels of communication with shareholders include the Annual Report and Accounts and the quarterly results reports, as well as other public announcements made through the Budapest Stock Exchange (primary exchange) and the Warsaw Stock Exchange. Regular and extraordinary announcements are published on PSZÁF (Hungarian Financial Supervisory Authority) publication site and on MOL's homepage. In addition, presentations on the business, its performance and strategy are given to shareholders at the Annual General Meeting and extraordinary General Meetings. Roadshow visits are also made to various cities in the UK, the US and Continental Europe where meetings are held with representatives of the investment community, including MOL shareholders and holders of MOL's Global Depositary Receipts. Furthermore, investors are able to raise questions or make proposals at any time during the year, including the Company's General Meeting. Investor feedbacks are regularly reported to the Board of Directors.

In 2009 MOL participated in 10 roadshows and investor conferences (3 US and 7 European) having over 180 meetings with potential and existing shareholders.

MOL has an Investor Relations department which is responsible for the organisation of the above activities as well as for the day-to-day management of MOL's relationship with its shareholders (contact details are provided in the "Shareholder Information" section at the end of this report). Extensive information is also made available on MOL's website (www.mol.hu), which has a dedicated section for shareholders and the financial community.

MOL Group is committed to the fair marketing of publicly-traded securities. Insider dealing in securities is regarded as a criminal offence in most of the countries in which we carry out business. Therefore, we require not only full compliance with relevant laws, but also the avoidance of even the appearance of insider securities trading and consultancy.

MOL Group employees:

- should not buy or sell shares in MOL Group or any other company while in possession of insider information.
- should not disclose insider information to anyone outside the company, without prior approval.
- should be careful, even with other MOL Group employees, should disclose insider information to a co-worker when they have permission to do so and if it is necessary to do their job.
- should protect insider information from accidental disclosure.

Exercise of shareholders' rights, general meeting participation

Voting rights on the general meeting can be exercised based on the voting rights attached to shares held by the shareholders. Each "A" Series share entitles its holder to one vote. The actual voting power depends on how many shares are registered by the shareholders participating in the general meeting.

A condition of participation and voting at the general meeting for shareholders is that the holder of the share(s) shall be registered in the Share Register. The depositary shall be responsible for registering the shareholders in the Share Register pursuant to the instructions of such shareholders in line with the conditions set by the general meeting invitation. According to Article 8.6 of Articles of Associations: „Each shareholder – at the shareholder's identification related to the closing of the share registry prior to the next general meeting –, shall declare whether he, or he and any other shareholder belonging to the same shareholder group as specified in Articles 10.1.1 and 10.1.2 holds at least 2% of the Company's shares, together with the shares regarding which he asks for registration.” If the conditions described in the previous sentence are met, the shareholder requesting registration is obliged to declare the composition of the shareholder group taking into account Article 10.1.1 and 10.1.2.

Further, the shareholder shall, for the request of the Board of Directors, immediately identify the ultimate beneficial owner with respect to the shares owned by such shareholder. In case the shareholder fails to comply with the above request or in case there is a reasonable ground to assume that a shareholder made false representation to the Board of Directors, the shareholder's voting right shall be suspended and shall be prevented from exercising it until full compliance with said requirements.

According to Article 10.1.1 of Articles of Associations: „No shareholder or shareholder group (as defined below) may exercise more than 10% of the voting rights with the exception of the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares (the latter shall be exempted only insofar as the ultimate person or persons exercising the shareholder's rights represented by the shares and securities deposited with them do not fall within the limitations specified here below).”

In accordance with the Company Act the shareholders have the right to participate, to request information and to make remarks and proposals at the General Meeting. Shareholders are entitled to vote, if they hold shares with voting rights. The shareholders having at least five per cent of the voting rights may request the Board of Directors to add an item to the agenda. The shareholders having at least one per cent of the voting rights may request the Board of Directors to add supplements to the agenda of the General Meeting. The conditions to participate in the general meeting are published in the invitation to the general meeting. Invitations to the general meeting are published on company homepage. The ordinary general meeting is usually held in late April, in line with the current regulation.

The ordinary general meeting, based on the proposal of Board of Directors approved by the Supervisory Board, shall have the authority to determine profit distribution, i.e. the amount of the profit after taxation to be reinvested into the Company and the amount to be paid out as dividends. Based upon the decision of the general meeting, dividend can be paid in a non-cash form as well.

The starting date for the payment of dividends shall be defined by the Board of Directors in such way as to ensure a period of at least 10 working days between the first publication date of such announcement and the initial date of dividend distribution. Only those shareholders are entitled to receive dividend, who are registered in the share register of the Company on the basis of shareholders identification executed on the date published by the Board of Directors in the announcement on the dividend payment. Such date relevant to the dividend payment determined by the Board of Directors may deviate from the date of general meeting deciding on the payment of dividend.

INTEGRATED RISK MANAGEMENT FUNCTION — AT WORK

The effect of the world economic crisis has had a substantial influence on MOL's operating environment as well as on its short term financial challenges that foster more scrutiny on covenant management. It is an accentuated aim for Risk Management to deal with these external circumstances in order to support the stable financial position of MOL. Therefore it is a necessity to have an effective and comprehensive risk management as a prerequisite tool of good corporate governance. Besides the turmoil there are several other requirements of a proper risk management at a company, for example IFRS requirements introduced in 2007 on disclosing information on financial risks and their management, rating agency focus on implementations of effective Enterprise Risk Management (ERM) frameworks and the heightened scrutiny on corporate governance practices by investors. MOL's Risk Management carries out its tasks on group-level and integrates the subsidiaries, including INA in its processes.

MOL Group can state that it has a developed risk management function as an integral part of its corporate governance structure. This was confirmed by SAM Research AG in its 2009 and previously in 2008 benchmarking report for Dow Jones Sustainability Index that ranked MOL's risk management as best in class with a 96% performance, 36 percentage points above the sector's average emphasizing MOL's well-defined responsibility for risk and crisis management, our extensive risk definitions, the applications of risk mapping, quantification, stress testing and sensitivity analysis for all financial and non-financial risks and our well-defined risk response strategy.

MULTI-PILLAR SYSTEM FOR MANAGING A BROAD VARIETY OF RISKS

Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is arranged by Enterprise Risk Management (ERM) on group level. ERM integrates financial, market and operational risks along with a wide range of strategic and reputation risks. Following identification, different classes of risks are quantified using a unified methodology. The time horizon of the model emphasises long term view (according to strategic horizons): up to 10 years and even beyond, when analysing the variability of net present values. The ERM process identifies the most significant risks to the performance of the company (both on divisional and on group levels) and calls for a decision to be made regarding which risks should be retained and which should be mitigated and how. Some of the risks are managed centrally, while some are dealt with the divisions, overseen by nominated risk owners. Risk Management regularly controls the realization of these risk mitigation actions – in a form of quarterly required reports from the risk owners.

The main role of Financial Risk Management (FRM) as part of the ERM is to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured by using a complex model based on the Monte Carlo simulation (which takes into account portfolio effects as well) and are managed – if necessary – with risk mitigation tools (such as swaps, forwards and options). This function concentrates

on a 12-month time horizon. Reports on compliance with limits linked to strategic and financial objectives of the Group are compiled for the senior management on a monthly basis whereby mitigation action plans are proposed by Risk Management on an ad-hoc basis when required.

Transferring of excess operational risks is done by Insurance Management (IM). It means purchase of insurance, which is an important risk mitigation tool used to cover the most relevant operational exposures. The major insurance types are: Property Damage, Business Interruption, Liability, and Control of Well Insurance. Due to the peculiarity of the insurance business major tasks of this function are set around a yearly cycle (i.e. annual renewal of most insurance programs). Since insurance is managed through a joint program for the whole group (including MOL, INA, Slovnaft, TVK, IES and Slovnaft Petrochemicals), MOL Group is able to exploit considerable synergy effects.

Business Continuity Management (BCM) is the process of preparing for unexpected operational events. Proper Business Contingency Plans (BCP), Crisis Management (CM) processes and other risk control programs (like regular engineering reviews) are crucial in such a business like MOL Group's where operational risk exposure is significant as a result of the chemical and physical processes underlying most of the operations. The quality of both BCP and CM is often measured in financial terms when dealing with insurance agencies during policy placements and regular renewals.

Valuable synergies can be exploited when risk is approached in a comprehensive way

The existence of an integrated risk management function enables MOL to exploit the synergies between the above detailed pillars of risk management. The methodology and input sources of modeling financial risks are applied in ERM as well. Similarly, the accumulated information on operational risks gained through managing insurances is also an important factor in the ERM development. The results of ERM on operational risks (i.e. the impact hierarchy of operational risks) can give a better direction to insurance management by highlighting which are those areas that shall be covered by insurance as a must and which are those where further analysis is required to make decisions on how to manage the related risks. Both ERM and IM produce inputs to BCM as a priority list of key areas to focus on. BCM and insurance management have anyway strong relationship as they both deal with operational risk management. For example an effective BCM can reduce the exposure of MOL Group for business interruption risk and hence reduces the extent of insurance coverage to be bought. Risk awareness culture across the whole organization had already been enhanced as well, especially via the group-wide involvement of the group's divisions and units during ERM and BCM processes.

Decision making support of capital allocation

The most important role of ERM is not just to provide information on which the most imperative risks are that MOL Group faces with, but to enable top management and the Board of Directors to make more educated decisions on investments, taking into consideration the risk profile of each project as well. In order to serve this purpose Group Risk Management is involved in the evaluation of each major project and potential acquisitions and divestitures through the utilization of its ERM capabilities to provide opinion on capital allocation and financial headroom.

BOARD OF DIRECTORS



Zsolt Hernádi (50)



Dr. Sándor Csányi (57)



László Akar (57)



Mr. Mulham Al-Jarf (40)



Dr. Miklós Dobák (55)



Dr. Gábor Horváth (54)

Chairman of the Board of Directors since 7th July, 2000, Chairman & Chief Executive Officer since 11th June, 2001, member of the Board since 24th February, 1999. Member of the Corporate Governance and Remuneration Committee.

Between 1989-1994 he occupied various posts at the Kereskedelmi és Hitelbank Plc., and between 1992-1994 he was its Deputy General Manager. He was CEO of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001, and a member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was Board member of the Hungarian Banking Association. Since 2001, he has been a member of the European Round Table of Industrialists. Since September, 2009 he has become the honorary citizen of the Corvinus University of Budapest.

Member of the Board of Directors since 20th October, 2000, and Vice Chairman since 2001. Chairman of the Corporate Governance and Remuneration Committee.

Specializing in finance at university, where he also took doctorate, he later became licensed pricing specialist and a chartered accountant, and his first job was at the Ministry of Finance. He also worked for the Ministry of Food & Agriculture and at the Hungarian Credit Bank. From 1989 to 1992, he was Deputy CEO of the Commercial & Credit Bank (K&H), and since 1992, he has been the Chairman & CEO of the National Savings and Commercial Bank Plc. (OTP Bank Plc.). On 28th April, 2006, a shareholders meeting re-elected him for an other five-year term as Chairman & CEO of OTP Bank Plc. He is European Board member of MasterCard, one of the world's leading payment systems and co-chairman of the National Association of Entrepreneurs & Employers (VOSZ), member of the Board of the Hungarian Banking Association. He is also Chairman of the Supervisory Board of OTP Bank Group member, DSK Bank in Bulgaria. He has been an honorary professor of the University of Western Hungary since 2004. Dr. Sándor Csányi is a member of the International Association of Business Leaders, and of the Institut International d'Etudes Bancaires.

Other members of the Board of Directors
Member of the Board of Directors since 11th October, 2002. Member of the Finance and Risk management Committee.

Between 1977 and 1990 he held various positions in the National Planning Office and Ministry of Finance. Between 1994 -1998 he was political state secretary at the Ministry of Finance, secretary of the Government's Economic Committee, and deputy governor of the IMF, representing Hungary. Since 1998 he has been CEO of GKI Economic Research Co. from 2008 he is GCEO. From 2002 till 2007 Chairman of the Supervisory Board of the National Bank of Hungary. In 2005 he won the Farkas Heller prize. In 2006 he received the French Chevalier de l'Ordre National du Mérite.

Member of the Board of Directors since 24 April 2008. Member of the Corporate Governance and Remuneration Committee.

He graduated international Business and Finance from the USA and he is registered Barrister at Law of the Bar of England and Wales. He is the deputy CEO of Oman Oil Company since 2004. He is member of the board in the following companies: Sohar Aluminium Co LLC, Oman Arab Bank SAOC, Oman Oil Marketing Co SAOG and Takamul Investments SAOC. He has work experience in Oman Gas Company, Ministry of Oil and Gas and General Telecommunications Co in Oman. He is a citizen of Oman.

Member of the Board of Directors since 29th May 1996. Chairman of the Finance and Risk management Committee

He is Chairman of the Institute of Management and Professor of the Department of Management & Organisation at Corvinus University. He is an international partner of Horváth & Partners Consulting Company.

Member of the Board of Directors since 24th February, 1999. Member of the Corporate Governance and Remuneration Committee.

He has headed up an independent attorney's office since 1990. His main activities cover corporate, corporate financial and company organisations law. He is the Vice president of the Supervisory Board and Chairman of the Audit Committee of OTP Bank Plc.



Miklós Kamarás (65)

Member of the Board of Directors since 11th October, 2002. Member of the Corporate Governance and Remuneration Committee.

Between 1972-1990, he held various senior positions at ÉPGÉP Co., finishing as CEO. Between 1995-1998 he was Deputy General Manager of ÁPV Plc. (the Hungarian Privatisation & State Holding Co.). From 1998, Mr Kamarás was a partner at Deloitte & Touche Hungary and head of several auditor firms. Between 2002 – 2004, he was CEO of ÁPV Plc., a Board member of ÁPV Plc., and Chairman of the Board of Budapest Airport Plc., until 30th May, 2005. Chairman of the MÁV Plc. Until 18 October 2008. From 16 July, 2009 he is the CEO of MNV Ltd.



Dr. Ernő Kemenes (70)

Member of the Board of Directors since 11th October, 2002. Member of the Finance and Risk management Committee and the Sustainable Development Committee.

He was lecturer, then head of department at Budapest University of Economic Sciences from 1963. He held various senior positions in the National Planning Office, the Ministry of Education & Culture, and the Office of the Prime Minister between 1968-1997. He was also head of the National Planning Office between 1987-1990. He was head of Deloitte & Touche Hungary and one of the leading managers in the Central & East European Region between 1992-2001. Member of the Council of the Hungarian National Bank between 1992-1998, he is a retired university professor of Budapest University of Economic Sciences & Public Administration. He participates in preparing country reports for the OECD, EU and IMF. He is a Supervisory Board member at Reneal Ltd.



József Molnár (54)

Member of the Board of Directors since 12th October 2007.

Group Chief Financial Officer since 3rd September, 2004. From 1978 to 2001, Mr Molnar held various management positions at BorsodChem Plc, including Head of Pricing Department from 1982 to 1987, and Head of Controlling Department from 1987 to 1991. Between 1991 and 2001, as Chief Financial Officer and first deputy to the CEO, he contributed to the crisis management and reorganisation of the company, and later to the creation of its vision, and subsequent privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was CEO of TVK between 2001 and 2003, and MOL Group Planning & Controlling Director until his appointment as Group CFO in September 2004. Since April 2001, he has been a Board member of TVK and between 2004 and 2008 a Board member of Slovnaft a. s.



György Mosonyi (61)

Group CEO and member of the Board of Directors since 19th July, 1999. Chairman of the Sustainable Development Committee.

Chairman of TVK Plc. From 1974 onwards, he worked for the Hungarian Agency of Shell International Petroleum Co. and from 1986 he held the position of commercial director. In 1991 he worked at Shell headquarters, London. Between 1992-93 he was managing director of Shell-Interag Ltd and between 1994-1999 Chairman and Chief Executive Officer of Shell Hungary Rt. During this period he became Chairman of Shell's Central & East European Region and CEO of Shell Czech Republic in 1998. Honorary President of the Association of Joint Ventures and vice-chairman of the Hungarian Chamber of Commerce & Industry, vice president of Confederation of Hungarian Employers and Industrialists.



Iain Paterson (63)

Member of the Board of Directors since 24th February, 1999. Member of the Finance and Risk management Committee and the Sustainable Development Committee.

From 1970 onwards, he held various positions at British Petroleum Plc in Great Britain, USA and the Middle East. Between 1984 and 1998, he was with Enterprise Oil Plc, serving from 1991 as a Main Board member with responsibility for international activities. He is currently also Chairman of ITE Group Plc, Chairman of Plebble Loyalty Limited, Chairman of AnTech Limited and a non-executive director of Hunting Plc. Mr. Paterson is a British citizen.

EXECUTIVE BOARD



Zsolt Hernádi (50)

Chairman of the Board of Directors since 7th July, 2000, Chairman & Chief Executive Officer since 11th June, 2001, member of the Board since 24th February, 1999. Member of the Corporate Governance and Remuneration Committee.

Between 1989-1994 he occupied various posts at the Kereskedelmi és Hitelbank Plc., and between 1992-1994 he was its Deputy General Manager. He was CEO of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001, and a member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was Board member of the Hungarian Banking Association. Since 2001, he has been a member of the European Round Table of Industrialists. Since September, 2009 he has become the honorary citizen of the Corvinus University of Budapest.



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From 1978 to 2001, Mr Molnar held various management positions at BorsodChem Plc, including Head of Pricing Department from 1982 to 1987, and Head of Controlling Department from 1987 to 1991. Between 1991 and 2001, as Chief Financial Officer and first deputy to the CEO, he contributed to the crisis management and reorganisation of the company, and later to the creation of its vision, and subsequent privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was CEO of TVK between 2001 and 2003, and MOL Group Planning & Controlling Director until his appointment as Group CFO in September 2004. Since April 2001, he has been a Board member of TVK and between 2004 and 2008 a Board member of Slovnaft a. s.



Zoltán Áldott (42)

Exploration and Production Executive Vice President since September, 2004.

Between 1990 and 1991, he was an associate at Creditum Financial Consulting Ltd., and then, between 1992 and 1995, he held various positions at Eurocorp Financial Consulting Ltd. From 1995 to 1997, he was the Manager of MOL Privatization Department, and from 1997 until 1999 Director of Capital Markets. From 1999, Mr. Áldott served as Director of Strategy & Business Development. From November 2000, he acted as Chief Strategy Officer and then, since June 2001, as Group Chief Strategy Officer. Since September 2004, he has been the Executive Vice President of MOL Exploration & Production Division. He is also a member of the Supervisory Board of INA d.d., and a member of the Board of Directors the Budapest Stock Exchange.



Ferenc Horváth (50)

Executive Vice President of MOL Refining & Marketing Division, a unit integrated with Slovnaft since November 2003.

He is the Chairman of the Board of Directors of IES Mantua and he has member of the Board of Directors of Slovnaft since May, 2007. From 1984 until 1989, he worked for Mineralimpex, the Hungarian Foreign Trade Company for Oil & Mining Products, in the fields of crude oil and natural gas imports, and crude oil product exports. Between 1991 and 1997, he was Managing Director of Allcom Trading Co., the Hungarian Mineralimpex-Phibro Energy joint-venture, dealing with the European trading of crude oil and crude oil products. He joined MOL Plc in 1998 as Director - LPG Business Unit, and worked from January 2001 onwards as Sales Director, being responsible for the sales of MOL's entire product range (petrol, diesel, petroleum products, bitumen, LPG, lubricants, and so on). In 2002, he became Commercial Director, sales activities having broadened to encompass the supply of crude oil and raw materials necessary for the refining of crude oil.



József Simola (44)

Corporate Centre Executive Vice President since April 2006.

From 1991 to 1992 he was employed as an SAP expert at General Electric – Tungsram. He subsequently joined Arthur Andersen as an auditor and consultant. In 1996 he moved on to the Boston Consulting Group, where he held various managerial positions in Hungary, Germany and Australia. Mr. Simola joined MOL Plc. In 2003 and has been a member of the Executive Board since April 2006. His current positions are: Chairman of the Supervisory Board of Slovnaft a. s. Member of the Supervisory Board of INA d.d, and Member of the Board of Directors of IES S.p.A. Mr. Simola holds an MBA degree from INSEAD, which he completed in 1996.

SUPERVISORY BOARD

1. Dr. Mihály Kupa (69)

Chairman of the Supervisory Board since 11th October, 2002.

Chairman of the Audit Committee and contributes to the Board and to the Finance and Risk Management work.

Between 1969 and 1975 he held various senior positions in the Statistical Office, between 1975-1984 in the Financial Research Institute, and between 1984-1990 in the Ministry of Finance. Between 1990 and 1993 he was Minister of Finance, and from 1992 to 1993 Vice-President of the Council of Governors and President of the World Bank and IMF in 1993 in Hungary. From 1991, and again in 1998 he was Member of the Parliament (Independent). He is Chairman of the Supervisory Board of the National Theatre Company.

2. Dr. Attila Chikán (66)

Member of the Supervisory Board since 30th April, 2004, Deputy Chairman of the Supervisory Board since 5th December, 2005.

Member of the Audit Committee.

Since 1968 he has been working for Budapest University of Economic Sciences. (Until 2004 predecessor of Corvinus University of Budapest). Between 1989 and 1998 he was Head of the Business Economics Department and acted as Minister of Economic Affairs in 1998 and 1999. He was Rector of Budapest University of Economic Sciences between 2000 and 2003 and is a Doctor of the Hungarian Academy of Sciences. At present he holds several positions in Hungarian and international professional organisations, and membership of the editorial boards of several international journals. He is Chairman of the Supervisory Board of Richter Gedeon Plc.

3. Lajos Benedek (38)

Member of the Supervisory Board since 12th October, 2007, as an Employee Representative.

Mr. Benedek joined MOL in 1996. During the whole employment he has held various positions in the E&P Division, he has been Manager of Reservoir Technology Department since 2009. He has also been member of the MOL Trade Union of Mining Workers and Work Council.

4. John I. Charody (83)

Member of the Supervisory Board since 11th October, 2002.

Member of the Audit Committee.

Member of the British Empire and Justice of Peace, he worked in the Geophysical Institute of the Oil Exploration and Development Company between 1953 and 1956. Then he was a director in Australia of various companies including Bridge Oil Ltd., Aurora Minerals, Project Mining and CEO of Winton Enterprises Pty. Ltd. and Galina Investment international consulting company. Fellow of the Institute of Australian Directors since 1971, fellow of the Australian Institute of Management since 1967, Justice of Peace since 1972, he was awarded the M.B.E. by H.M. the Queen for service to Australia in 1973. In 1990 he was appointed Minister of Commerce in Budapest by the Federal Government of Australia with regional responsibilities in 12 countries. In 1997, the President of the Republic of Hungary awarded him the Officer Cross of the Republic of Hungary for his services to fostering Australian-Hungarian financial and commercial relationship. Board Member of Pick Rt. and Csányi Foundation. Consultant of MFB Invest Zrt.

5. Slavomír Hatina (63)

Member of the Supervisory Board since 11th October, 2002.

Mr. Hatina joined Slovnaft in 1970, working in various positions. From 1994 to December 2001, he worked for Slovnaft a.s., Bratislava (1994-1998 as CEO, 1998-2001 as President). From 1994 to February 2005, Mr. Hatina was Chairman of the Board of Slovnaft,a.s. A Doctorate Honoris Causa was bestowed on Mr Hatina by the Slovak University of Technology in 2001. He is Chairman of Slovintegra a.s. Mr Hatina is a citizen of Slovakia.

6. Attila Juhász (46)

Member of the Supervisory Board since 12th October, 2007, delegated by the employees.

Joined the Company in 1986. During his total employment held various positions in the Exploration and Production. Chairman of the Kiskunhalas Branch of MOL Trade Union of Production Workers, and member of the Workers Council since its foundation. Presently acting as an observer in the Workers Council.

7. József Kohán (58)

Member of the Supervisory Board since 1st May, 2009, delegated by the employees.

Employed by MOL as a chemical engineer M.Sc. since 1977. He held various positions in the Refining business. At Downstream Development he is working as responsible for preparing development projects in the area of refining since 1998. Author of several technical publications, member of the Society of Hungarian Chemists. Member of MOL Plc. Oil industrial Trade-union.

8. Prof. Sándor Lámfalussy (81)

Member of the Supervisory Board since 24th February, 1999.

Between 1955 and 1975 he worked at the Banque de Bruxelles, first as economist, and during the second part of this period as member, and later as Chairman, of the of the Management Board. On a leave of absence from his bank he was visiting professor at Yale University during the academic year 1961-62. In 1976 he joined the Bank for International Settlements as member of the management and Economic Adviser, and became the Bank's CEO from 1984 until 1993. From 1994 until July 1997 he was President of the European Monetary Institute, the forerunner of the European Central Bank. In 2000-2001 he was Chairman of the Committee of Wise Men on the Regulation of European Securities Markets, the recommendations of which was accepted by the European Council, and is now being implemented. At present he is Chairman of a committee advising the Belgian Government on improving the crisis resistance capability of the financial system. Throughout his professional carrier he was teaching at the Catholic University of Louvain (Belgium), of which he is now a Professor Emeritus. He is a Belgian citizen.

9. István Vásárhelyi (59)

Member of MOL Group Supervisory Board since 27th April, 2005.

Between 1978 -1989, he held various managerial positions at Budapest Rozmaring MGTSZ (an agricultural co-operative), for eleven years. From 1992 to 1998, he was a trustee of the "Foundation against Cancer for Man and the Future". At the same time he was CEO of Budapest Capital Holding Management Plc. In 1995, he was appointed Managing Director, and since 2000, Director-General, from 2006 Managing Director of ROZA-PORTA Trading Ltd. Between 1994 - 2000, he was a Board member of Helia Hotels Plc. He was also a member of the Supervisory Board of ÁPV Plc. Between 1995-2002 (the State Privatisation Company), and, in 2000, was appointed Chairman of the Board of Képcsarnok Plc. (Fine Arts Trading), becoming chairman of the Supervisory Board from 2001 to 2003. Between 2002 and 2004, he was also a Board member of Dunaferr Plc. Since 2002, he had been Vice-Chairman of the Board of ÁPV Plc, and Chairman of the Board of ÁPV Plc from 1th December 2006 to 30 June 2007. From 2005 he has been member of the Board of Directors of Hitelgarancia Plc. He is member of the Board of Directors of MVM Plc from 8 January 2008 and Chairman from 14 February to 13 May 2008. He was elected trustee of the Szalmaszál Foundation Endowment for the Homeless from 2006. He is member of the Board of Directors and CEO in Főkert Nonprofit Zrt.

REPORT OF THE SUPERVISORY BOARD



Dr. Mihály Kupa (69)

The Supervisory Board performed its duties in full accordance with its statutory obligations, held 4 meetings during the year, regular agenda points of the meetings include the quarterly report of the Board of Directors on Company's operations and the reports of Internal Audit, Corporate Security and Audit Committee. In addition, the Supervisory Board reviewed the proposals for the Annual General Meeting. The report of the Supervisory Board has been prepared pursuant to the report of the Board of Directors, the opinion of the auditors, the scheduled regular midyear reviews and the work of the Audit Committee. In its meetings during 2009, the Supervisory Board dealt in detail with the business situation of the MOL Group, the strategic development of the Group and its Divisions as well as respectively paid highlighted attention to the treatment of the economic crisis by the company. The Supervisory Board regularly got information about the decisions of the Board of Directors and issues concerning the Company.

MOL is the leading integrated oil and gas company in Central and Eastern Europe, the market leader in Hungary, and with the parent company's net sales of HUF 1,856.3 billion and the Group's net sales of HUF 3,226.0 billion according to the International Financial Reporting Standards (IFRS), the largest company in Hungary. MOL is a decisive Company in the region with its USD 10 billion market capitalisation. In 2009, the weighted average stock exchange price of MOL shares was HUF 12,595. MOL's share price increased considerably from the HUF 9.870 closing price of the last year to HUF 17.000 by the end of 2009, significantly outperforming its peer group.

The Company's 2009 financial statements - in accordance with Accounting Law - provide a true and fair picture of its economic activities and were audited by Ernst & Young Kft. The accounting methods applied in developing the financial reports are supported by the report of the Audit Committee, comply with the provisions of the Accounting Act and are consistent with the accounting policies of the Company. All figures in the balance sheet are supported by analytical registration. Assessment and payment of tax obligations were implemented as prescribed by law.

For the MOL Group a total of 137 companies were fully, and a further 17 companies were partially consolidated, using the equity method. Last year the ownership structure changed: at the end of 2009, compared to the end of last year the shareholding of foreign institutional investors increased from 24.1% to 25.7%, while the ownership of domestic institutional and private investors decreased from 10.3% to 8.4%. According to the received request for the registration of the shares and the published shareholders notifications the Company had seven shareholders that held more than 5% voting rights on the 31st December 2009. The Company held 7.1% treasury shares at the end of December 2009.

MOL respectively paid highlighted attention to the treatment of the significantly changed external environment, the impacts of the global economic and financial crisis with initiatives of additional efficiency improvement and cost cutting arrangements. MOL was among those companies, which reacted immediately following the first sign of the crisis. The Company cut back its CAPEX budget from the previous HUF 350 billion to HUF 220 billion and during 2009, MOL remained disciplined to its reduced CAPEX plan, and financed it through the operating cash flow, which rose compared to the previous year. Thanks to our early answer to the crisis, our well-recognized efficiency leadership and integrated business model we managed to keep our strong balance sheet and stable financial position.

Significant milestone have been achieved in the area of the strategy accomplishment in 2009. MOL and Government of Croatia have signed the Shareholder's Agreement on the operation of INA, whereby from the 30th of June 2009 INA has been fully consolidated in MOL Group's report. MOL's upstream portfolio became more extended, diversified and balanced with practically doubling its SPE 2P reserve base as of the end of 2009 and significantly increasing its production. With the newly consolidated assets in the downstream segment MOL's refinery pool widened with two refineries, and so total capacity increased to 23.5 mtpa. The five refineries operated under joint supply-chain optimisation on adjacent markets provide outstanding further growth opportunity.

On the 1st of October 2009 Hungary's latest strategic gas storage - with 1.2 billion cubic meter capacity and a total cost of HUF 150 billion - was handed over located at the gas filed in Szőreg. In order to further improve security of supply, projects aimed the interconnection of natural gas transmission system of countries in Central and Eastern Europe are underway.

The Company's main goal for the coming years is to maximize the value of its extended portfolio by harmonizing the operation and exploiting the synergies. The Company's key tasks are the significant development of INA's businesses, elevate its profitability and efficiency to our standards and enhance its market position in Croatia, South Eastern Europe and in the Adriatic region by leveraging its knowledge and expertise.

During 2009 MOL could not just preserve its strong balance sheet and stable financial position, but created a strong basis for further organic growth. In addition, the Group is highly committed to maintain its strong financial background for the next years.

The Supervisory Board endorses the recommendation of the Board of Directors not to pay dividend in 2010 connected to the year ended 31 December 2009 and the total net income shall be booked as retained earnings. The Supervisory Board proposes that the General Meeting approves the audited financial statements of MOL Plc for 2009, with a balance-sheet total of HUF 2,738 billion, net income for the period of HUF 253 billion, and tie-up reserve of HUF 138 billion and the audited consolidated financial statements of the MOL Group for 2009, with a balance sheet total of HUF 4,229 billion and profit attributable to equity holders of HUF 116 billion.

Budapest, 31st March, 2010

For and on behalf of the Supervisory Board and Audit Committee of MOL Plc:



Dr. Mihály Kupa
Chairman of the Supervisory Board

CORPORATE AND SHAREHOLDER INFORMATION

Date of foundation of MOL Plc.: October 1, 1991. Registered by the Budapest Court of Justice acting as Court of Registration on June 10, 1992 with effect as of October 1, 1991, under file number 01-10-041683.

Legal predecessor: Országos Kőolaj- és Gázipari Tröszt (OKGT National Oil and Gas Trust) and its subsidiaries.

The effective Articles of Association were accepted at the Annual General Meeting (AGM) held on 23 April, 2009. Access to the Articles of Association can be requested from the Company or electronic version can be downloaded from Company's web site.

On 16 October, 2008 the Court of Registry registered the capital decrease of MOL, which was decided by the AGM held on 23 April 2008. Accordingly, the share capital of MOL decreased from HUF 109,675,502,578 to HUF 104,191,727,578 by cancelling 5,483,775 pieces of registered ordinary shares of the series "A" with a par value of HUF 1,000, owned by the Company.

On 16 October, 2008 the Court of Registration registered the capital increase of MOL, which was made as part of the convertible bond programme approved by the Extraordinary General Meeting held on 1 September 2003. The share capital of the company increased from HUF 104,191,727,578 to HUF 104,519,063,578.

Registered share capital as of 31 December 2009: 104,518,484 registered A series ordinary shares with a par value of HUF 1,000 each, 1 registered B series preferred share with a par value of HUF 1,000 with special preferential rights attached and 578 registered C series ordinary shares with a par value of HUF 1,001 each.

Ownership Structure:

	31.12.2008		31.12.2009	
	PAR VALUE OF SHARES (HUF TH)	%	PAR VALUE OF SHARES (HUF TH)	%
Foreign investors	25,244,656	24.1	26,910,802	25.7
Surgutneftegas OJSC	n.a.	n.a.	22,179,488	21.2
Bayerische Hypo-und Vereinsbank AG.	17,007,802	16.3	n.a.	n.a.
Societe Generale	4,601,059	4.4	n.a.	n.a.
OMV Clearing Und Treasury GbmH	679,492	0.7	n.a.	n.a.
CEZ MH B.V.	7,677,285	7.3	7,677,285	7.3
Oman Oil (Budapest) Limited	7,316,294	7.0	7,316,294	7.0
BNP Paribas Arbitrage S.N.C.	7,600,583	7.3	n.a.	n.a.
Magnolia Finance Ltd.	6,007,479	5.7	6,007,479	5.7
ING Bank N.V.	n.a.	n.a.	5,220,000	5.0
Crescent Petroleum	n.a.	n.a.	3,161,116	3.0
Dana Gas PJSC	n.a.	n.a.	3,161,116	3.0
OTP Bank Plc.	8,857,438	8.5	6,707,832	6.4
Hungarian institutional and private investors	10,745,032	10.3	8,742,336	8.4
MOL Plc. (treasury shares)	8,781,944	8.4	7,435,316	7.1
Total	104,519,064	100.0	104,519,064	100.0

Please note, that data above do not fully reflect the ownership structure in the Share Registrar. It is based on the received request for registration of the shares and the published shareholders notifications.

The registration is not mandatory. The shareholder may exercise its rights towards the company, if the shareholder is registered in the Share Registrar. According to the Articles of Association no shareholder or shareholder group may exercise more than 10% of the voting rights.

Share Information

MOL share prices are published by the majority of Hungarian daily newspapers and available on BSE web site (www.bet.hu). Indicative bid and ask prices of MOL's DRs on IOB can be monitored using the RIC code MOLBq.L on Thomson Reuters or MOLD LI on Bloomberg. MOL shares and DRs are traded on one of the US OTC market, Pink Sheet.

MOL share prices on the Budapest Stock Exchange can be followed on Thomson Reuters using the RIC code MOLB.BU or on Bloomberg using code MOL HB.

The following table shows trading data on MOL shares each quarter of 2009.

PERIOD	BSE VOLUME (NO. OF SHARES)	BSE CLOSING PRICE (HUF/SHARE)
1st quarter	13,034,795	10,355
2nd quarter	14,957,755	11,950
3rd quarter	11,232,958	15,370
4th quarter	9,325,553	17,000

Treasury shares

During 2009 the following treasury shares transactions happened:

REASONS FOR CHANGE	NUMBER OF "A" SERIES SHARES	NUMBER OF "C" SERIES SHARES
Number of Treasury shares on 31 December 2007	8,781,365	578
ING option was settled	1,404,217	
New option agreement with ING bank N.V.	-5,220,000	
New share lending agreement with MFB Invest Zrt	-4,965,582	
The share lending agreement with OTP Bank Plc. was modified	5,010,501	
Share-exchange and shareswap agreements with OTP Bank Plc.	-5,010,501	
The share lending agreement with OTP Bank Plc. was modified	1,605,560	
The share lending agreement with MFB Invest Zrt. was modified	4,665,582	
MOL paid 6,271,142 "A" series MOL shares for a 10% ownership package of Pearl	-6,271,142	
The call options of MOL concluded with BNP Paribas S.A.	7,552,874	
Share sold on BSE to finance its share from the 2009 work program of Pearl project with cash	-67,047	
Share transfer to Dana Gas and Crescent Petroleum to finance its share from the 2009 work program of Pearl project	-51,090	
Number of Treasury shares on 31 December 2009	7,434,737	578

Changes in organisation and senior management

The AGM approved the election of Dr. Sándor Csányi to be Member of the Board of Directors from 29th April 2009 until 29th April 2014.

The AGM approved election of Dr. Miklós Dobák to be Member of the Board of Directors from 29th April 2009 until 29th April 2014.

The AGM dismissed Mr János Major from its position as employee member of the Supervisory Board from May 1, 2009.

The AGM elected Mr József Kohán as employee member of the Supervisory Board from May 1, 2009 to October 11, 2012.

Supply and Trading division has been set up via the alteration of Gas and Power division from 1 July 2009. As a consequence of the successful transaction of INA and IES, it is reasonable to establish an efficient, hydrocarbon and energy supply and trading division at a group level which follows the international oil companies' practice.

Sándor Fasimon was delegated to lead the new division, while Lajos Alács the former leader of the Gas and Power became the director of Supply Chain Management and was elected to the INA Management Board.

From 10 June, 2009 Mr László Geszti, the President of the Management Board of INA, focuses on INA developments. Mr László Piry was delegated to the Executive Vice President of Retail of MOL Nyrt. as of 1 October 2009. Mr Piry has worked as Polymer Marketing and Sales Manager of TVK Plc. since 7 June 2004.

On 26 February, 2010 President of INA Management Board, Mr. László Geszti announced to resign from his position due to health reasons. Mr. Zoltán Áldott, Executive Vice President of Exploration and Production Division of MOL Group was nominated as his successor, while retaining his position in MOL Plc. Mr. László Geszti continues to serve MOL Group as senior advisor to Mr. Zsolt Hernádi, Chairman and CEO of MOL Plc.

MOL SECURITIES HELD BY DIRECTORS AND OFFICERS OF THE COMPANY AS OF 31 DECEMBER, 2009

NAME	CURRENT POSITION	NUMBER OF MOL SHARES
Zsolt Hernádi	Chairman and Chief Executive Officer, Chairman of the Board of Directors	178,951
Dr. Sándor Csányi	member of the Board of Directors, Vice-Chairman	5,000
György Mosonyi	Group Chief Executive Officer, member of the Board of Directors	68,420
József Molnár	Executive Vice President of Finance, member of the Board of Directors	46,111
László Akar	member of the Board of Directors	31,175
Mulham Basheer Abdullah Al Jarf	member of the Board of Directors	0
Dr. Miklós Dobák	member of the Board of Directors	24,780
Dr. Gábor Horváth	member of the Board of Directors	17,210
Dr. Ernő Kemenes	member of the Board of Directors	26,053
Iain Paterson	member of the Board of Directors	23,790
Miklós Kamarás	member of the Board of Directors	0
Dr. Mihály Kupa	Chairman of the Supervisory Board	0
Benedek Lajos	member of the Supervisory Board, representative of the employees	0
John I. Charody	member of the Supervisory Board	0
Dr. Attila Chikán	Deputy Chairman of the Supervisory Board	0
Slavomir Hatina	member of the Supervisory Board	0
Juhász Attila	member of the Supervisory Board, representative of the employees	0
Prof. Sándor Lámfalussy	member of the Supervisory Board	380
János Kohán	member of the Supervisory Board, representative of the employees	0
István Vásárhelyi	member of the Supervisory Board	167
Zoltán Áldott	Executive Vice President Exploration and Production	70,000
Sándor Fasimon	Executive Vice President Supply and Trading	20,561
Ferenc Horváth	Executive Vice President Refining and Marketing	44,320
Árpád Olvasó	Senior Vice President Petrochemicals	0
László Piry	Executive Vice President Retail	0
József Simola	Executive Vice President Corporate Centre	21,310

Average production cost

Total cost of lifting, gathering and processing of crude oil and natural gas

Biofuels

Biofuels means liquid or gaseous fuel for transport produced from biomass, where “biomass” means the biodegradable fraction of products, waste and residues from biological origin from agriculture (including vegetal and animal substances), forestry and related industries including fisheries and aquaculture, as well as the biodegradable fraction of industrial and municipal waste.

Boe (barrel of crude oil equivalent)

Volume equivalent obtained after conversion of the heating value of gas to crude oil on the basis of its thermal quantity. In its practical application, 1 boe is, in general, 6000 cubic feet (about 170 normal m³) of gas.

Barrel

Anglo-Saxon unit of measurement applied in the oil sector, one ton crude oil is nearly equal with 7-7,5 barrel. (Conversion rate applied onto crude oil grades in Hungary is 7,55 bbl/ton).

Brent type crude oil

Mix of North Sea crude oils whose quoted price is considered as a benchmark in the international crude oil market.

Brent-Ural Spread

Difference between Brent and Ural crude oil's international price. The price of Ural type crude oil is quoted in Rotterdam (FOB ROT) and Mediterranean (CIF MED) region.

Condensates

General term for a group of liquid phase hydrocarbons in which light components dominate and which are extracted at the surface by natural gas separation.

Cogeneration plant

Coal or natural gas fuelled power station that is suitable for the simultaneous generation of electric and thermal energy.

Combined cycle gas turbine (CCGT)

In a combined cycle gas turbine (CCGT) plant, a gas turbine generator generates electricity and the waste heat is used to produce steam to generate additional electricity via a steam turbine; this last step enhances the efficiency of electricity generation (average net electric efficiency of new CCGTs is 58%).

Commercial gas storage

Natural gas industry activity, which aims to balance the volatilities in the seasonal natural gas supply and demand as well as business transactions. In Hungary gas storage is an activity unbundled legally from natural gas trade operations, thus the ownership right and operation of the infrastructure are separated from the title and right of disposal of natural gas stored in such storage facilities.

Company

MOL Hungarian Oil and Gas Public Limited Company

Crack Spread

Difference between product's quoted price and crude oil price. The crack spread figures change according to global oil market trends (like consumption seasonality, refinery supply, changes of stocks).

Cracking

Collective noun for operations/technologies aiming at production of a mixture of lighter hydrocarbons (having lower boiling point) by cracking longer carbon chains (through splitting carbon-carbon bonds) of heavier hydrocarbon molecules. Cracking can be purely a thermal process as well as catalytic (in this case the cracking process promoted by using of catalysts). One of the most

important method of the modern mineral oil processing, is a cracking process, promoted by using catalysts, at the temperature of 480-540 °C, during which hard distillates and distillate residues are used to produce motor oil having good quality, while other malleable gases arise.

Distillation capacity utilisation

The utilisation of the primary distillation capacity of a refinery.

Downstream

Refining and Marketing and Retail

Dry well

An investigated borehole, which does not confirm the existence of a hydrocarbon site or is not able to profitably produce crude oil or natural gas.

Enhanced oil recovery (EOR)

Processes/technologies that can be used to recover more oil relative to the primary and secondary methods.

FAME- Fatty acid methyl ester

Biocomponent blended in dieselgasoil

FCC- Fluid Catalytic Cracking plant

FCC- Fluid Catalytic Cracking plant

Field development

Process of implementing underground and aboveground facilities necessary for the recovery of hydrocarbon reserves.

Geothermal energy

Geothermal energy is energy generated from heat stored in the earth, or the collection of absorbed heat derived from underground.

Geothermal Power Plant

Geothermal Power Plants are intended to utilize geothermal energy by producing power or heat out of it.

Gross production

Total quantity of crude oil and natural gas from hydrocarbon fields prior to the deduction of royalties.

HDPE

High density polyethylene

Hydrocrack

Cracking of light or heavy gas oils or residue hydrocarbons, mixed with hydrogen, under high pressure and temperature, in the presence of a

catalyst, to produce light oils.

Horizontal drilling Drilling at which horizontal or near horizontal range is created in the target layer following the vertical section in order to expand the inflow cross-section.

Hungarian Petroleum Product Association (MÁSZ)

Association of the most important Hungarian crude oil product trading companies.

Increased oil recovery (IOR)

A comprehensive term to define increased petroleum recovery methods, which includes all methods or processes other than production based on the energy of and in the reservoir (enhanced oil recovery (EOR), secondary and updated primary methods).

Kyoto Protocol

The Kyoto Protocol is a protocol to the United Nations Framework Convention on Climate Change (UNFCCC or FCCC), an international environmental treaty, which is intended to achieve “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.”

Liquified Propane Gas (LPG)

Hydrocarbon gas compound mainly consisting of propane and butane, liquefied under high pressure, which is sold in cylinders for household purposes. These days the motoric usage of LPG spreads. This fuel is the „autogas”.

LDPE

Low density polyethylene

M bbl

Thousand barrel

MM bbl

Million barrel

M boe

Thousand barrel of crude oil equivalent

MMSCF

Million cubic feet. The key imperial measure used in the natural gas industry. One cubic meter is equivalent to 35.314 cubic feet.

MEH

Hungarian Energy Office.

Mining royalty

In accordance with international practice and

the relevant provisions of the Mining Law, the Hungarian State requires to pay a mining royalty after any and all crude oil and natural gas produced in Hungary (except production applying EOR methods). The rate of this royalty has been 12% since January 1, 1998, except the extra mining royalty payable after the natural gas produced from fields developed prior to 1998.

MOL filling station operated in franchise

Filling station operated under MOL-logo and with MOL product slate, but not owned by MOL.

Monomers

Basic compounds of polymers (plastics, rubbers), basic elements (links) of polymer chains in high-molecular-weight materials. Nowadays the most important monomers, the basic petrochemicals are short-chained olefins (ethylene, propylene, butadiene) along with their simple derivatives, and the simplest aromatic compound: benzene. Primary sources of all these monomers are the olefin plants.

MSZKSZ

Hungarian Hydrocarbon Stockpiling Association responsible for the strategic stockpiling of crude oil, crude oil product and natural gas.

Natural gas liquids

Liquefied hydrocarbons separated from natural gas, ranging from propanes to gasolines and also containing heavier components.

NCI (Nelson Complexity Index)

The Nelson Complexity Index, developed by Wilbur Nelson in 1960, is a measure of the secondary conversion capacity of a petroleum refinery relative to the primary distillation capacity.

Net dry natural gas production

Total gas recovered, reduced by the quantity of produced or separated carbon dioxide and/or the condensates.

Net electrical efficiency

The net efficiency of an entity (a device, component, or system) in electronics and electrical engineering is defined as useful power output divided by the total electrical power consumed (a fractional expression) and adjusted with its own consumption.

Net production

Total crude oil and natural gas quantity from the hydrocarbon fields following the deduction of mining royalties.

Olefin

This is collective noun for open-chained hydrocarbons including unsaturated double carbon-carbon bond(s). The simplest representatives of these compounds, ethylene and propylene are basic petrochemicals. The most important asset in olefin production is the so-called steam cracker (olefin plant), which converts naphtha, chemical gasoil and other light hydrocarbons to key products as ethylene and propylene by cracking and dehydrogenation.

Polyethylene

This is a kind of thermoplastics produced by polymerisation of ethylene. Today polyethylene has the largest share among commodity plastics. Parameters (such as pressure, temperature, applied additives and catalysts) of industrial processes aiming at production of PE show significant differences, consequently a wide range of products with different characteristics can be produced. All of them can be classified into two groups according to their density: LDPE (low-density polyethylene) and HDPE (high-density polyethylene). There are significant differences at molecular level: LDPE shows inordinate structure, a mixture of heavily branched components resulting in softer, more flexible material, while HDPE is a denser, harder and stronger (with higher tensile strength) plastic due to its more structured hydrocarbon chains.

Polyolefins

This is collective noun for thermoplastics produced by polymerisation (polyaddition) of olefin monomers (e.g. ethylene and propylene). The most important commodity plastics, polyethylene and polypropylene belong to this class.

Polypropylene (PP)

A thermoplastic produced by polymerisation of propylene. Has a significant - and increasing - share among commodity plastics. Parameters (such as pressure, temperature, applied additives and catalysts) of industrial processes aiming at PP production show significant differences, consequently a wide range of products with different characteristics can be produced. Addition of ethylene into the polymerisation process as co-monomer leads to PP copolymers. PP can be used in a wide variety of application sit has good resistance to heat and low water absorption.

PPM

PPM is a measure of the concentration of a substance in a liquid, used where low levels of concentration are significant. The ppm value

is equivalent to the absolute fractional amount multiplied by one million. For example, 10 ppm equals 10 kilogram of a substance for a million kilogram (one kiloton) of a liquid.

Production Sharing Agreement (PSA)

Agreement for sharing the production of an oil field or a gas field between the State and the Investors, having the production license for the field. Proved developed producing reserve The reserve that can be extracted from existing wells with existing facilities, during the period of time available for production.

Proved reserve

Estimated quantity of crude oil, natural gas and liquefied gas products that can commercially be extracted from already known reservoirs with a high degree of certainty (over 90%) under the prevailing economic and operating conditions.

Proved undeveloped reserve

Reserve that can be extracted from new wells located in areas where no drilling has been made yet or from existing wells in which relatively significant expenditure is required for development.

Putting into production

Accomplishment of surface and underground facilities necessary for the production of hydrocarbon reserves.

Pyrolysis

Thermal cracking of hydrocarbons at high (usually above 650°C) temperature and low (few bars) pressure, which is the basic process in operation of olefin plants. Process is conducted in the presence of steam in order to minimize coke-formation.

Pyro-naphtha

Mixture of valuable by-products with significant aromatic content, having boiling points within the range of naphtha, arising besides main products (ethylene and propylene) in the course of pyrolysis of petrochemical feedstocks (naphtha, chemical gasoil and other light hydrocarbons) in olefin plants. Can be converted to basic aromatics (benzene, toluene, xylenes, etc.) by further processing, while after appropriate hydrogenation it can also be used as high-quality, high-octane mogas blending component.

Refinery margin

Difference between product's international quoted price and the actual crude oil price. Or: The unit profitability of a (theoretical or actual) refinery,

which is determined by crude oil product, as well as unit refining costs.

Refinery complexity

Refinery complexity demonstrates, what white product yield can be achieved from 1 barrel of crude oil. The more complex the refinery, the higher is the white product yield from the same quality crude oil ie. the less fuel oil it produces. One of the best measure for complexity is Nelson index, which calculates complexity from the existence of different refinery plants and from the ratio of their capacity to distillation capacity.

Refining cover

Total refining capacity divided by total volumes of product sold

Renewable energy sources

Renewable energy sources are energy sources generated from natural resources — such as sunlight, wind, rain, wood, tides and geothermal heat — which are naturally replenished, therefore may be considered as infinite source of energy.

Reserve

Estimated volume of crude oil, condensate, natural gas and other components that we assume can be extracted in commercial quantities by using known recovery methods from a known accumulation following a given point in time under the actual economic circumstances and Government regulation.

Residue upgrading

To transform residues (heavy fuel oil) into more valuable white products.

Russian export blend

(API degree: 32.5, sulphur content: 1.25%) Mix of Russian crude oils whose quoted price is considered as a benchmark in the international crude oil markets.

SAPPO

Slovak Association of Petroleum Industry and Trade

Steam cracker (olefin plant)

Technology for production of key basic petrochemical products (olefins: ethylene, propylene, and aromatics: benzene, toluene, xylenes), on the basis of thermal decomposition (cracking) and dehydrogenation of petrochemical feedstocks (naphtha and chemical gasoil) produced by the refineries or lighter saturated hydrocarbons (ethane, propane, butane) in the presence of

steam. Main products of the process (ethylene, propylene) are raw-materials of polyethylene and polypropylene production, while the by-products can widely be used in organic chemical industry, plastics and rubber production or as gasoline blending components.

SCM (Supply Chain Management)

Supply Chain Management coordinates the procurement of crude oil, other refinery feedstock and products, as well as refining, logistics related to procurement or sales, and the wholesale of crude oil products. It targets to maximise MOL Group profit with optimising through the whole value chain.

SPE based reserve valuation

Method used by the Society of Petroleum Engineers

Spot contract/sales

Short term sales, usually in a contract for one delivery.

Strategic gas storage

The mobile natural gas reserve and the relevant peak withdrawal capacity aiming at implementing the Law XXVI. of 2006 on strategic storage of natural gas. This reserve and capacity can be exclusively used for ensuring the security of natural gas supply in case of supply crisis, under the terms and conditions published in the relevant minister's decree and such reserve shall be replenished.

Thermal Power Plant

A thermal power station is a power plant in which the prime mover is steam driven. Water is heated, turns into steam and spins a steam turbine which drives an electrical generator (regional average net electric efficiency of existing thermal power plants is approximately 35%).

Term contract/sales

Long term contract, usually for one year or longer term

Toe (tonne of crude oil equivalent)

Mass equivalent received from the heating value of gas following conversion to crude oil on the basis of heat unit. As a rule, 1,200 Nm³ gas is equivalent to 1 toe.

Transit

Gas transmission through pipeline, which crosses the border of one member of the European Economic Area and its starting or end-point is outside the European Economic Area.

Transmission pipeline

This pipeline, including its accessories and fittings, is used for transmitting natural gas, and its starting or kick-off points are the national border of the country, inlet points of gas production facilities, inlet and outlet points of underground gas storage facilities, and the end or terminal points are the national border of the country, outlet points of gas transfer stations (city gates), inlet and outlet points of underground gas storage facilities.

Upstream

Exploration and Production Segment

Ural Blend

Russian, export quality crude oil. Heavy and sour (with high sulphur content) crude oil, therefore the price of Ural Blend is lower than that of light Brent crude oil, which has low sulphur content.

FINANCIAL TERMS

ADR

American Depositary Receipt, depository certificates issued by a foreign depository on the issuers shares, which are deposited with a Hungarian custodian.

CAPEX

Capital Expenditures

Cash Flow at Risk (CF@R)

Methodology to measure the risks of the MOL Group. It takes into account the exposures to external factors (product price, rate of interest) of the different businesses within the MOL Group portfolio, as well as the volatilities and correlation between those factors.

EBITDA (Earnings before interest, tax, depreciation and amortisation)

Operating profit plus depreciation and amortisation

EBITDA margin

Ratio of EBITDA divided by net sales revenues

EPS

Earnings per Share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

Financial Covenant

It is the rate calculated from specific terms of P&L, Balance Sheet and Cash-Flow. (Eg.: Net Debt per EBITDA, EBITDA per Total Interest Expense) Financial Covenants are primarily applied in loan facility agreements to limit lenders' credit risk.

Gearing

Ratio of net debt to net debt plus equity

Net debt

Net debt = Long-term debt, net of current portion + short-term debt + current portion of long-term debt – short term investments – cash and cash equivalents

IFRS

International Financial Reporting Standards, formerly International Accounting Standards (IAS)

ISDA (International Swap Dealers Association)

The ISDA Master Agreement is a general agreement between counterparties to provide legal assistance with regards to derivative transactions.

Market capitalisation

Number of shares (issued share capital excluding Treasury stock) multiplied by the actual stock market price.

Net income

Attributable to equity holders of the parent Profit after taxation after the Groups share of associated companies and the deduction of profits due to minority interest.

NOPLAT

Net Operating Profit Less Adjusted Taxes

Operating cash flow

Net cash provided by operating activities to be used for investment activities, interest payments and dividend payments to shareholders.

ROACE (Return on average capital employed)

Operating profit after taxation / average capital employed

Operating profit after taxation = operating profit x (100% - calculated corporate tax ratio)

Average capital employed = opening capital employed/2 + closing capital employed/2

Capital employed = total assets – long term financial investments – work in progress – cash and cash equivalents – short term liabilities + short term loans and credits.

ROE (Return on Equity)

Net income divided by shareholders equity

Shareholder's return

Return resulting from the movements of the share price and the amount of dividend paid

Short position

Exposure to a factor (e.g. commodity price, foreign exchange rate, interest rate) where the profit and/or the cash flow of a company is negatively influenced by an increase of such factor.

SUSTAINABLE DEVELOPMENT

BOD (Biological Oxygen Demand)

The rate of wastewater pollution expressed by the amount of oxygen required by micro organisms for the biological oxidation of organic waste in a unit volume of waste water.

CCS (Carbon Capture Storage)

A technique to mitigate global warming by capturing carbon dioxide (CO₂) from large point sources such as fossil fuel power plants and storing it in a suitable underground geological formation instead of releasing it into the atmosphere.

CDM (Clean Development Mechanism)

One of the three flexible mechanisms under the Kyoto Protocol that allows industrialised countries with a GHG reduction commitment to invest in emission reduction projects in developing countries to help meet their own emission targets in a more cost effective way.

COD (Chemical Oxygen Demand)

A parameter similar to BOD, differing only in that the oxidation of components in waste water is based on the use of chemicals.

DOC (Declaration of conformity)

The process by which businesses and subsidiaries of MOL Group declares the level of compliance with MOL Group HSE Management System based on conducted self-assessments and audits.

ETS (Emission trading scheme)

The Greenhouse Gas Emission Trading scheme of the European Union is a market based instrument for cost effective reduction of Greenhouse Gas Emissions.

FTE

Full-time equivalent

GHG (Greenhouse gases)

Gases that contribute to the formation of an undesirable insulating blanket around the Earth by trapping heat from infrared radiation (CO₂, CH₄, N₂O, HFC, PFC, SF₆).

GRI (Global Reporting Initiative)

A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

HSE

Health, Safety and Environment

Incident inquiry rate

Number of HSE incidents inquired by root cause analyses (TRIPOD approach) per number of all HSE incidents.

JI (Joint Implementation)

One of the three flexible mechanisms under the Kyoto Protocol that allows industrialised countries with a GHG reduction commitment to invest in emission reduction projects that enhance removal by sinks, in another industrialised country, and count the resulting emission reduction units (ERUs) to help meet their own country's emission targets in a more cost effective way.

LTIF (Lost Time Injury Frequency)

The number of incidents of lost time injury (LTI) per one million hours worked

PM (Particulate Matter)

Particulate matter is finely dispersed solid matter produced by burning and other technological processes; the most dangerous are fractions finer than 10 µm (PM₁₀).

RAR (Road accident rate)

The number of road accidents per 1 million km driven

Remediation

Preventing, minimising, remedying or mitigating the effects of pollution in relation to contaminated land or water, or restoring such land or water to its former state.

SD (Sustainable Development)

"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (source: UN / Brundtland Report).

Spills

Unintended or uncontrolled release of hazardous materials exceeding 1 cubic metre to the external environment (groundwater, surface water, soil), except spills contained in impervious containments.

SS (Solid Substances)

Particles which do not dissolve in water.

TPH (Total Petroleum Hydrocarbons)

Oil substances. A parameter expressing the pollution of surface water by organic oil substances.

VOC (Volatile Organic Compounds)

Any organic compound with a vapour pressure of 0.01 kPa or higher at 293.15 K (20 °C), or which has similar volatility under the actual conditions of use (methane is not included); most ground-level ozone (smog) results from a reaction between NO_x and VOCs.

VRU

Vapour recovery unit

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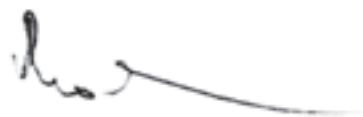
STATEMENT OF RESPONSIBILITY

Undersigned, authorized representatives of MOL Hungarian Oil and Gas Public Limited Company (MOL plc.) the issuer of MOL ordinary shares, hereby declare that MOL Plc. takes full responsibility for the announced Annual Report of MOL Group for the year ended on 31 December 2009, which has been prepared to the best of our knowledge in accordance with International Financial Reporting Standards as endorsed by the European Union, and give a true and fair view of the assets, liabilities, financial position, and profit of MOL Plc. and its subsidiaries and presents a fair review of the position, development and performance of MOL Plc. and its subsidiaries together with a description of principal risks and uncertainties.

Budapest, 29 April 2010



György Mosonyi
Group Chief Executive Officer



József Molnár
Executive Vice President
of Finance