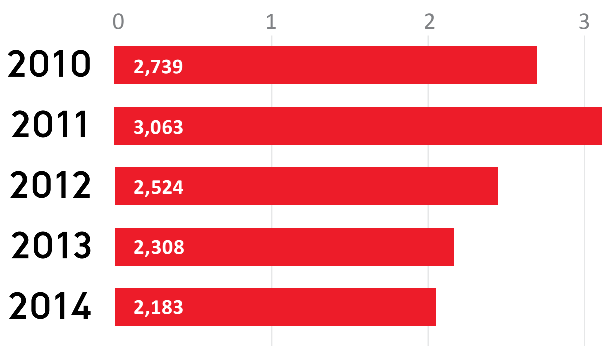
ANNUAL REPORT 2014

ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE

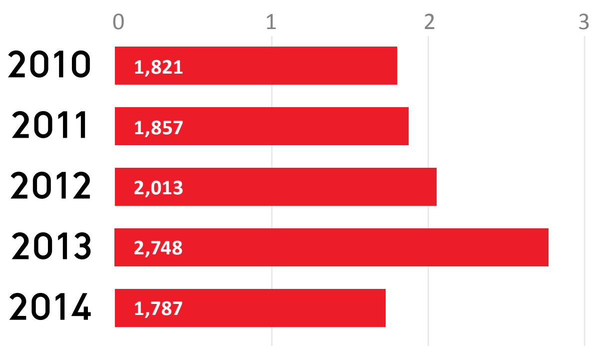
MOL GROUP

MOL GROUP AT A GLANCE

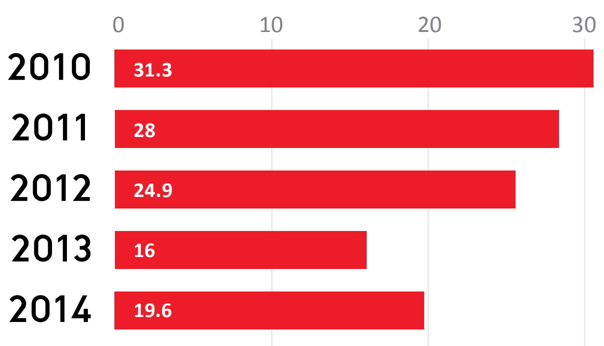
CCS EBITDA (USD mn)



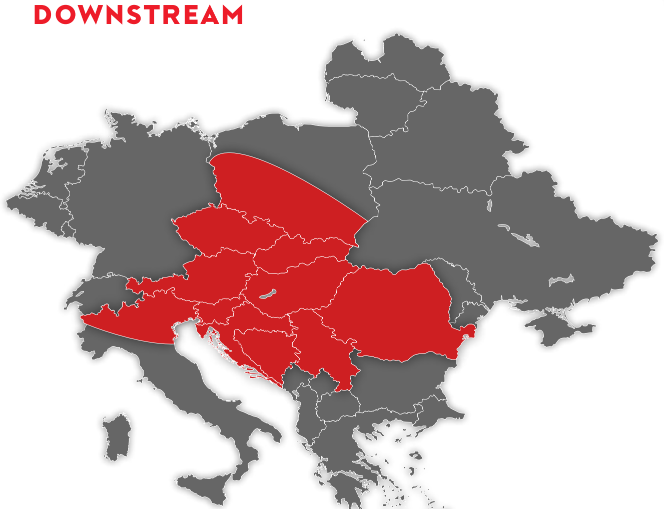
OPERATING CASH FLOW (USD mn)



GEARING (%)



DOWNSTREAM



Capitalisation USD bn*

4.7 $

Production 2014

98 mboe/d

2P Reserves*

555 mboe

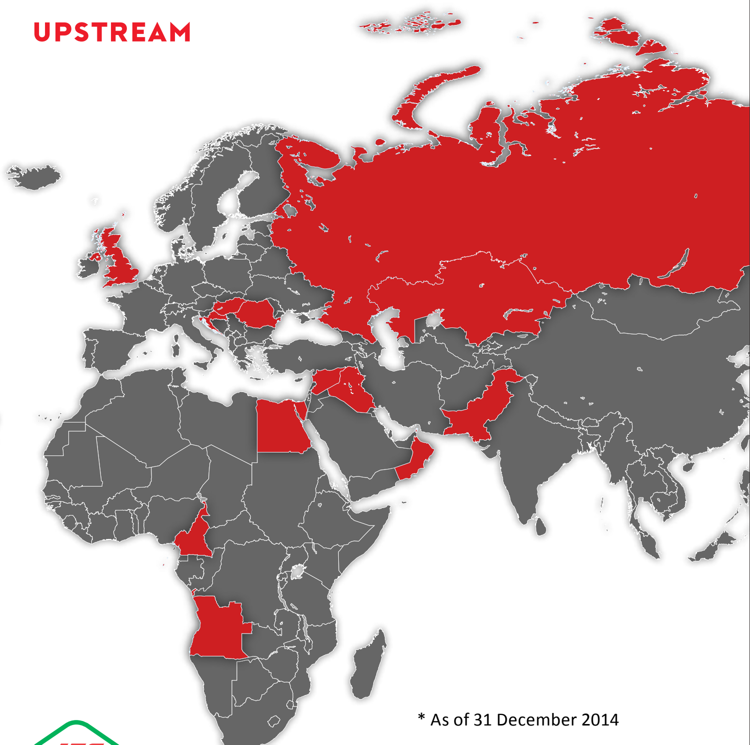
Refined Product and Petchem Sales

18 Mtpa

Service stations 2014*

1.734

UPSTREAM



* As of 31 December 2014

MEMBERS OF MOLGROUP

KEY FINANCIAL AND OPERATING DATA

KEY FINANCIAL DATA - IFRS (HUF BN)*

	2013	2014	13/14 (%)	2014 (USD MN)***
Net revenue	5,400	4,867	(10)	20,975
EBITDA	521	408	(22)	1,776
CCS EBITDA	516	511	(1)	2,183
o/w Upstream	356	270	(24)	1,165
o/w Downstream	157	206	32	874
o/w Gas Midstream	59	37	(37)	157
Profit for the year attributable to equity holders of the parent	21	4	(81)	47
Operating cash flow	615	435	(29)	1,787
Capital expenditures and investments	270	534	99	2,277
Return On Capital Employed (ROACE) % **	(4)	(0.1)	N.A.	

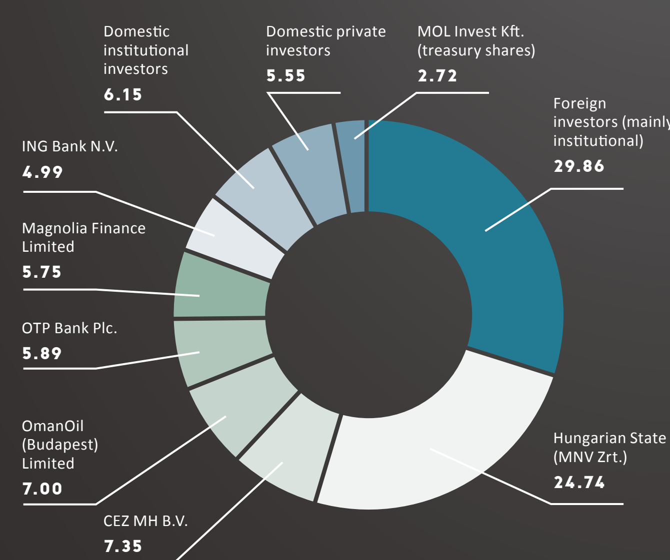
* Detailed data analysis are in the Management Discussion and Analysis chapter.
** Based on profit after taxes
*** Each month in 2014 is translated on its actual monthly average HUF/USD NBH rate

KEY OPERATING DATA

KEY UPSTREAM DATA*	2013	2014	13/14 (%)
Total gross hydrocarbon reserves, SPE 2P (MMboe)	576	555	(4)
Total hydrocarbon production (mboepd)	104	98	(6)
KEY DOWNSTREAM DATA*	**2013**	**2014**	**13/14 (%)**
Total crude oil product sales (kt)	19,373	17,852	(8)
Total retail fuel sales (m litre)	4,292	4,323	1
Petrochemical products (kt)	1,302	1,126	(14)
KEY GAS MIDSTREAM DATA*	**2013**	**2014**	**13/14 (%)**
Hungarian natural gas transmission (m cm)	10,916	11,556	5.9
ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA**	**2013**	**2014**	**13/14 (%)**
Carbon Dioxide (CO_2) emissions (Mt)	6.2	5.8	(4.9)
Lost time injury frequency (LTIF)	1.5	1.0	(33.3)
Total score in the Dow Jones Sustainability Index assessment	66	68	3

* Detailed data analysis are in the Management Discussion and Analysis chapter.
** Detailed data analysis are in the Supplementary And Sustainability Information chapter.

OWNERSHIP STRUCTURE



The Company's share capital amounts to HUF 104,519,063,578 represented by 104,518,484 pieces registered ordinary shares of the series "A" with a par value of HUF 1,000 and 578 pieces registered ordinary shares of the series "C" with a par value of HUF 1,001 and one piece registered voting preference share of the series "B" 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 the Hungarian Government.

We have presented the ownership structure of MOL Plc., as at 31 December 2014.

Please note, that data above do not fully reflect the ownership structure in the Share Register. The registration is not mandatory. The shareholder may exercise its rights towards the company, if the shareholder is registered in the Share Register.

According to the Articles of Association no shareholder or shareholder group may exercise more than 10% of the voting rights.

MOL GROUP INTEGRATED REPORTING

This integrated Annual Report is a summary of the performance of MOL Group in 2014. Integrated reporting in MOL Group means presenting the economic, social and environmental aspects of the value creation process in one comprehensive report. MOL Group is committed to transparency and considers integrated reporting to be the most efficient method for providing an overview of its performance to shareholders and to other interested stakeholders.

Financial information is disclosed in this report in accordance with the International Financial Reporting Standards (IFRS).

Sustainability reporting meets the comprehensive requirements of the Global Reporting Initiative's G4 sustainability reporting guidelines (including the Oil and Gas Sector Supplement). The scope and content is also prepared with consideration given to IPIECA's Voluntary Guidance on Sustainability Reporting and the materiality assessment. In the materiality assessment, sustainability topics that are relevant for the oil and gas industry have been ranked and classified according to their importance relative to external and internal stakeholders. This report is MOL Group's Communication on Progress according to the United Nations Global Compact.

The report presents historical information whenever it is necessary to put annual performance into context. The content of this annual report is also available in an electronic format on a microsite (www.molgroup.info/annualreport2014).

This annual report is prepared in both English and Hungarian. In the event of any discrepancies, the English version takes precedence.

Further information and disclosures about MOL Group: www.molgroup.info

THE GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

> MOL GROUP IS NOW ON A JOURNEY TO TRANSFORM THE BUSINESS. WE HAVE BIG AMBITIONS AND POTENTIAL FOR GROWTH, WHICH WE WILL ACHIEVE BY COMBINING SCALE, PROFESSIONALISM AND KNOW-HOW, WITH ENERGY, INNOVATION, AND A WILLINGNESS TO LOOK FOR DIFFERENT, BETTER WAYS OF WORKING.

Contents

MOL Group is an integrated international oil and gas company, working in the upstream and downstream sectors, active in around 40 countries across three continents, with a dynamic international workforce of nearly 27,500 people and a track record of more than 100 years in the industry.

In the past the focus was on downstream primarily, however, we also see great growth potential in upstream, and we are leveraging the expertise of our people to realise these opportunities.

We have lead positions in our home markets in Central Eastern Europe, but to realize our ambitions and grow in new markets for the future, we are now on a journey to transform the business.

We're constantly working towards being the investment of choice in our sector, the partner of choice in our industry, and the employer of choice for the brightest and the best.

We have big ambitions and potential for growth, which we will achieve by combining scale, professionalism and know-how, with energy, innovation, and a willingness to look for different, better ways of working.

INTEGRATED INTERNATIONAL OIL AND GAS COMPANY

40

COUNTRIES ACROSS THREE CONTINENTS

DYNAMIC INTERNATIONAL WORKFORCE

27,500

PEOPLE

OVER

100

YEARS IN THE INDUSTRY

What drives us all in MOL Group

To be the energy of positive change.

What connects us across the whole MOL Group

A passionate ambition to be the best. The courage to challenge, in order to find a better way. The positive power of working together towards a shared success.

OUTLOOK

2014 was a challenging year, but the strength and resilience of MOL's integrated business model meant that we could deliver great results even as oil prices halved. Looking ahead, having achieved the right balance between Upstream and Downstream will allow MOL to maintain and grow its profitability even at reduced oil prices. Although a low oil price is a challenge, its is equally an opportunity, as our increasingly integrated business model is well-positioned to take advantage of changes in the market, as the strength of our balance sheet will allow us to seek new attractive inorganic opportunities should opportunities arise. For Upstream, we will continue to increase production in the coming years, keeping the reserves replacement ratio at current levels or above, while aiming to maintain a strict cost control. As for Downstream, a low oil price is positive, but given the long term structural trends likely to shape the sector, MOL cannot rely on a favourable cyclical environment as the driver of profitability. As such, the Next Downstream Program will target additional efficiency improvements, whilst the extension of the petrochemicals value chain and the expansion of the retail network will further contribute to a sustainable growth in profitability. Ultimately, behind all growth and profitability targets lies a robust financial foundation, which will continue to be the firm's highest priority, as we seek to lay the foundations for future growth in 2015 and beyond.

GROUP:

USD 2 bn

CLEAN EBITDA TARGET IN 2015

UPSTREAM:

AROUND

10%

PRODUCTION GROWTH IN 2015

DOWNSTREAM:

ADDITIONAL USD 0.5 bn GROWTH BY 2017 TO REACH

USD 0.9 bn

NORMALIZED FREE CASH FLOW

BEST *of the* YEAR

1st PLACE

Training & Development Excellence Award from Asia Employer Branding Institute for Best Leadership Development Programs for Top and Middle Management

MOLGROUP

1st PLACE

ERE Recruiting Excellence Award from ERE.net for Best College Recruiting Programs 1st place

MOLGROUP

1st PLACE

Leadership 500 Award from HR.com for Leadership Development Excellence

MOLGROUP

1st PLACE

Energy Globe National Award (EGNA) (the first zero-carbon, solar-powered sustainable service station in the world)

MOL

1st PLACE

Best Corporate Governance in Croatia / World Finance, British financial newspaper

INA

1st PLACE

Award for the quality of service at the petrol stations Heraklea agency

INA

1st PLACE

VIA BONA - „Great employer"

Slovnaft

2nd PLACE

2nd place Good Practice Awards / EU-OSHA with cooperation of Slovak National Labour Inspectorate

Slovnaft

3rd PLACE

MOL Hungary's New Europe Foundation's Child Healing Program received the Hungarian Donors Forum 'Support program with the highest impact' award

MOL

The rubber-bitumen received the Hungarian National Ecolabel / Hungarian Ecolabelling Organisation / Hungarian Ecolabelling Organisation

MOL

Class A ranking in Bisnode Group's financial analysis

MOL

Slovnaft was awarded by Forbes magazine as one of TOP Slovak brands

Slovnaft

2014 - one Golden Index in the category "Expert support and assistance in organization of student projects"

INA

Recognition for contribution of business sector to the development of volunteering / Volunteer Centre Osijek with the support of The Council for the Development of Volunteering.

INA

INA was officially awarded recognition with an Employer Partner Certificate for its excellence in human resources management. (for the 4th year in a row) Employer Partner Certificate

INA

Carbon saving special award of Ablakon bedobott pénz / KÖVET Association

TVK

LETTER FROM THE CHAIRMAN CEO AND GROUP CEO

Zsolt HERNÁDI
Chairman and CEO, MOL Group

József MOLNÁR
Group Chief Executive Officer, MOL Group

We are proud to say that MOL Group delivered a strong set of financial and operational results in 2014 despite a tough external environment, with geopolitical events unfolding and oil prices dropping dramatically. Our 2014 financial and operational results are testimony to the strength and resilience of MOL Group's integrated business model, which has clearly demonstrated its value.

Looking back we have managed to deliver strong results despite the drastic fall in oil prices we experienced during the second half of the year. We virtually maintained our Clean EBITDA level (a mere one percent decline), preserved our strong cash generating position, grew our capital expenditure and kept our gearing and indebtedness ratios at historical lows, while being fully committed to maintaining our dividend distribution.

MILESTONES ACHIEVED IN UPSTREAM

We are proud to acknowledge that the Upstream division has achieved great milestones during the last year. We delivered a strong EBITDA despite the drastic fall in oil prices and managed to turn a corner, starting to increase production after recent years of decline and exceeding our original 2014 production target. At the same time we surpassed the 100% organic reserve replacement ratio, whilst the disposal and acquisition of different assets allowed us to optimize our international E&P portfolio further and establish our position in a hub of technology know-how, the North Sea. Finally, our new senior international Upstream management was established during the year and major organizational changes were implemented, further laying the foundations for future growth of the division.

EXCEPTIONAL PERFORMANCE IN DOWNSTREAM

Our Downstream division has delivered truly exceptional performance in 2014, exceeding all our previous expectations – especially in the second half of the year. EBITDA increased considerably, with all our divisions – refining, retail and petrochemicals – significantly improving their contribution. The New Downstream Program – a comprehensive efficiency program which was launched in 2011 – was successfully completed in 2014, fully delivering on our promises. Clearly an improved macro environment has been beneficial, but the outstanding results that the Downstream division has delivered during 2014 is fundamentally the result of the continuous efforts to improve from within, proving that through continual transformation and innovation we have become an even stronger Downstream player.

CHALLENGING CONTEXT IN 2015

Although the combination of a low oil price environment and a turbulent geopolitical scene pose certain challenges for the industry, we are looking into the future with great confidence. MOL Group is undergoing considerable changes and, as we embark on many exciting new projects, we continue to have a very strong financial position and to strike the right balance between Upstream and Downstream. This bodes well for the long-term success of the Group.

SIGNIFICANT GROWTH

In Upstream, we are determined to continue increasing production in the coming years with our existing portfolio, targeting substantial growth in our international operations, while being fully determined to maintain disciplined cost control across all of our operations. And although a low oil price environment is a challenge, we believe that we can benefit from it as the strength of our balance sheet will allow us to seek new inorganic opportunities. Finally, given the positive impact of our global management team, we are determined to attract additional highly-qualified international professionals who can contribute to developing long-term performance within the division.

ADDITIONAL EFFICIENCY IMPROVEMENTS

As for Downstream, we are all very proud of the results achieved, but we will under no circumstances put all our faith in an improving macro environment and ride on the back of a cyclical recovery. We will continue to implement structural changes to put Downstream on an even stronger footing, cementing our position as one of the most successful integrated businesses in Europe. The launch of our Next Downstream Program demonstrates our resolve for further progress as we target additional efficiency improvements, simultaneously benefitting from several major growth projects and sowing the seeds for future growth. The extension of the value chain in petrochemicals will strengthen our position among European petrochemical producers, while the continuous expansion of our retail network will consolidate our leading position in the region. We are hopeful that these initiatives will translate into sustainable growth in profitability, very strong cash flow generation and improved returns during the coming years.

STRONG FINANCIAL POSITION

Behind all of MOL Group's past achievements and future aspirations lies a strong financial foundation, which will continue to be our highest priority. This is the reason why, as a board, we devote a great deal of time to assessing, debating and challenging investment proposals from management, whilst closely monitoring progress and performance. We are as determined as ever to keep our robust financial position, leaving our increasingly integrated business model well-positioned to take advantage of changes in the market and deliver the results and value creation that our shareholders rightfully expect from us.

MOL Group's long-term success can only be achieved through the integration of environmental and social matters into our daily operations. This year, we reported the lowest injury rate ever achieved, whilst our energy efficiency programs resulted in a saving of more than 300,000 tons of CO_2 annually compared to 2011 baseline. And whilst we are very encouraged by these positive results, our efforts addressing environmental and social topics will remain of utmost importance in the future as we aim for a place in the top 20% of oil and gas companies as measured by sustainability performance. Considering the fundamental importance of transparency to the market, our non-financial performance will continue to be reported in line with leading external initiatives such as the principles of the UN Global Compact and overseen by dedicated board-level and executive bodies.

MAKING A POSITIVE DIFFERENCE

We feel very privileged to lead this exceptional organization. Almost 30,000 talented and dedicated individuals led by a fantastic and transformed management team have delivered great results throughout the year, achieving the Group's objectives and providing value for both shareholders and stakeholders alike. As we embark on a new year, we look forward with great confidence, fully convinced that we are on the right path.

We truly believe that MOL Group makes a positive difference wherever it operates, and we are determined to participate in and add value to the local communities, regions and host countries in which we live and work.

We would like to thank all our employees for their dedication and hard work as well as our partners, customers and suppliers for their excellent cooperation throughout the year.

great growth potential

...big ambitions and potential for growth

Kovács Tamás MTI

efficiency

...dedicated to further increase efficiency

stability

...natural gas transmission activity provides stable returns

focus on top talents

...the employer of choice for the brightest and the best

sustainability

...committed to doing business responsibly and sustainably

NORBERT MICHELISZ – FUELED BY AMBITION "TO BE THE BEST"

THIS YEAR YOU ARE STARTING YOUR 4TH WTCC SEASON WITH MOL GROUP'S SUPPORT. HOW DO YOU FEEL ABOUT THE PARTNERSHIP AND HOW DOES IT BENEFIT YOU?

It's been a long tradition that MOL Group is supporting outstanding talents both in the energy industry and in sport and I can really relate to that. In my opinion, in both fields, - to be successful-, you have to perform at maximum level. This striving for excellence is the basis of my enthusiasm for motorsport, and this may have been the motivation for MOL as well, to support technical sports. Especially, that the company has close ties to motorsport, as Panta Distribuzione S.p.A., a MOL Group member company is the official fuel supplier for WTCC. My field requires huge stamina, dedication and effort, qualities that are of the highest esteem both in business and sport.

YOUR PASSION FOR SPEED AND PERFORMANCE IS KEY IN YOUR CARRIER. WHERE DOES IT COME FROM AND HOW DOES IT INSPIRE YOU FOR FURTHER SUCCESS?

I followed an unusual track to enter motorsports. Before starting my real racing career, I had been training myself through computer simulation games. My uncle was passionate about rallying, he built my first racing car – I wasn't even 7 at the time! That's how I got poised by motorsport and since then, it has been impossible to get me out from behind the wheel. I always had the ambition to compete on an international field and I am delighted that MOL Group shares this ambition, one of the most important elements of this ideal partnership.

HOW DOES MOL GROUP'S SUPPORT ENABLE YOU TO ASPIRE FOR MORE?

I constantly challenge myself and my competitors through courage, discipline and ambition and these values are closely in line with MOL Group's corporate philosophy. Achieving my life's dream in partnership with a company that shares the same values of excellence that I do, is always uplifting. With MOL Group's generous support, I was able to achieve the most significant victory in the history of Hungarian motor racing.

WHAT ARE YOUR THOUGHTS ABOUT THE SEASON AHEAD OF US?

That is a very valid question, because last year was a special year for me and I continue to strive for my life-long ambition "to be the best" in 2015 too. This time, I really want to excel and I know exactly what I want to achieve!

"I KNOW EXACTLY WHAT I WANT TO ACHIEVE!

FACTS

NORBERT MICHELISZ

BORN: 08/08/1984
NATIONALITY: Hungarian
CURRENT COMPETITION: World Touring Car Championship (WTCC)
WINS: 3
POLES: 2
BEST FINAL PLACE: 4th (2014)

CARRIER'S HIGHLIGHTS:

- Hungarian Suzuki Swift Cup champion (2006)
- Hungarian Renault Clio Cup champion (2007)
- Hungarian SEAT León Cup champion (2009)
- SEAT León Eurocup champion (2009)
- WTCC Rookie Challenge champion (2010)
- WTCC Yokohama Drivers' Trophy champion (2012)
- WTCC (2014)
- Hungarian State Cross of Merit (2014)

OUR BUSINESSES AND OVERVIEW OF THE ENVIRONMENT

OVERVIEW OF THE MACROECONOMIC AND INDUSTRY ENVIRONMENT

WORLD ECONOMY

Global growth is still under its pre-crisis level and it is expected to remain there. With the exception of India, all of the large emerging economies experienced declining growth in 2014.
In China, underlying real indicators are showing a worse picture than headline GDP. The country's overall debt level is large, especially for an emerging economy. Credit and investment based growth is coming to an end, and slower growth is likely in the coming decade.
OECD countries performed better in 2014, all the major economies managed to increase their GDP growth (with the exception of Japan). The US economy performs best among majors due to cheap energy, healthier financial institutions and generally better fundamentals.
The Eurozone is also out of its recession; however, growth is still weak and the new quantitative easing programme alone does not seem to be enough to accelerate the region. Meanwhile the return to growth and easing of finances has decreased the appetite for structural reforms. In addition to the still unresolved credit crisis on its periphery (most importantly in Greece), the European Union has to deal with a new situation by its eastern borders. Sanctions against Russia and increased uncertainty in the region have so far had limited effects on European economies; however, a long-lasting open conflict decreases growth expectations. The Eurozone's outlook is therefore still clouded by uncertainty, weak growth and persisting political tensions.

GLOBAL ENERGY MARKETS & UPSTREAM

The most important event of 2014 was definitely the oil price decline that started in June and continued even in 2015. The most important causes of the decline were weak global oil demand, momentarily less supply disruptions and most importantly the US shale oil boom. As both demand and supply are rigid in the short run, large price swings are needed to balance a sudden change in conditions. Shale oil production is more responsive than conventional production, hence by the end of the year US unconventional production growth and especially investments started slowing.
The price of Brent crude averaged USD 99 per barrel in 2014. As mentioned earlier, demand increase was smaller than anticipated: according to the International Energy Agency, global oil demand increased by 0.7 MMbpd, reaching 92.5 MMbpd. All of the demand increase came from emerging markets, whereas OECD demand slightly declined in 2014.
Non-OPEC production grew by 2 MMbpd, from which US growth was 1.6 MMbpd. The US production growth alone was more than double the global demand growth in 2014. In addition, OPEC countries decided not to cut their production.

DOWNSTREAM

The Downstream segment is undergoing a profound transformation. More and more unprocessed liquid hydrocarbons are bypassing refineries while the refinery overhang is still massive, especially in the OECD. European Downstream is in an especially difficult position. It has neither the fast-growing local markets of Asia nor the cheap hydrocarbons the United States enjoys.

In 2014, refinery margins recovered somewhat from depressed 2013 levels, refinery shutdowns continued throughout the year despite the fact that around 10% of European capacity had already shut down between 2008-2012. According to the IEA, roughly a further quarter of European refining capacity may be at risk of closure by 2035.

CENTRAL AND EASTERN EUROPE

Most Central and Eastern European (CEE) countries experienced moderate GDP growth in 2014. However, there are distinct regional differences between dynamic markets (such as Poland) and relatively weak economies (such as Croatia). The recession was over in the Eurozone as a whole, and that had a positive effect on the region as well.
Due to relatively good economic growth, regional motor fuel demand grew in 2014. Moreover, this may continue in 2015 as low prices can boost demand.

HUNGARY

Hungary's GDP grew by 3.6% in 2014. Nevertheless, GDP is still lower than its 2008 peak and last year's relatively high growth was based on one-offs, such as a record draw of EU-funds. Medium term growth potential is certainly lower: public debt and spending remain high, bank lending is still lacklustre. Diesel demand grew by 9% and gasoline demand by 3.4% in 2014, possibly thanks to the construction sector and infrastructural developments and to lower oil prices in the second half of the year.

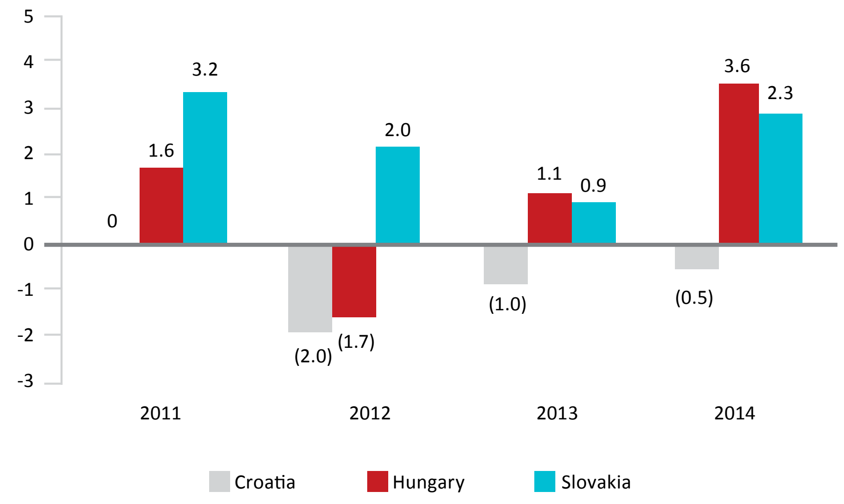
CROATIA

Croatia's economy remained weak in 2014, the sixth consecutive year without growth. Given weak domestic demand including lacklustre investment activity, a short-term rebound seems unlikely. Unemployment remains persistently high at around 17%, whereas falling inflation signals weak domestic demand with no recovery in sight for household credit. The country accordingly experienced a 5% gasoline demand drop in 2014, while diesel consumption stagnated. On a more optimistic note, industrial production is benefitting from EU entry as is to a lesser extent export growth which could boost GDP growth.

SLOVAKIA

Slovakia managed to consolidate its government budget since the crisis and done major reforms and austerity measures. Due to these measures, Slovakia experienced 2.3% GDP growth in 2014 (IMF). On the flipside, unemployment is still relatively high at around 14%. Gasoline demand grew by 2.5% in 2014, whereas diesel demand grew by a sizable 5.7%, mainly due to favorable economic environment and the oil price decline.

Regional GDP growth, 2011-2014



WE HAVE MADE SIGNIFICANT STEPS TOWARDS OPTIMISING AND BROADENING THE MOL GROUP UPSTREAM PORTFOLIO, WITH THE OBJECTIVES OF IMPROVING TOTAL PRODUCTION, EXTENDING KNOW-HOW AND BALANCING OVERALL UPSTREAM RISK PROFILE.

Alexander Dodds – Executive Vice President, Group Exploration and Production

2014 HIGHLIGHTS

PERFORMANCE

- **Production on the rise since mid-2014, 98 mboepd average production delivered in 2014, exceeding original targets**
- **2P reserves of 555 MMboe at 2014 year-end**
- **Organic reserves replacement ratio of 103% with a reserves life index of 15 years**
- **Exploration spending increased by 60% compared to 2013**
- **Unit OPEX kept at a competitive level of USD 8.4/boe**
- **Successfully finalising the major organisational restructuring of MOL Group Upstream**

PORTFOLIO

- **Mitigating production decline and maximising cash flow generation in the matured CEE region**
- **Diversified portfolio ensures presence in the world's key oil and gas regions, such as the North Sea, the Kurdistan Region of Iraq, CIS countries and Pakistan**
- **Successfully closed two deals in the UK North Sea region**
- **Started commercial production in the Akri-Bijeel block in the Kurdistan Region of Iraq**
- **Balancing risk and seeking new exploration and development opportunities arising from the current oil price environment**

UPSTREAM

What have been the most important tasks for MOL Group Upstream in 2014?

"MOL Group has set out on an ambitious journey to renew its Group Exploration & Production business, focusing on the improvement of three key pillars: our people, processes and portfolio. One of our main achievements in the last year and a half has been the restructuring of the E&P organisation: we successfully completed our senior management team, adding experienced international managers, and also recruited crucial senior level experts. We moved from an asset-based to a region-based organisational structure, which allows us to be more efficient in terms of how we make use of our people and how we manage our processes. We have made significant steps towards optimising and broadening the MOL Group Upstream portfolio, with the objectives of improving total production, extending know-how and balancing overall upstream risk profile."

Alexander Dodds – Executive Vice President, Group Exploration and Production

MOL Group Upstream has over 75 years of mainly onshore production experience, and is actively working to expand its portfolio with additional offshore activities. Our portfolio consists of oil and gas exploration and production assets in 13 countries with production activity in 8 countries.

MOL Group remains committed to ensuring safe operations that protect people and the environment, and are in accordance with the principles of sustainable development. We aim to keep the organic reserve replacement ratio above 100% on a three year average, while targeting flat to declining unit cost across all countries where we operate. We intend to achieve a production growth rate of at least 10-15% per annum. In 2014, we managed to reverse the declining trend in our production and are now firmly on a growth path. In 2015, we aim to ramp up total organic production to 105-110 mboepd, 10% above the 2014 level. Growth will be fuelled by new production additions from:

(1) **THE NORTH SEA REGION.** The Cladhan development is now almost on track for first oil in H2 2015, thus adding to the barrels produced by recently acquired producing fields.

(2) **THE KURDISTAN REGION OF IRAQ.** Following the approval of the Field Development Plan in 2014, commercial production started from the Akri-Bijeel block. In the Shaikan block, a second production facility was completed in 2014, enabling total block production capacity to reach 40 mboepd. We expect a gradual increase in production from both the Akri-Bijeel and Shaikan blocks, following debottlenecking activities on surface facilities and the tie-in of new wells.

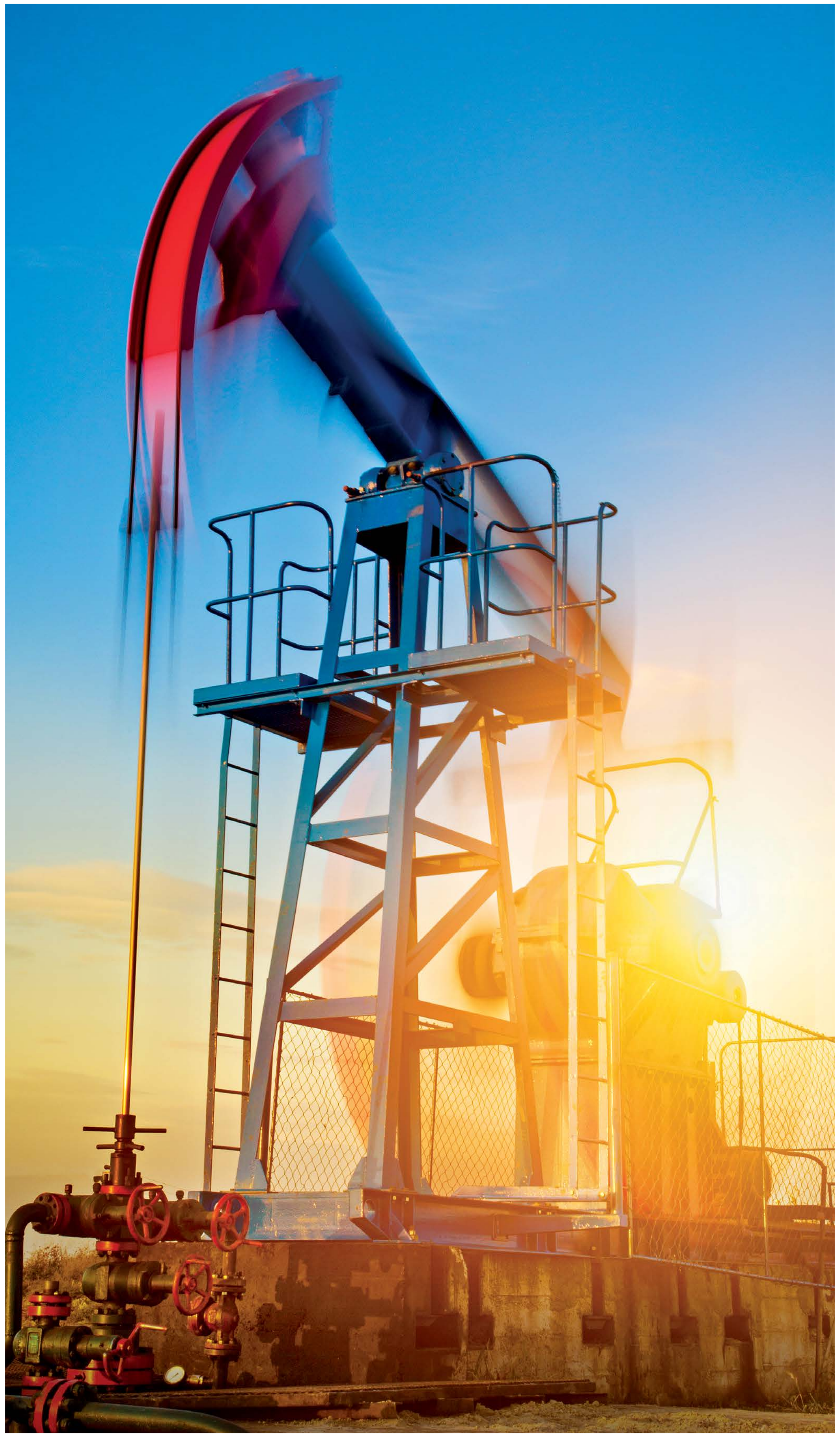
> THROUGH ITS NORTH SEA EXPANSION, MOL GROUP'S PRESENCE HAS BEEN FIRMLY ESTABLISHED ON THE GLOBAL MAP OF OFFSHORE E&P IN A STABLE, LOWER RISK AREA. MOREOVER, FOLLOWING THE CLOSING OF THE SECOND M&A TRANSACTION, WE WILL BENEFIT FROM PRONOUNCED OPERATIONAL SYNERGIES ON THE NORTH-SEA PORTFOLIO.

Alexander Dodds – Executive Vice President, Group Exploration and Production

(3) **THE CEE REGION.** The CEE region, including Hungary and Croatia, will remain the backbone of MOL Group's production in the upcoming five to ten years. We aim to mitigate the production decline and maximise cash flow, focusing on efficiency improvement measures and reducing unit production costs. In Hungary, our objective is to keep production decline below 5%. Meanwhile in Croatia, major development projects will enable us to increase production.

The achievement of planned growth targets will be underpinned by further improvement in our capabilities and a focus on portfolio optimisation, through both organic and inorganic means. Through INA, we have a track record of more than 16 years of shallow offshore experience, and we also intend to develop further our know-how in other regions. The fruitful relationships we have built in the industry, with local communities, and with the governments of countries where we operate enable us to operate safely and more efficiently, which is especially important in politically unstable environments.
We have an established presence and thriving partnerships in the MEA region, Pakistan, and the CIS. Following the divestments of Russian assets in 2013/14, our active portfolio management approach continues. As a key inorganic step, MOL Group entered the North Sea region, and in 2014 successfully closed two deals. This strategic development allows MOL Group not only to increase the overall production level and enhance its offshore experience, but also to decrease the average political risk profile of the Upstream portfolio. The North Sea area refion serves a new hub of technology know-how from which the whole Group will benefit. MOL Group remains committed to its exploration strategy as the basis of long-term sustainable growth.

We actively seek opportunities to enhance our international exploration portfolio through both organic and inorganic steps. (1) In the 28th UK Bid Round, MOL Group acquired four exploration licences. (2) In Pakistan, exploration activities will continue in the TAL and Karak blocks. The first exploration well drilled in the Ghauri block has already resulted in an oil discovery in 2014, and early production activities will



follow in 2015. In the Margala North block, the first exploration well to explore below the Main Boundary Thrust in the Margala Hills was spudded. (3) In Kazakhstan, MOL increased its 2P reserves to 60 MMboe after the successful completion of the appraisal programme in Fedorovsky block. Moreover, discovery was made in the Bashkirian reservoir of the Rozhkovsky field and negotiations with Kazakh State Authorities are underway to extend our exploration license. (4) In Hungary, MOL was awarded three new exploration licences in two bid rounds. (5) In Croatia, two blocks were granted to INA in the First Offshore Bid Round, and INA is due to bid for licences in the First Onshore Bid Round.
The North Sea area will remain a focus of MOL Group business development, with ambitions to extend our presence in this region. Moreover, we continue to seek new exploration and development opportunities in our core CEE countries, as well as in the MEA region and CIS countries. MOL Group is well positioned to utilise opportunities that arise from the current lower oil price environment, which enables us to balance risk and seek new exploration and development opportunities.

KEY ACHIEVEMENTS

"IN 2015 WE INTEND TO INCREASE PRODUCTION FURTHER AND COMPLETE THE INFORMATION ACQUISITION CAMPAIGN, WHICH SHOULD SERVE AS VALUABLE INFORMATION FOR FURTHER DELINEATION OF THE RESERVOIR IN THE AKRI-BIJEEL BLOCK IN THE KURDISTAN REGION OF IRAQ.

Carl Grenz – Chief Operating Officer, Exploration and Production

THE MIDDLE EAST, ASIA AND AFRICA

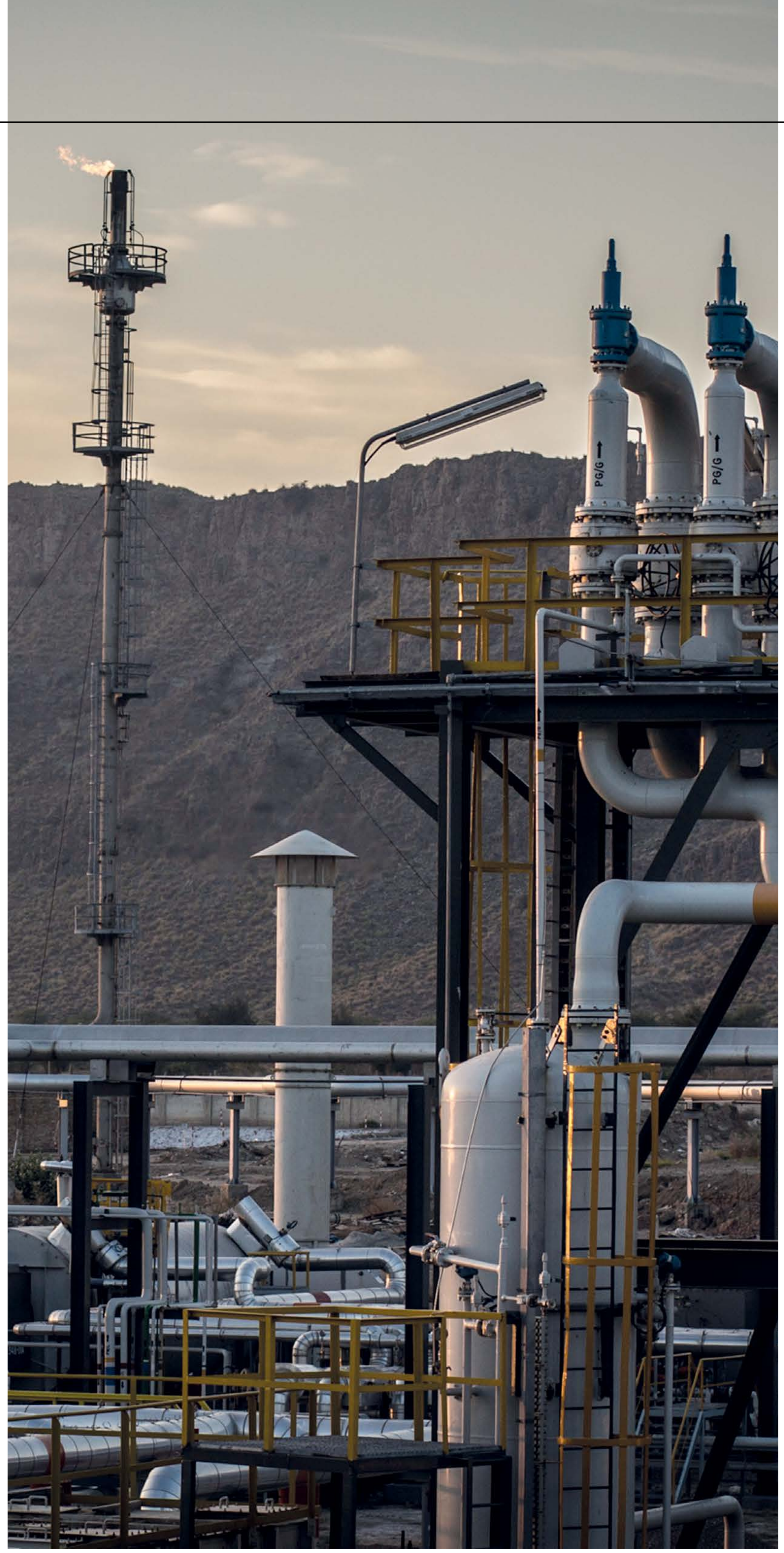
MOL Group has strengthened its presence in these regions by expanding its portfolio and carrying out accelerated work programmes. In the Kurdistan Region of Iraq, the Field Development Plan for the operated Akri-Bijeel block was officially approved, and commercial production on the block has started. MOL Group has a close, long-term co-operation in Kurdistan with the Regional Government and we are committed to maintaining our presence in the Kurdistan Region of Iraq.

A key milestone was reached for MOL Group with the official approval of the Akri-Bijeel block Field Development Plan (FDP) by the Ministry of Natural Resources. This was followed by the start of commercial production from the Bijeel-1 Production Facility. Moreover, extensive parallel drilling and well testing activities resulted in an improved understanding of the complexities of the reservoirs in the Bijeel field. In the Bakrman area, a 3D seismic survey of the discovery was completed and the first appraisal well, Bakrman–2, reached its target Triassic depth, showing a better-than-anticipated structure. In the Shaikan block, the second production facility (PF-2) became operational. The block has been producing from seven wells through two production facilities, with total production capacity of 40 mboepd.
In the Pakistani TAL block, six discoveries have been made since 1999. Processing facilities in the TAL block, including the Makori Gas Processing Facility (commissioned in 2014) achieved gross block production of approximately 77 mboepd. The Mamikhel and Maramzai fields were declared commercial in 2014 and development plans were submitted to the Government of Pakistan. Drilling activities increased from two rig operations to four in the operated blocks, with three rigs deployed in the TAL block. Four wells were spudded and their completion is expected in 2015, two were exploratory and two were development wells. Three new wells came into production. In the Karak block, extended well test production from the Halini-1 exploration well continued. The locations of two exploration wells to be drilled in 2015 were identified. The first exploration well was drilled in the Ghauri block in 2014, resulting in an oil discovery. In the Margala North blocks, drilling of the first exploration well commenced. This is the first well being drilled in the northern part of the Potwar Basin (North of MBT), and is thus expected to have a significant impact on the future exploration approach in the area.
MOL Group will continue to expand its position in exploration in Pakistan.
In Oman, MOL Group continued pre-drilling exploration activities with the completion of G&G studies, performing a 2D/3D seismic acquisition campaign, seismic processing and partial interpretation of seismic data. We also started preparations for drilling of the first exploration well, expected to be spudded in Q4 2015.

THE CIS REGION

An intensive field development programme is underway in the Russian Baitugan block. In Kazakhstan, we move towards development phase in the Fedorovsky block following additional reserve bookings in 2014.

In Russia, MOL Group divested 49% of shares in BaiTex LLC to the Turkish Petroleum Corporation (TPAO) in April 2014. In order to optimise operations and establish strategic partnerships, MOL Group remained the operator, with a majority stake. In the Baitugan Block, the 2014 development drilling programme was carried out with 4-6 rigs. Construction of infield infrastructure was finished and 52 producing and injection wells were drilled to continue last year's production growth. In the Yerilkinsky block, completion of 3D seismic interpretation in 2014 confirmed the block's exploration potential, and the first exploration well is planned for Q3 2015. In the Matjushkinsky block, the focus remained on exploration, including the interpretation of the recent 2D seismic survey, expected to clarify the remaining potential of the block.
In the Fedorovsky block in Kazakhstan, a successful appraisal program was completed in May 2014. Based on the testing results of the U-24 appraisal well, a new discovery was made in the Bashkirian reservoir of the Rozhkovsky field. After an independent reserve audit, MOL Group booked an additional 24 MMboe reserves and now holds 60 MMboe of reserves in the block. Kazakh state authorities have approved the declaration of commerciality. In 2015, MOL Group will proceed with preparations to begin the first phase of the development project.



THE CENTRAL EASTERN EUROPEAN REGION

The CEE region, where MOL Group has more than 75 years of E&P experience, has successfully preserved its core role in the Group's Upstream portfolio. Strategic focus is placed on maximising recovery from matured fields, mitigating production decline, maximising cash flow and building on extensive know-how, whilst taking steps to optimise the portfolio and improve cost efficiency.

IN THE CEE REGION, MOL GROUP SUCCESSFULLY USES ITS TECHNICAL EXPERIENCE AND KNOW-HOW TO COUNTERBALANCE DECLINING MATURE PRODUCTION.

Mike Pausche – Senior Vice President, Field Operations

Through continuous implementation of new projects, MOL Group seeks to achieve its strategic goal in Hungary to limit the production decline rate to 5%. As part of the conventional exploration program, gas and gas condensate discoveries were made. The unconventional exploration project continued in the Derecske Basin. In addition, 11 field development projects were completed and five new development wells were drilled. To ease the pressure of declining production on unit production costs, an extensive cost optimisation programme has commenced. In order to expand its acreage, MOL Group contracted for the Szeged Basin West concession and the Jászberény geothermal block in the First Bid Round. Furthermore, in the Second Bid Round announced in June 2014, MOL Group was awarded the Okány Eastern concession block. INA's main goal is to stop the natural decline in Croatia and even increase production in 2015. INA's efforts have already yielded positive results as crude oil production in Croatia has increased for the first time in more than a decade, largely due to the successful well optimisation programme. Accelerated onshore exploration and development activities conducted over the past years in Croatia have already resulted in a moderated, 5% production decline rate in 2014. An important milestone was reached in the Ivanić-Žutica EOR project as the permit for trial work on CO_2 injection in the Ivanić Field was obtained from the Ministry. 2015 will bring completion of the first phase of the EOR project with a positive effect on production in the Ivanić field, and the start of CO_2 injection in the Žutica field. Offshore development drilling activities continued in 2014. Five development wells were drilled, yielding 1.6 mboepd in incremental gas production for INA. Gas production started at the Izabela field in July 2014, and at the Ika JZ field in November 2014. To further enhance the exploration portfolio, INA bid for licences offered in the First Offshore Bid Round and was subsequently awarded two exploration blocks, South Adriatic 25 and South Adriatic 26. INA will proceed with negotiations and the signing of the PSA Agreement. INA has also expressed its interest in licences offered in the First Onshore Bid Round, the award of which will follow in Q1 2015.

THE NORTH SEA

In 2014, MOL Group closed deals with Wintershall and Premier Oil, and was awarded of four exploration licences in the 28th UK Bid Round.

MOL Group entered the UK North Sea basin after acquiring a portfolio of non-operated offshore assets with 14 licences from German BASF Group member Wintershall. At that time, the Cladhan development was already underway, and the Catcher development was being progressed to field approval status. The Cladhan development is now almost complete and should be on track for first oil in H2 2015. Catcher has been fully approved and is moving forward with first wells planned for drilling in Q2 2015 and the FPSO construction in Japan underway. December 2014 saw completion of the acquisition of shares in the Scott, Telford and Rochelle fields from Premier. In 2014, MOL Group was awarded four firm blocks in the 28th UK Bid Round.
The strategic steps taken in the North Sea region allow MOL Group not only to increase its reserves and overall production, but also to simultaneously decrease the political risk profile of MOL Group's Upstream portfolio. Entry into the North Sea area also enables MOL Group to enhance shallow offshore experience and create a new hub. We see room for cost efficiency improvements in the supply chain and have established a proactive and collaborative relationship with operators to help reduce costs in the low oil price environment.

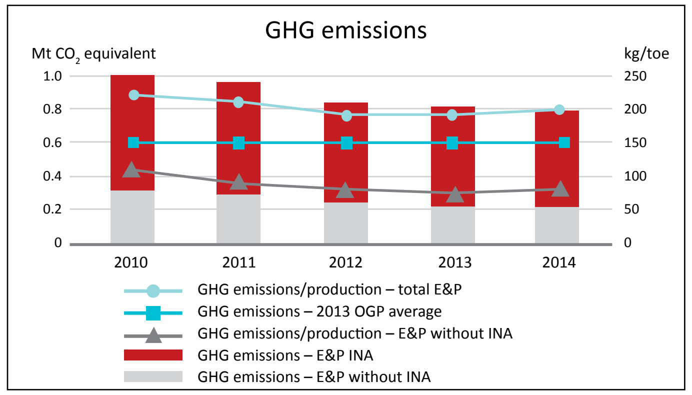
THE NORTH SEA WILL REMAIN A FOCUS AREA FOR MOL GROUP'S BUSINESS DEVELOPMENT. MOL GROUP IS WELL POSITIONED TO UTILISE OPPORTUNITIES THAT ARISE FROM THE CURRENT LOW OIL PRICE ENVIRONMENT, WHICH ENABLES US TO BALANCE RISK AND SEEK NEW EXPLORATION AND DEVELOPMENT OPPORTUNITIES.

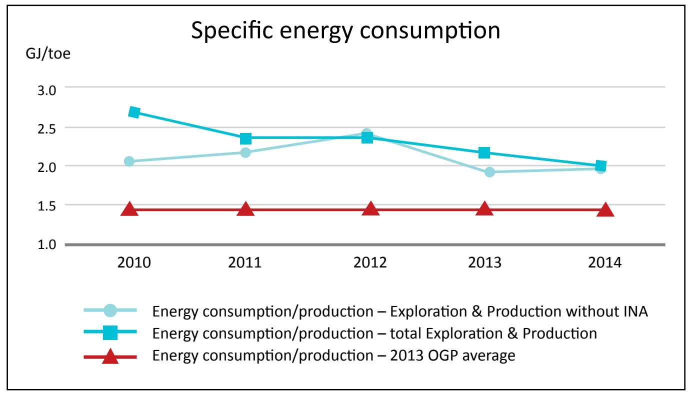
Brian Glover – Senior Vice President, Exploration & Business Development

SUSTAINABILITY HIGHLIGHTS

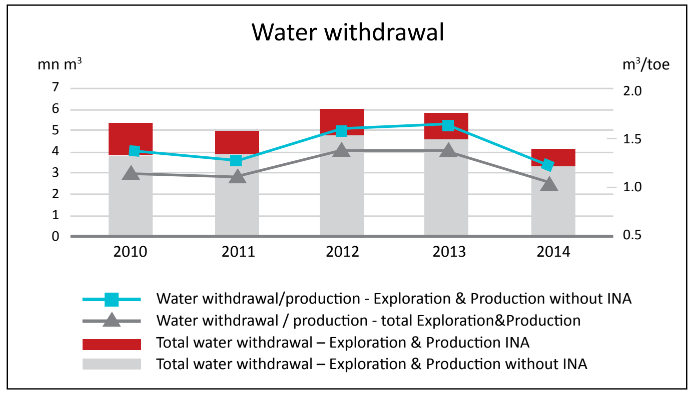
- Enhanced Oil Recovery project in Croatia, which will increase oil recovery and substantially reduce carbon-dioxide (CO_2) emissions, has obtained its operating licenses. After finalising re-lining work-over operations on both CO_2 injection wells and water disposal injection units, pilot injection into 12 wells in Ivanic Grad commenced. By the end of 2014, a total of 27,045,379 m^3 of CO_2 had been injected, resulting in a 50 thousand ton reduction in CO_2 emissions.
- Begun in 2013, comprehensive water studies were finalised in 2014 for two operational blocks; one in Pakistan and another one in the Kurdistan Region of Iraq, both considered to be located in a water-scarce area. Bearing in mind further operational development in both areas - especially the likelihood of water-intensive drilling operations - further recommendations were made in order to ensure a sustainable supply of water and to protect water bodies throughout both blocks.
- E&P activities often take place in or adjacent to natural, protected areas. In 2014, MOL Group conducted a comprehensive survey to better identify sites that are critical from a biodiversity perspective. The findings show that MOL Group's general exposure is moderate, but some of the operational sites in Hungary and Croatia are located on areas with Natura2000 protection, and in Croatia three major sites are located in biodiversity-critical (protected nature conservation or water sensitive) areas. Accordingly, operational plans for 2015 include the preparation of Biodiversity Action Plans for the sites considered to be biodiversity critical. For international operations, an Action Plan covering all three of the critical sites for the period 2014-2016 has already been developed in Pakistan, and the first part of this plan has been finalised.
- In E&P operations outside Europe, a large amount of crude oil is transported by road. In order that own staff and contractor employees to better understand and manage the risks they face with road safety, MOL Pakistan conducted a comprehensive road risk assessment for condensate/crude transportation from field operations to transferring facilities. A new HSE pre-screening and HSE pre-qualification criteria have also been introduced for contractors regarding road transportation. This should help identify contractors with the best safety performance.
- In the Kurdistan Region of Iraq, Kalegran B.V. has completed identifying the most material social issues, stakeholder concerns and related social impacts of its operations. The outcome of the process is a so-called Stakeholder Engagement and Social Investment Strategy. Six key areas were identified as being crucial to locals. The main areas of concern are addressed in initiatives for Water Development, Agriculture, Education, Youth Empowerment and Tourism. The assessment and pre-planning process for the proposed initiatives will be implemented in the near future and is due to be completed in 2015.
- In 2014, MOL Group launched UPPP, a new international E&P talent acquisition program. In total, 972 teams entered the program, most of them from Pakistan, the Kurdistan Region of Iraq, the UK, Hungary and Croatia. Three Pakistani teams made their way into the top ten and some of them won monetary prizes and an opportunity to work as part of MOL Group.

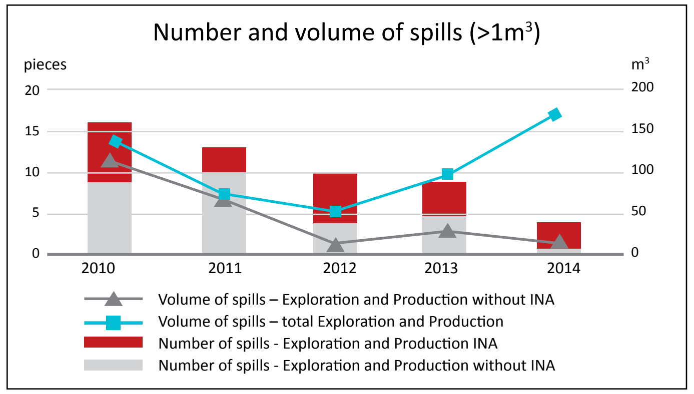
CLIMATE CHANGE





ENVIRONMENT

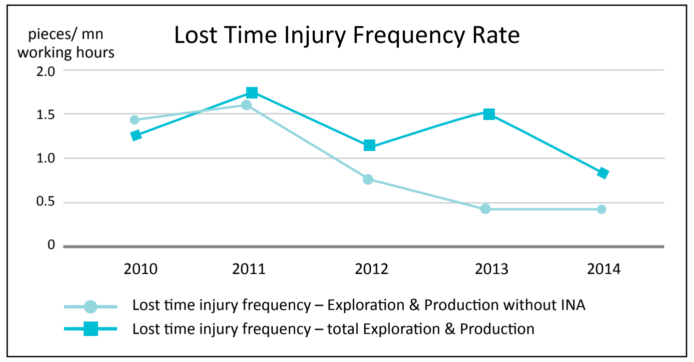




ENVIRONMENT

	2010	2011	2012	2013	2014
Hazardous waste (t)	22,587	25,240	21,281	9,374	9,135
Hazardous waste/production (kg/toe)	5.1	5.5	4.9	2.2	2.3
Non-hazardous waste (t)	37,092	27,761	43,079	68,640	73,560
Non-hazardous waste/production (kg/toe)	8.3	6.1	9.9	16.3	18.5
Waste reused or recycled (t)	33,501	24,339	28,451	34,669	33,976
Reuse or recycle ratio (%)	56	46	44	44	41

HEALTH AND SAFETY



	2010	2011	2012	2013	2014
Fatalities – own staff	0	0	1	0	0
Fatalities – contractors	1	5*	0	2	3

* Five contractors and a third-party fatalities due to non-HSE event (fire fight in Pakistan)

COMMUNITIES

	2010	2011	2012	2013	2014
Community investments in E&P (HUF m) (Total MOL Group without INA Group)	92	163	191	354	234

HUMAN CAPITAL

	2011	2012	2013	2014*
Headcount	6,760	6,946	6,432	3,863
Female (%)	14	13	14	17
Turnover rate (%)	9.7	10.6	5.3	7.0
Training cost per capita (HUF th)	78	72	84	111
Training hours per capita (hours)	28	20	28	31

*Crosco is excluded from E&P data from 2014

ECONOMIC SUSTAINABILITY

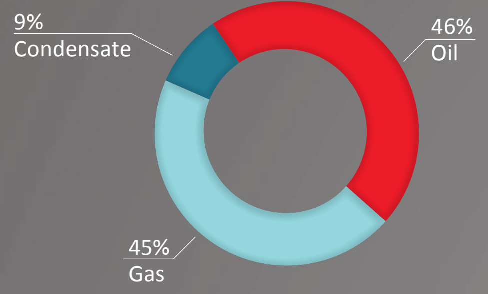
	2010	2011	2012	2013	2014
Reserve Life Index (years) (SPE 2P)*	11	13	15	15	16
Organic Reserve Replacement Rate (%) (SPE 2P)*	15	217	19	18	103
Research & Development expenditure (HUF mn)	597	715	730	486	286

*Contains INA total reserves. Production figures contain Total MOL Group including INA, except Y2009 which contains MOL Group and INA production Y2009 H2.

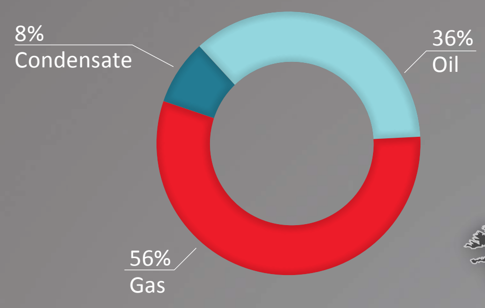
Data refer to total MOL Group but only operationally controlled companies, therefore Joint Ventures (INA offshore, Syria, Egypt and Angola) are excluded; data covers 82% of production. The exception is Economic Sustainability data which covers total MOL Group.

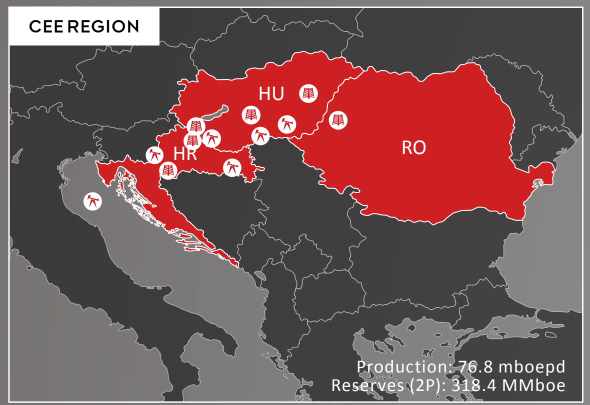
PORTFOLIO ELEMENTS

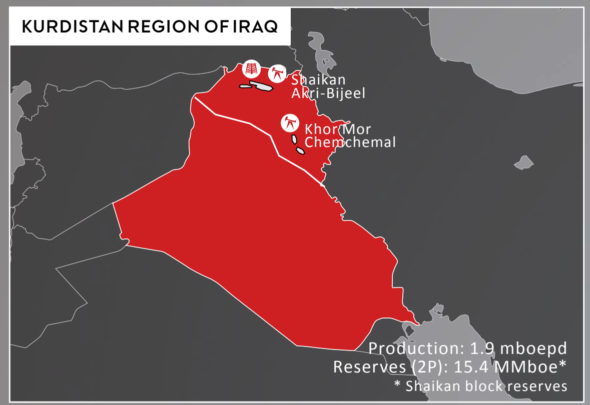
SPE 2P reserves
555 MMboe

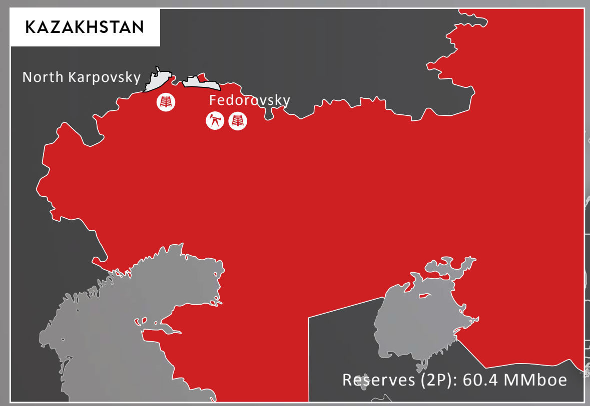


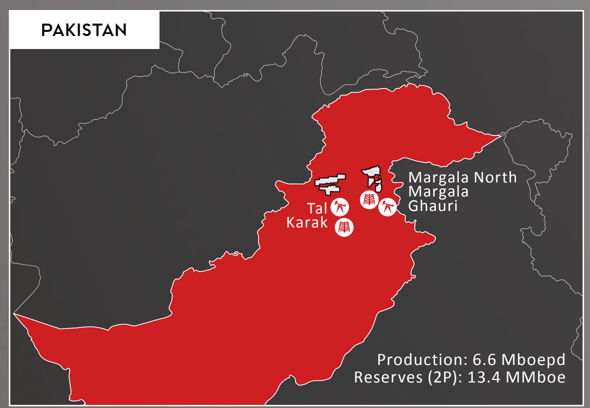
Production (2014)
97.5 mboepd

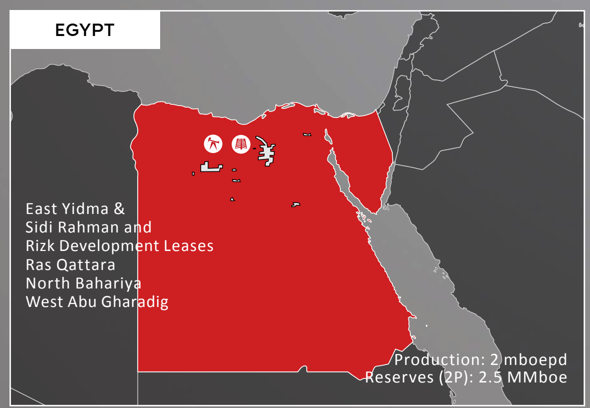












* MOL finalised the sale of 49% stake in BaiTex LLC (holder of the hydrocarbon licenses for the Baituganskoye field) in early 2014.

> "IN 2014, NOT ONLY THE GROUP LEVEL DOWNSTREAM PERFORMANCE, BUT ALL MAJOR BUSINESSES WITHIN DOWNSTREAM HAVE INCREASED. I AM CONFIDENT THAT WE ARE ON THE RIGHT PATH, AND KNOW THAT OUR PEOPLE HAVE THE ABILITY TO REACH ALL THE 2017 TARGETS THAT HAVE BEEN SET.

Ferenc Horváth – Executive Vice President, Group Downstream

HIGHLIGHTS

- MOL Group Downstream is a diverse business with a global portfolio of refining and petrochemical facilities, wholesale and retail operations, including logistics supported by an optimised, integrated supply chain
- Six production units with total capacity of 20.9 mtpa refining and 2.1 mtpa petrochemicals per annum
- Sales of 16.7 mtpa refined products and 1.1 mtpa petrochemicals to our wholesale customers worldwide
- Retail presence with 1,734 service stations in 11 countries
- All main Downstream segments improved their contribution in 2014, resulting in a clean CCS EBITDA improvement of 32% overall in 2014
- MOL Group Petrochemicals clean EBITDA tripled compared with 2013
- Highest organic CAPEX of the last five years in 2014
- Strong Downstream results are clear evidence of the successful completion of the New Downstream Program: USD 500-550 m in efficiency improvements realised up to 2014

DOWNSTREAM

Downstream showed outstanding results in 2014, what is your take on this improved performance?

"Especially the second part of the year was quite a robust for MOL Group Downstream. I'm very happy to state that all Refining and Marketing, Retail and Petrochemicals businesses increased their performance last year. We reached USD 870 million of clean EBITDA last year, which is an improvement of over 30% and was supported by the USD 500 m New Downstream Program efficiency improvement. I'm very glad to report today that, based on last year's numbers, we have reached the target we announced, to ourselves, and also to our shareholders, in 2012.
We are aiming to maintain and build further our regional stronghold model, which consists of three main pillars. One is how we are handling and what we are doing with our assets, the second is our markets and the third one is our colleagues."

Ferenc Horváth – Executive Vice President, Group Downstream

COMPETITIVE ADVANTAGE

MOL Group's Downstream division is made up of different business activities that are part of an integrated value chain. This value chain turns crude oil into a range of refined products, which are moved and marketed for domestic, industrial and transport use. The products include, among others, gasoline, diesel, heating oil, aviation fuel, lubricants, bitumen, sulphur and liquefied petroleum gas (LPG). In addition, it produces and sells petrochemicals worldwide and holds a leading position in the petrochemical sector in the Central Eastern Europe region.

Our "Six production unit model", optimised by Supply Chain Management, benefits from the synergistic operations of our complex asset base. Our high net cash margin-producing refineries in Hungary and Slovakia make the most of their geographical locations, as well as their well-balanced product and customer portfolios. MOL Group Petrochemicals brings distinct advantages to MOL Group's refineries whilst delivering high quality products to our customers.
For MOL Group's refineries that can be supplied from the sea, feedstock optimisation ensures that we select the most appropriate raw materials from a wide slate of crude oil types. Based on actual crude oil market trends and, as a result of supply chain optimisation, between 2012 and 2014 we achieved a continuous increase in alternative crude processing in our refineries, compared to the Urals. Crude and raw materials supplies and low-cost product distribution are achieved through our extensive pipeline system and increased storage depot coverage. Our diverse logistics network, combined with well-positioned commercial activities, remains a key advantage in capturing sales margin revenues and reaching end customers.

KEY ACHIEVEMENTS

COMPLETION OF NEW DOWNSTREAM PROGRAM 2012–2014

MOL Group Downstream successfully completed its New Downstream Program, implemented during 2012-2014, by making significant efficiency improvements across the entire area of operations. A paradigm shift was achieved by making radical changes across all elements of the integrated downstream value chain; from crude selection through Refining and Petrochemicals to Wholesale and Retail. Through more than 300 initiatives, the division managed to improve its efficiency, ensure more flexible operations and maximise its revenues, whilst maintaining strict cost control.

FROM A PRODUCTION POINT OF VIEW, OUR AIM IS TO OPERATE HIGHLY EFFICIENT, TOP-QUALITY REFINERIES, INCREASE AVAILABILITY BY OVER 1% AND IMPROVE WHITE PRODUCT YIELD BY 2.5%. IN PETROCHEMICALS, WE ARE GOING TO INCREASE, AND DEVELOP FURTHER ALONG THE FULL VALUE CHAIN.

Miika Eerola – Senior Vice President, Group Downstream Production

In line with original plans, USD 150mn, almost 30% of the total target, was delivered during 2012. In 2013, the second year of the programme, USD 400mn CCS EBITDA improvements were achieved compared to 2011. In 2014, the third and final year of the New Downstream Program, USD 500-550mn EBITDA improvement was achieved compared to 2011, with proportional contributions from MOL Group companies. Outstanding results were seen in energy management, saving almost USD 100mn through volume reduction, optimisation of energy sources and better contract management; as well as in production flexibility and yield improvement. This brought in an additional USD 100mn by utilising alternative feedstock and pushing production units of all sites for better yields.
At the same time, we optimised our product and market portfolio, producing more valuable products and placing them on the most profitable markets. We also achieved a significant improvement in retail margin.

Continuing the successful model of the New Downstream Program, the Downstream division is now ready to address the challenges of an economic environment that is still unsettled by implementing a new asset and market efficiency programme which will support the achievement of MOL Group Downstream's strategic goals.

MAPPING AND OPTIMISING OUR STRONG PRODUCTION ASSET PORTFOLIO

All the production-related HSE targets set for 2014 have been achieved. 2014 SD & HSE Action Plan completion was 92% as some of the actions have been rescheduled for 2015. The overall Lost Time Injury Frequency (LTIF) rate decreased dramatically by 68%, from 3.5 in 2010 to 1.12 in 2014.

LEAN operation continued successfully in our Bratislava and Danube refineries and was successfully extended to our TVK site. Since 2013, we have identified slightly over EUR 17mn worth of benefits in the area of yields and energy.

DOWNSTREAM HAS SET NEW FINANCIAL TARGETS AND WHAT I CAN ANNOUNCE IS THAT, WITH THE SUPPORT OF OUR NEXT DOWNSTREAM PROGRAM, WE WILL ACHIEVE USD 1.3-1.4BN EBITDA BY END OF 2017, WHILST OUR NORMALISED FREE CASH FLOW SHOULD REACH AROUND USD 900MN.

Ferenc Horváth – Executive Vice President, Group Downstream

In 2014, the highest organic CAPEX of the last five years went on key strategic projects and a major turnaround of the Bratislava Refinery. Our streamlined CAPEX not only sustained the operations of our assets, but also ensured that efficiency improvement projects could be implemented.

Regarding CAPEX in 2014, the focus was mainly on growth projects. Part of our petrochemicals business strategy was to strengthen competitiveness through a broader and higher-quality product portfolio, and to increase our market share in captive markets. So the construction of the new 220 kt/year LDPE unit in Bratislava continued on schedule during 2014, with total investment of more than USD 340mn. The new unit will increase production flexibility, improve product quality and ensure higher naphtha off-take from the refinery from the end of 2015 onwards. In late 2014, an outstanding milestone was reached during the project when 1 million man-hours without a Lost Time Injury were completed. At TVK (our petrochemicals company in Hungary), the construction works of a 130 kt/year capacity butadiene extraction unit for a total investment of USD 150 m are on track, and the project reached several major milestones in 2014 as construction of the first storage tank was finished in August, and installation of pipelines and other equipment were completed as planned in December. The unit, which will produce feedstock material for synthetic rubber for car tyres, and further improve the profitability of the petrochemicals business, is expected to reach the commissioning phase in Q2 2015 and start commercial operations during Q3 2015.

FOR WHOLESALE, WE ARE GOING TO INCREASE OUR MARKET SHARE IN CAPTIVE MARKETS AND INCREASE SALES VOLUMES TO 150% OVER OWN-PRODUCED MOTOR FUELS

Ábel Galácz – Senior Vice President, Group Supply & Sales

The mechanical completion of the Friendship I pipeline has been reached, which will be followed by commissioning and subsequent test runs in Q1 2015. The Bratislava refinery may receive the first crude cargo from the Adriatic Sea during 2015.

In October 2013, as a consequence of the negative economic environment that the refining business was facing in Italy, MOL Group announced its decision to convert its Mantua refinery into a product logistics hub in order to maintain efficient and profitable operations in Italy. Progressive transformation of the Mantua refinery was completed in Q3 2014 and operations commenced in line with the new business model in Q4 2014.

UTILISING AND FURTHER EXPANDING OUR REGIONAL WHOLESALE, RETAIL AND LOGISTICS NETWORK

In 2014, we experienced 4% aggregate domestic market (Hungary, Slovakia, Croatia) growth, while the wider CEE motor fuel market remained broadly in line with last year's levels. The increase in demand continued to be driven by a significant uplift in Hungary. Group motor fuel sales dropped both in core markets and in the wider CEE region (excluding Italy) mainly due to the planned Slovnaft major turnaround in Q2 2014 and the limited availability of 0.1 sulphur content imported gasoil.

As part of the MOL Group Downstream strategy, the Supply & Sales business line has "country concepts" for each market we are already present in or plan to build a presence in, setting the pace for the coming three years. The key driver behind these action plans is to maximise our growth potential in each market, either in volume or in margin revenue. The MOL Group sales and marketing strategy focuses on increasing sales in the CEE region, where the Company enjoys major advantages due to its central position in landlocked markets, and its expert understanding of customer requirements.

In line with the conversion of the Mantua refinery into a logistics hub, MOL Group is fully committed to continuing its wholesale activities in the Italian market and working hard on improving its market position. In January 2014, MOL Group Downstream kicked off the transformation of the Mantua refinery and switched operations to third party supply. In October, the first product vessel arrived at the port in Venice to supply this newly transformed Mantua operation.

In May 2014, MOL Group announced the acquisition of ENI's Czech, Slovak and Romanian business, including significant wholesale positions.

In June 2014, we oversaw the arrival of the first product cargo in Constanta port, ensuring our Romanian wholesale activities were supported by more diversified supply lines.

In accordance with MOL Group's growth strategy, we are continuing to optimise our logistics network in Romania. The Tileagd depot storage capacity was upgraded and cross-country deliveries from Hungary were started. In 2013, the first construction phase of the 60 kt/year capacity Giurgiu terminal was completed on the bank of the River Danube. In 2014, MOL Group finalised the third phase of the upgrade.

In 2014, Retail further increased its contribution to Downstream results, generating 35% higher EBITDA compared to the previous year, achieved mainly by fuel margin growth. Total retail sales volumes (including LPG and lubricants volumes) increased by 1% year-on-year due to the expanded service station network in the Czech Republic and strong demand recovery in Hungary and Slovakia. Hungarian and Slovakian improved sales results are balancing the negative impact of an excise duty increase in Romania and decrease in fuel demand in Croatia. Premium fuel share increase in most of our networks significantly contributed to double-digit fuel margin growth.

IN LINE WITH OUR NEW RETAIL STRATEGY, OUR FOCUS IS TO TURN OUR FILLING STATIONS INTO SELLING POINTS. WE WILL PRESENT RELEVANT AND DIFFERENTIATED FUEL AND NON-FUEL OFFERS AND SERVICES BY KNOWING OUR CUSTOMERS BETTER. WE WILL ALSO GROW OUR MARKET PRESENCE THROUGH ADDITIONAL ACQUISITIONS WITHIN CEE.

Lars Höglund – Senior Vice President, Group Retail

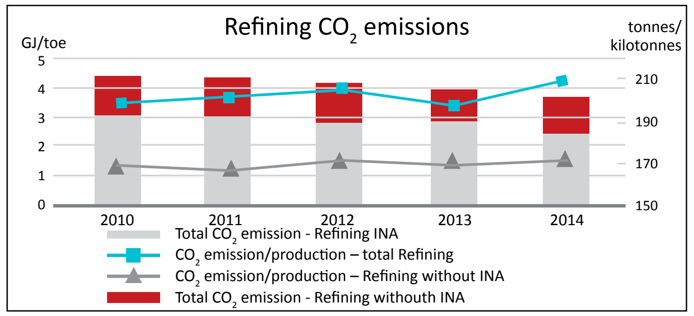
Our regional Retail market coverage and customer base has been further extended by acquisition projects: (1) A purchase agreement has been signed with ENI for its downstream businesses in the Czech Republic, Slovakia and Romania, including retail networks and (2) the Lukoil retail network was acquired in the Czech Republic. In 2015, as a result of integrating the acquired network, MOL Ceska will become the third largest player on the Czech market.

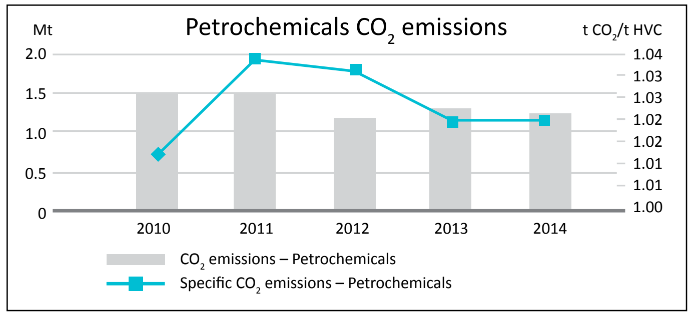
A New Retail Strategic Direction has been set down for the 2015-2017 period in line with our Downstream Strategy. Retail aims to be the customer's first choice in fuel and convenience retailing and be a power brand in our core markets. The initiatives outlined in the strategy have been included in the 2015-2017 business plan, and our plans for capital expenditure mean fundamental changes in our offering, design, operation and marketing communications. The retail organisation has also been strengthened by several key recruitments during 2014, increasing our ability to deliver on our new strategic direction and priorities.

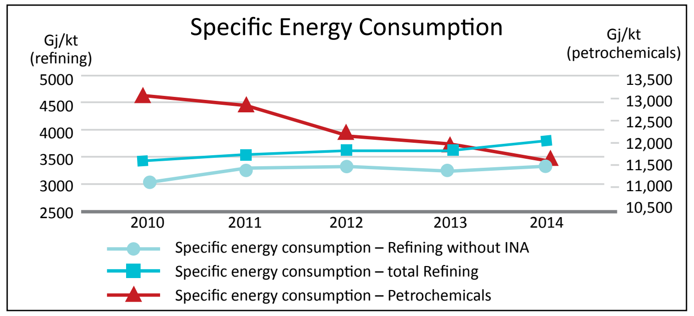
SUSTAINABILITY SUMMARY

- Energy efficiency improvements are of key importance both to business success and to reducing the ecological footprint of operations. With the New Downstream Program's energy efficiency projects, significant achievements have been made in this field. The most important 35 projects saved an estimated 230 thousand tons in CO_2 emissions per year by the end of 2014 compared to the baseline year 2011. The financial savings generated by these projects alone amounts to more than HUF 10bn, while the improvement over 2013 figures is also significant. Total CO_2 footprint is, of course, affected by other factors, such as changes in production and portfolio.
- Air emissions have been further decreased across refining operations as a result of both technology improvements and operational changes. Emissions of nitrogen-oxides (NO_x) across MOL Group refining operations amounted to 3.4 thousand tonnes in 2014, while these emissions were as much as 5.3 thousand tons per year before 2013. Projects resulting in this decrease include technology improvements and also the enhancement of monitoring and control systems.
- There were no LTIs (Lost Time Injuries) during the year at major construction sites (Low-density polyethylene project in Slovnaft and the Butadiene Extraction project in TVK). Sadly one contractor fatality did occur at the Duna Refinery during lifting operations.
- Achieving and maintaining a positive Safety Culture is one of the main goals for MOL Downstream business. To this end, several programs were introduced in 2014. One example is the Perfect Day Program in Refining and Petrochemicals businesses that tracks and monitors safety performance without using any defined targets, in the positive spirit of creating a best-in-class competition between operational sites, and celebrating milestones that are achieved. Another example is the behaviour-based 'Program Zer0' safety program in the Logistics division, as part of which a safety culture assessment was undertaken at five companies in 2014.
- The Technical Capability Development (Petroskills) program continued in 2014. More than 950 employees were covered by the program in the Refining, Petrochemicals and Logistics divisions. The competency-based development process results in targeted training and development investments. The ultimate objective is to enhance operational excellence and operational safety.
- The Bratislava Refinery of Slovnaft started a community engagement program called 'Responsible Neighbour'. The program involves publishing a series of leaflets about refinery operations for neighbouring communities. These contain information related to refinery processes and their impact that may concern local residents who live around Slovnaft, such as flaring, water pollution, odours, smoke and noise. The documents have also been sent to local authorities and NGOs and are available on the public website of the company.

CLIMATE CHANGE

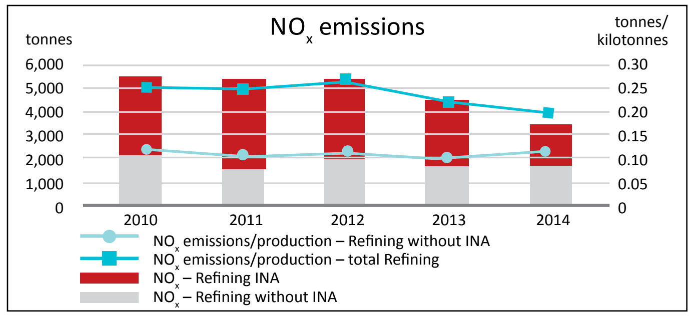


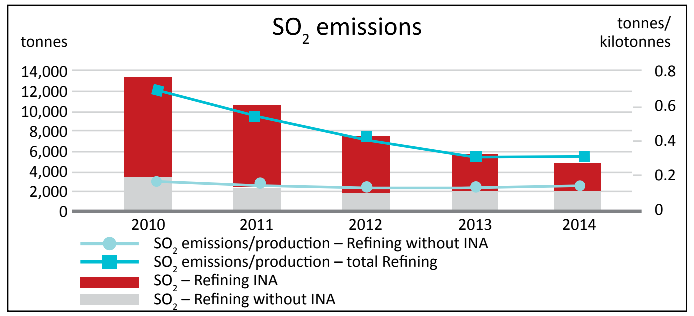


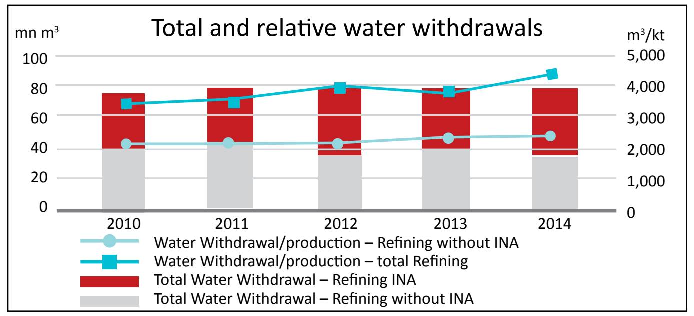


*According to Solomon definitions

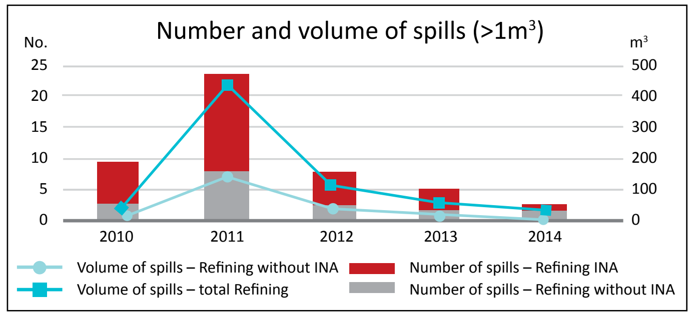
ENVIRONMENT



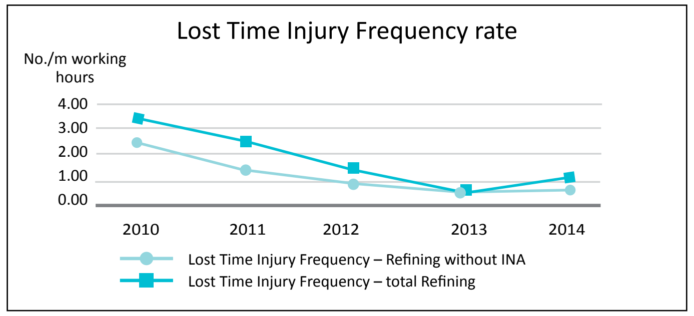




ENVIRONMENT



HEALTH AND SAFETY



ENVIRONMENT

REFINING	2010	2011	2012	2013	2014
Hazardous waste (t)	42,142	43,163	45,036	42,215	50,075
Hazardous waste/production (t/kt)	1.9	2.0	2.2	2.1	2.9
Non-hazardous waste (t)	25,862	27,184	19,547	92,639	56,649
Non-hazardous waste/production (t/kt)	1.2	1.2	1.0	4.5	3.2
Waste re-used/recycled (t)	41,846	45,730	42,222	114,403	85,346
Re-use/recycle ratio (%)	62	65	65	85	80

HEALTH AND SAFETY

REFINING	2010	2011	2012	2013	2014
Fatalities - own staff	1	0	0	0	0
Fatalities – contractors	0	0	0	0	1

HUMAN CAPITAL

DOWNSTREAM (incl. Petchem and Retail)	2010*		2011		2012		2013	2014
Headcount	9.055		15.785		15.398		15.027	15.292
Male (%)	75.8		79.2		79.7		79.6	79.9
Female (%)	23.4		20.8		20.3		20.4	20.1
Turnover rate (%)	7.3		6.0		8.8		7.0	6.5
	Petchem	Refining	Petchem	Refining	Petchem	Refining	Petchem+Refining	Petchem+Refining
Training cost per capita (HUF th)	9	68	56	54	44	63	44	42
Training hours per capita (hours)	4	25	36	22	40	26	21	27

*Without INA in 2010.

ECONOMIC SUSTAINABILITY

	2010	2011	2012	2013	2014
Wholesale customer satisfaction – MOL Plc. (%)	88	86	88	86	86
Wholesale customer satisfaction – INA* (%)	84	84	83	82	80
Wholesale customer satisfaction – Slovnaft (%)**	90	90	82	82	82

* INA in 2013 restated.
** New measurement not made in Slovnaft in 2014, values reported are from 2013.

	2010	2011	2012	2013	2014
Total Downstream Research and Development expenditures (HUF mn)	1,626.2	1,467.7	1,380.0	1,604.5	1,306.0
Research and Development expenditures on renewables (HUF mn)	572.5	622.8	515.4	656.7	267.9

Downstream

PORTFOLIO ELEMENTS

REFINING

	CAPACITY IN MT/Y	NCI INDEX
Duna Refinery	8.1	10.6
Bratislava Refinery	6.1	11.5
Rijeka Refinery	4.5	9.1
Sisak refinery	2.2	6.1

LOGISTICS

CRUDE PIPELINES	CAPACITY IN MT/Y
Friendship (Slovakian part, owned by Transpetrol)	22.0
Friendship I (bidirectional – total 129 km)	3.5
Friendship II	7.9
Adria (Hungarian part)	10.0
Algyő	2.0
Porto Marghera – Mantova	2.6
Adria – JANAF (12% owned by INA)	20.0
Product depots (units)	36
Product Pipeline system:	
MOL – 1,356 km	8.2
SN – 484 km	2.5

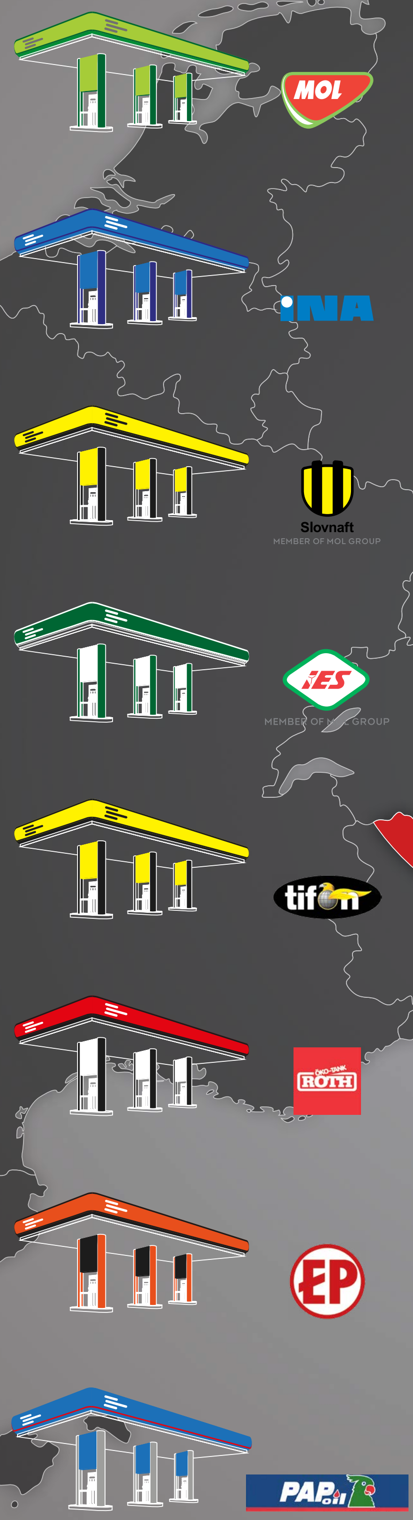
RETAIL

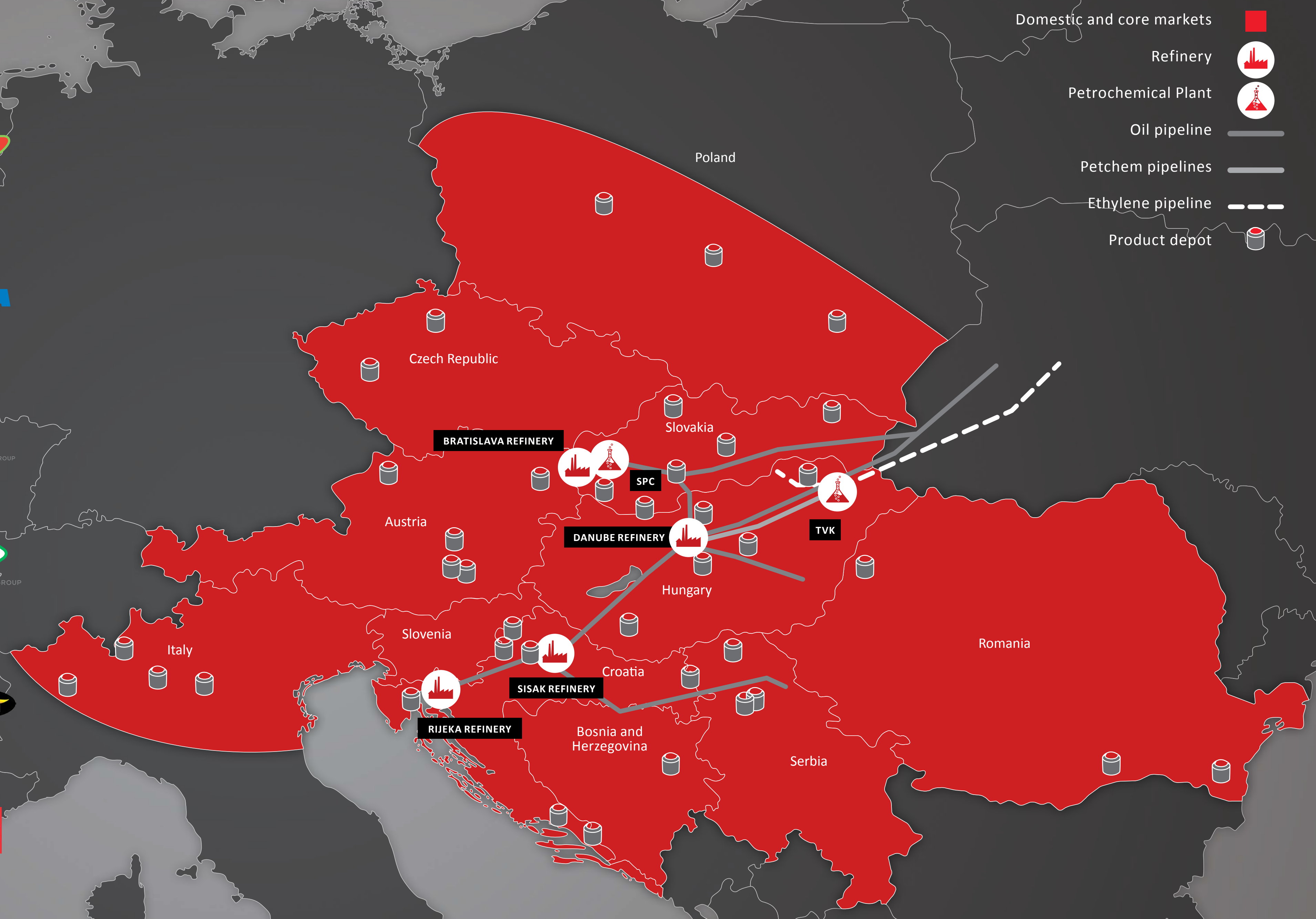
	NUMBER OF FILLING STATIONS
Hungary	364
Croatia	434
Italy	129
Slovakia	214
Romania	159
Bosnia and Herzegovina	102
Austria	57
Serbia	42
Czech Republic	192
Slovenia	40
Montenegro	1
Total	**1734**

PETROCHEMICALS

PRODUCTION	CAPACITY IN KT/Y
TVK - Ethylene	660
TVK - Polyolefin	765
SPC- Ethylene	220
SPC - Polyolefin	435
Pipelines	capacity in kt/y
Feedstock and product pipelines	2,700
Ethylene (Kazincbarcika)	160
Ethylene (Kalush)	100

OUR FILLING STATIONS





NATURAL GAS TRANSMISSION – FGSZ LTD

FGSZ Ltd is currently the only company in Hungary that holds a natural gas transmission system operator's license. Aside from domestic natural gas transmission activity, FGSZ also performs transit activities for Serbia, Bosnia-Herzegovina, as well as cross border deliveries towards Romania and Croatia and the Ukraine.

In Hungary, FGSZ Földgázszállító Zrt. (FGSZ Natural Gas Transmission Private Company Limited by Shares, in short form FGSZ Ltd, and referred to as FGSZ) is currently the only company to hold a transmission system operator license. Its activity is carried out under market conditions regulated by law. Aside from domestic natural gas transmission, FGSZ also performs transit activities for Serbia, Bosnia-Herzegovina, as well as cross border deliveries towards Romania, and Croatia and Ukraine. In international comparison, the Company's pipeline network represents the highest technology standards. FGSZ ranks among the region's companies of strategic importance. Its dynamism and efficiency make the Company one of Europe's most significant transmission system operators.

The pipeline developments of strategic importance carried out by FGSZ in recent years safeguard the Company's future, establish its role as a regional distributor, as well as ensuring Hungary has a safe, environment friendly and competitively priced gas supply. We are prepared to face the challenges, tasks and requirements deriving from the establishment of a market which is liquid, integrated and diversified in terms of its resources, and which is also supported by the European Union. Our strategic goals necessitate further efficient and well-planned infrastructure developments.

HIGHLIGHTS

- **5,784 km pipeline system**
- **18 domestic, 4 import entry points, nearly 400 exit points**
- **6 regional centers, 6 compressor stations**
- **World-class systems operation centre in Siófok, Hungary**

FGSZ's Regional Booking Platform (RBP), an IT capacity allocation application developed under a European Union project, which is a Hungarian-Romanian pilot in accordance with Commission Regulation (EU) No 984/2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No. 715/2009 of the European Parliament and of the Council , was launched at the end of 2014. This application is suitable for running CAM NC compliant capacity auctions not only at the cross-border or domestic points found in FGSZ's system, but also at any other network point, even those independent of the cooperating national natural gas transmission system.

COMPETITIVE ADVANTAGES

- **GEOGRAPHIC LOCATION:** FGSZ also plays a key role in terms of regional transit transmission.
- **QUALITY ASSURANCE:** In 1997, audited and certified quality management systems were put in place at FGSZ. Since 2014, these have been operating as an integrated system with the following components: Quality Management System (QMS), Technical Safety Management System (TSMS), Information Security Management System (ISMS), Calibration Laboratory Management System (CLMS) and Welding Management System (WMS).
  In 2014, FGSZ successfully completed two integrated inspections carried out by SGS Hungária Kft. in accordance with the ISO 9001:2008 and the ISO/IEC 27001:2005 standards.
  The accreditation process for the calibration laboratory's activity is underway in accordance with the provisions of MSZ EN ISO/IEC 17025:2005. In 2014, the National Accreditation Board reviewed and accepted documentation submitted in June 2013. The accreditation will likely be acquired in 2015.
  In 2014, FGSZ began to create and implement the Energy Management System (EMS) in accordance with the ISO 50001 standard, which is expected to be completed by 5 December 2015.
- **Stable cash flow:** The operation of FGSZ's high-pressure natural gas transmission grid of approximately 5,800 km^2 – covering the entire territory of Hungary – and the non-discriminatory sale of its capacities and supplementary services provide stable cash-flow for the MOL-Group.

KEY ACHIEVEMENTS

Quintuple Best Employer

FGSZ has participated on Best Employer Survey of Aon Hewitt since 2009. FGSZ has been Best Employer in Hungary fives times and Best Employer in Central Eastern Europe on three occasions.

OUTLOOK

European dimensions

FGSZ is interested in creating a more efficient gas market resting, on several pillars. Therefore, in the 10-year period between 2015 and 2024, it wishes to participate in comprehensive infrastructure developments at both Hungarian and international level to promote the creation of the domestic liquid gas market.

The transformation of the gas market is allowing domestic consumers to access gas sources competing against each other in the region, and thus to optimise their portfolios in line with their possibilities.

As the first step in our strategic investments between 2006 and 2010, we significantly increased Eastern import capacity in line with the development of our strategic storage facility. We also constructed the Hungarian-Croatian and Hungarian-Romanian interconnectors.

The second stage of strategic investments planned for the 2011-2020 period includes development in the north-west and north-east. FGSZ is planning to expand existing import capacities from the West, along with internal improvements to guarantee security of supply for the Trans-Danubia region independently of the HAG pipeline.

In 2012, the Company concluded a cooperation agreement with UKRTRANSGAZ for natural gas transmission from Hungary to Ukraine, as the result of which it has provided the option of natural gas transmission to Ukraine on an interruptible basis since the spring of 2013.

FGSZ has set the goal of guaranteeing the possibility to import natural gas from every direction in the interest of security of supply, and of becoming an integral part of the region that surrounds it by making its existing cross-border connections bi-directional. Developing the option for gas supply from Romania was an important step in this regard. Although capacity opened in the first stage only allows for the delivery of a smaller amount, FGSZ and its Romanian partner are working together to expand this significantly. Hungary's gas supply will be set on a more secure footing by the connection of southern and south-eastern, then eastern, and finally northern and western gas sources.

The long-term strategic investments of FGSZ make it possible for Hungary to leave its current peripheral role in gas transmission and to develop into a regional gas distribution center in the next decade.

REGULATED TRANSMISSION TARIFF CHANGES

The transmission tariffs essentially remained the same both in content and in size in 2014. However, there have been some changes in the rules that govern the application in the spirit of the preparation for the EU-level harmonisation of applicable system usage regulations (CAM NC), which will enter into force in 2015, and the tariff system. In this context, the authority responsible for setting prices, the Hungarian Energy and Public Utility Regulatory Authority, rearranged entry and exit fees, which did not increase the total earnings of FGSZ but can facilitate more effective cost management for the systems users. In addition, a new product (quarterly capacity) and a new pricing for short-term capacity booking were also introduced into the regulation. As an additional regulatory change in 2014, a new rule (interruptible pricing) was set in order to encourage system users to increase stored quantities, which will have a significant financial impact on FGSZ mainly in 2015.

The official cost review that began in 2013 was not finished in 2014, so the regulatory cycle that began on 1 January 2010 is still in effect.

PORTFOLIO ELEMENTS

TOTAL PERFORMANCE IN 2014

(Volume data at 150 C)	2014 (cubic meters)
Total quantity of natural gas measured at the entry and exit points:	**20.9 billion**
Injection through cross-border pipelines:	10.5 billion
Beregszász:	6.4 billion
HAG:	4.1 billion
Csanádpalota:	0.1 million
System interconnector Vecsés 4 (MGT>FGSZ) *	2.4 million
Delivery from storage at receipt points:	**4.9 billion**
Injection:	3.2 billion
Withdrawal:	1.7 billion
At upstream pipeline connections:	3.2 billion
Injection:	2.5 billion
Injection circuit withdrawal:	0.7 billion
Delivery through cross-border pipelines:	**2.3 billion**
Transit and export:	2.3 billion
System interconnector Vecsés 4 (FGSZ>MGT) *	4.5 million

* quantity of natural gas during test period

UKRAINIAN/HUNGARIAN INTERCONNECTOR

(Testvériség, Összefogás)	
Entry point	(cubic meters)
Annual firm capacity	20.5 billion
Daily firm peak capacity	56.3 million
Annual interruptible capacity	5.5 billion
Daily interruptible peak capacity	15 million
Exit point	
Annual interruptible capacity	6.1 billion
Daily interruptible peak capacity	16.8 million

AUSTRIAN/HUNGARIAN INTERCONNECTOR

(from HAG pipeline direction)	
Entry point	(cubic meters)
Annual firm capacity	4.4 billion
Daily firm peak capacity	12.1 million
Annual interruptible capacity	0.8 billion
Daily interruptible peak capacity	2.3 million

HUNGARIAN/SERBIAN INTERCONNECTOR

Exit point	(cubic meters)
Annual firm capacity	4.8 billion
Daily firm peak capacity	13.2 million

HUNGARIAN/ROMANIAN INTERCONNECTOR

Exit point	(cubic meters)
Annual firm capacity	1.7 billion
Daily firm peak capacity	4.8 million
Entry point	
Annual firm capacity	0.1 billion
Daily firm peak capacity	0.24 million
Annual interruptible capacity	1.7 billion
Daily interruptible peak capacity	4.8 million

HUNGARIAN/CROATIAN INTERCONNECTOR

Exit point	(cubic meters)
Annual firm capacity	2.6 billion
Annual interruptible capacity	4.4 billion
Daily firm peak capacity	7.2 billion
Daily interruptible peak capacity	12.0 million
Entry point	
Annual firm capacity	0 billion
Annual interruptible capacity	7 billion
Daily firm peak capacity	0 million
Daily interruptible peak capacity	19.2 million

DOMESTIC PRODUCTION

14 Entry points	(cubic meters)
Annual firm capacity	1.7 billion
Daily firm peak capacity	8.3 million

DAILY ENTRY PEAK CAPACITY OF THE NATURAL GAS TRANSMISSION SYSTEM

	2014 (cubic meters)
Total without strategic withdrawal	177.8 million
of which interruptible	47.8 million
Import	98.6 million
of which interruptible	41.3 million
Transit	11.3 million
Storage for commercial purpose	59.6 million
of which interruptible	6.5 million
Storage for strategic purpose	20.0 million
Domestic production	8.3 million

CAPACITY OF UNDERGROUND STORAGES OF STRATEGIC PURPOSES

1 entry point	(cubic meters)
Annual firm capacity	1.2 billion
Daily firm peak capacity	20 million

CAPACITY OF UNDERGROUND STORAGES OF COMMERCIAL PURPOSES

5 entry points	(cubic meters)
Annual firm capacity	5.1 billion
Daily peak capacity	59.6 million
of which interruptible	6.5 million

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS OF 2014 BUSINESS OPERATIONS

SUMMARY OF 2014 RESULTS

In 2014, MOL Group delivered a clean CCS EBITDA of HUF 511bn (or USD 2.2bn) which is a mere 1% decrease in HUF terms compared to 2013.

In Upstream, the 24% or HUF 86bn decrease, excluding special items, was mainly attributable to a lower oil price, the natural decline of matured assets and adverse regulatory changes. The combined effect of a regulated gas price reduction and doubled royalties in Croatia reached HUF 20bn in 2014. Moreover, the impact of asset divestures in Russia (ZMB in Q3 2013 and 49% of BaiTex LLC in Q1 2014) has only been partially mitigated by new asset purchases in the North Sea and intensified field development activities in our international operations. However, the Upstream division met its strategic targets, delivered the production level forecasted, and lower lifting costs in 2014 on a like-for-like portfolio basis.

The Downstream division's clean CCS results were 32% ahead of similar figures in 2013. MOL Group's refinery margin, as well as the integrated petrochemical margin, widened, which, together with better retail performance, supported the results. The implementation of efficiency improvement measures also played a key role in the outstanding results. In 2014, MOL Group successfully completed its three-year New Downstream Program, which delivered a USD 500mn improvement, hence elevating the results. However, a few planned and unplanned shutdowns and the non-recurring costs of the Mantua Refinery conversion hindered the full capture of more favourable market conditions.

Gas Midstream's contribution was more than 37% lower than a year ago. This significant drop was a result of an enforced gas inventory sale due to regulatory changes in Croatia, and a lack of revenue from storage following the sale of MMBF in Q4 2013.

In 2014, MOL Group generated HUF 422bn operating cash flow, before working capital changes, which was 16% behind the 2013 value. The decrease reflects the fact that reported EBITDA shrank (by HUF 113bn) well ahead of clean CCS figures on a similar basis (down by HUF 5bn).

- **Upstream:** The Upstream division's EBITDA, excluding special items, reached HUF 270bn - lower than 2013's performance by 24%. This was negatively affected by: (1) lower average realised hydrocarbon prices due to unfavourable changes in oil and gas prices; (2) the reduction of the regulated gas price and doubled royalties in Croatia; (3) lower production from matured CEE assets and due to Russian divestures (ZMB in Q3 2013 and 49% of BaiTex LLC in Q1 2014); (4) higher exploration costs in relation to accelerated international work programmes; and (5) an increase in Q1 2013 Upstream performance by HUF 8bn non-recurring revenue due to a modification to the transfer parity of Croatian crude oil.

- **Downstream:** In Downstream, clean-CCS-based EBITDA came in 32% stronger and amounted to HUF 206bn. The improvement was supported by: (1) a 23% uplift of the integrated petrochemical margin; (2) a significantly improved retail contribution supported by a sales increase in core countries and higher captured margins; (3) the widening Group refinery margin by over 1 USD/bbl, (4) positive sales margins development; and (5) the implementation of New Downstream Efficiency measures.

- **Gas Midstream:** In 2014, EBITDA, excluding special items, amounted to HUF 37bn, 37% lower compared to the base period. This significant drop is a result of an enforced gas inventory sale due to regulatory changes in Croatia and lack of storage revenues following the sale of the Hungarian storage unit (MMBF) in Q4 2013 (HUF 21bn contribution in the base period). The Hungarian gas transmission business delivered solid results in light of a further cut in regulated returns in November 2013.

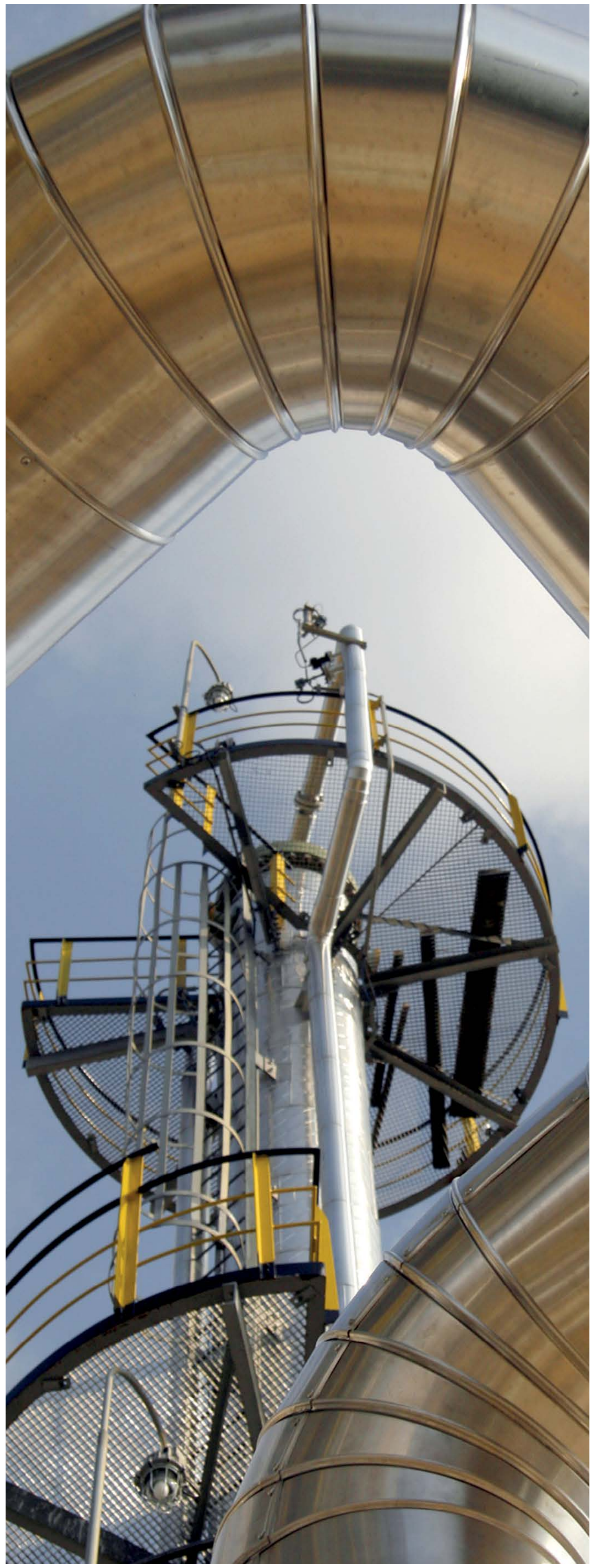
- **Corporate and other divisions** delivered an EBITDA improvement of HUF 21bn in 2014 and amounted to HUF (22bn). Beyond cost-cutting measures in the corporate centre, this was mostly attributable to higher contributions from oil service companies due to a better utilisation rate of rigs.

- **Net financial expenses** rose to HUF 104bn in 2014 compared to HUF 58bn in the base period, mainly as a result of the weakening HUF, which was mostly represented in net foreign exchange losses on borrowings and payables.

- **CAPEX spending** reached HUF 534bn in 2014, of which HUF 135bn targeted inorganic investments mainly through the completion of North Sea acquisitions and a retail network acquisition composed of 44 stations in the Czech Republic. Organic CAPEX amounted to HUF 399bn. Consistent with our strategy, organic CAPEX spending was skewed to Upstream with HUF 205bn spent. Downstream CAPEX grew nearly 100% year-on-year and organic expenditure amounted to HUF 173bn, 44% of which relates to the construction of the Butadiene plant, the LDPE4 unit and the reconstruction of the Friendship I crude oil pipeline, while the remaining 56% is made up by maintenance, sustain, legal and efficiency spending.

- **Operating cash flow** before working capital changes dropped by 16% to HUF 422bn mostly due to lower Upstream cash generation. Operating cash flow amounted to HUF 435bn (lower by 29% compared to the base period), which also reflected higher cash outflows in the working capital lines.

- **The decreasing trend of indebtedness ratios** stopped, however still remained on favourable levels. The slight increase is partially due to cash outflow regarding the current year's upstream and retail asset acquisitions, and partially due to FX changes. The Net gearing ratio increased to 19.6% at the end of the period, increasing by close to 4 percentage points against the base period, while net debt to EBITDA reached 1.31 by the end of the year.



KEY FINANCIAL DATA BY BUSINESS SEGMENT

NET SALES REVENUES	FY 2013	FY 2014	FY 2013	FY 2014
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	608,258	514,092	2,719	2,215
Downstream	4,847,969	4,410,471	21,672	19,008
Gas Midstream	385,522	232,806	1,723	1,006
Corporate and other	201,009	217,220	899	932
Total	6,042,758	5,374,589	27,013	23,161
Total External Net Sales Revenue	5,400,417	4,866,607	24,141	20,975
EBITDA	FY 2013	FY 2014	FY 2013	FY 2014
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	367,005	285,784	1,641	1,233
Downstream	108,492	95,512	485	428
Gas Midstream	55,930	37,020	250	157
Corporate and other	(42,201)	(23,509)	(189)	(99)
Inter-segment transfers[2]	31,832	13,557	142	57
Total	521,058	408,364	2,329	1,776
EBITDA EXCL. SPECIAL ITEMS[3]	FY 2013	FY 2014	FY 2013	FY 2014
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	356,498	270,381	1,594	1,165
Downstream	134,579	110,795	602	488
Clean CCS-based DS EBITDA[3,4]	156,827	206,333	701	874
Gas Midstream	58,781	37,019	263	157
Corporate and other	(42,201)	(21,532)	(190)	(91)
Inter-segment transfers[2]	(13,431)	13,558	(60)	57
Total*	494,226	410,221	2,209	1,776
Clean CCS-based EBITDA[3,4]	516,474	510,607	2,308	2,183
OPERATING PROFITS	FY 2013	FY 2014	FY 2013	FY 2014
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	142,432	75,275	637	352
Downstream	(169,659)	(31,579)	(758)	(113)
Gas Midstream	34,009	23,532	152	99
Corporate and other	(62,351)	(43,525)	(279)	(184)
Inter-segment transfers[2]	36,941	16,377	165	69
Total	(18,628)	40,080	(83)	223
OPERATING PROFITS EXCL. SPECIAL ITEMS[3]	FY 2013	FY 2014	FY 2013	FY 2014
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	175,290	110,301	784	485
Downstream	6,986	(306)	31	10
Gas Midstream	36,860	23,532	165	99
Corporate and other	(62,351)	(40,835)	(279)	(174)
Inter-segment transfers[2]	(8,322)	16,377	(37)	69
Total	148,463	109,069	664	489

* In 2014, the intersegment line contains HUF 4,848mn (USD 21mn) non-recurring inventory loss related to methodology changes, which impacted the Group CCS line.
Notes and special items listed in Appendix I and II.

STRATEGIC OUTLOOK FOR MOL GROUP IN 2015

Around USD 2bn is achievable in 2015 with our strong, resilient integrated business model

The year 2014 was challenging not only for MOL Group, but for the whole oil & gas sector, with the oil price plunging by almost half. Despite a tough external environment, MOL Group managed to deliver strong results reaching USD 2.2bn Clean CCS EBITDA. Furthermore, we managed to sustain a strong cash flow generating ability, growing our capital expenditures to an all-time high, while keeping gearing and indebtedness at relatively low levels of 19.6% and 1.31x respectively.
The last twelve months have demonstrated that MOL Group is well protected against sharp drops in oil prices, and will continue to be for the foreseeable future, given the strength and resilience of our integrated business model. Having achieved the right balance between Upstream and Downstream (each contributing 53% and 40% respectively to Group CCS EBITDA in 2014), will allow MOL Group is expected to reach around USD 2bn CCS Group EBITDA for 2015, even at around a 60 USD/bbl price environment.

During 2014, MOL Group invested its highest level of organic CAPEX (USD 1.7bn) of the past five years, to fuel its future growth. For 2015, we foresee a USD1.5-1.8bn CAPEX level, retaining further flexibility due to a combination of scope adjustments, the potential effects of lower oil prices on key partners and increased scrutiny and evaluation of projects.
In line with our conservative financial policy, organic CAPEX is expected to be covered by operating cash flow.

Growing production and utilisation of inorganic opportunities is the focus of Upstream

For Upstream, 2014 production reached 98 mboepd, ahead of our original target of 91-96 mboepd. Production has been growing since mid-2014 and we expect the continuation of this trend in 2015. The Upstream portfolio in its current form will be able to deliver a production level of 105-110 mboepd for 2015. Furthermore, MOL Group surpassed the 100% organic reserve replacement ratio, reaching a level of 103% during 2014. We are aiming to maintain this level going forward.

At the same time we intend to maintain rigorous discipline to keep lifting costs in a flat to declining range country by country. For 2015, we expect total CAPEX for Upstream to reach USD 0.9bn, of which a fifth will be earmarked for exploration projects.

MOL Group wants to continue its active portfolio management approach, which we followed during 2013 and 2014 when we disposed of some assets in Russia and entered into the North Sea regions through acquisition of several non-operated offshore assets.

Although a continued low oil price poses a great challenge for Upstream, we believe that MOL Group can benefit from the lower oil price environment by seizing attractive new opportunities in the markets where we operate. While there is no rush to do so, a healthy balance sheet and an overall strong financial position allows us to be ready to act in case the right opportunity presents itself, as we aim to balance further the portfolio in terms of country risk, and seek new accretive exploration and development opportunities to grow our international E&P portfolio.

Next Downstream Program targets USD 0.9bn normalised free cash flow by 2017

Downstream delivered strong results during 2014, reporting CCS EBITDA of USD 0.87bn, an increase of 25% in USD terms compared to 2013. Additionally, the New Downstream Program was successfully closed in 2014, fully delivering on our USD 500mn promise. Despite these major achievements, MOL Group will continue to implement structural changes to put Downstream on an even stronger footing, consolidating our position as one of the most successful integrated Downstream businesses in Europe. Based on the 2014 average macro environment, the target of Downstream is to reach a CCS EBITDA level of USD 1.3-1.4bn, with normalised cashflow (Clean CCS EBITDA minus CAPEX excluding investments into large strategic projects) of USD 900mn, both by 2017. Through a combination of more than 150 individual actions, the launch of the Next Downstream Development Program for the period of 2015-17 will target an additional USD 500mn in improvements, as we launch further asset and market efficiency measures and several strategic growth projects. The aforementioned efficiency improvements are expected to contribute USD 350mn and will be composed of comprehensive production-, supply- and sales-, as well as retail-specific actions. The envisaged CAPEX needed for efficiency improvements is USD 500mn.

The Next Downstream Program's initiatives within the strategic projects' group is planned to deliver a USD 150mn improvement. 2015 will witness the start of the butadiene extraction unit in the TVK petrochemical plant in Hungary, as well as the new low-density polyethylene plant (LDPE-4) in Bratislava which will replace all three old-fashioned production units currently in operation. The development of these two projects during the coming twelve months and the subsequent extension of the petrochemical value chain will further strengthen MOL Group's place among the top ten petrochemical players in Europe. We continued our regional retail expansion with two announced acquisitions during 2014, and our future approach remains unchanged. We will develop the existing retail network, while proactively pursuing inorganic growth opportunities in the CEE region within the supply radius of our refineries. A conceptual change in retail will gradually convert filling stations into broader sales points in order to maximise non-fuel sales revenue.

UPSTREAM OVERVIEW

HIGHLIGHTS

- Production on the rise since mid-2014, 98 mboepd average production delivered in 2014, exceeding original guidance
- Organic Reserve Replacement Ratio of 103% in 2014
- Successfully closed two deals in the North Sea region
- Started commercial production in the Akri-Bijeel block in the Kurdistan Region of Iraq
- Production to increase by around 10% to 105-110 mboepd in 2015
- Utilised opportunities to balance risk and sought new accretive exploration and development opportunities

OVERVIEW OF 2014

Results hit by lower crude oil prices, regulatory changes and lower yearly average production levels

- Lower average realised hydrocarbon prices due to unfavourable changes in oil and gas prices
- Unfavourable changes in regulation in the CEE region, namely the reduction of regulated gas price and doubled royalties in Croatia (HUF 20bn effect)
- Lower production from matured CEE assets and Russian divestures
- Higher exploration costs in relation to accelerated international work programmes, primarily in the Kurdistan Region of Iraq and in Oman
- Q1 2013 Upstream performance increased by HUF 8bn in non-recurring revenue due to the modification of the transfer parity of Croatian crude oil and natural gas condensate volumes. As a result, total Croatian oil and condensate production for the period, and inventory accumulated during 2012 were transferred to the Downstream (Sisak refinery).

Negative impacts were partially offset by the stronger USD against HUF, and by a higher level of payments in Egypt in December 2014.
Reported EBIT decreased by HUF 52bn due to impairment of Syrian assets in Q4 2014, treated as a special item.

Production is on the rise since mid-2014

Average daily hydrocarbon production reached at 98 mboepd in 2014, a decrease of 6% compared to the base period, however above our original 2014 target of 91-96 mboepd. The main reasons behind this production drop were the divestures of Russian fields (ZMB and 49% of BaiTex LLC together totalling 6.3 mboepd), just partially compensated by the first contributions from the UK North Sea acquisition. Excluding these factors, production was close to the base level as a natural decline in the CEE region was partly offset by higher production in the MEA region, mainly from the Kurdistan Region of Iraq.

Average realised price decreased by 10% compared to the base period as a result of the combined impact of the lower oil price and lower gas prices in CEE, the latter of which also affected by adverse regulatory changes in Croatia.

AVERAGE REALISED HYDROCARBON PRICE	FY 2013	FY 2014	CH. %
Crude oil and condensate price (USD/bbl)	87.1	82.2	(5.7)
Average realised gas price (USD/boe)	52.2	44.6	(14.6)
Total hydrocarbon price (USD/boe)	69.2	62.2	(10.1)

HYDROCARBON PRODUCTION (MBOEPD)	FY 2013	FY 2014	CH. %
Crude oil production	38.2	34.5	(9.8)
Hungary	11.5	10.9	(5.5)
Croatia	8.6	8.9	3.7
Russia	14.3	7.7	(46.1)
Kurdistan Region of Iraq	0.2	1.9	957.2
Other international	3.6	5.0	38.8
Natural gas production	57.8	54.9	(4.9)
Hungary	27.2	26.0	(4.4)
Croatia	26.2	24.2	(7.8)
o/w. Croatia offshore	11.9	11.1	(6.4)
Other International	4.4	4.8	8.1
Condensate	7.6	8.1	6.0
Hungary	4.5	4.7	5.2
Croatia	2.4	2.1	(11.3)
Other International	0.8	1.3	63.5
Average hydrocarbon production	103.7	97.5	(5.9)

MAIN REASONS BEHIND PRODUCTION CHANGES:

- **Hungarian hydrocarbon production** decreased by 4% basically as a consequence of natural depletion, which could be only partially offset by new tie-ins. MOL Group is committed to taking further measures to keep its production decrease below 5% in 2015, and expects positive contributions from newly-awarded exploration concessions over the longer term.
- **In 2014, total Croatian production** decreased by 2.0 mboepd or 5% versus the prior year, partly caused by a decrease in offshore gas of 0.8 mboepd as a result of natural decline, water cuts and higher restitutions. Onshore gas and condensate production decreased by 9%, again due to natural decline and the longer duration of annual maintenance on GTP Molve and Etan. On the other hand, domestic crude oil production increased by 4% as a result of performed workovers, well optimisation and additional production from new wells.
- **In Russia,** in the Matjushkinskj block, production decreased to 2.9 mboepd as a consequence of the decreasing production rate of the fields, falling pressure and increasing watering. On the other hand, as a result of an intensive field development programme in the Baitugan field, production reached 4.8 mboepd, which is an increase of 16% over 2013, taking into account the sale of 49% of MOL Group's share in 2014.
- **In Pakistan,** production increased to 6.6 Mboepd due to a combination of enhanced production from the Makori East field, (mainly as a result of additional production from the Makori East-3 well, which was tied into GPF), as well as an incremental contribution from the Ghauri discovery well.
- The contribution from the **Kurdistani Region of Iraq** increased to 1.9 mboepd after production of commercial crude started from the Bijell-1 Production Facility following FDP approval. In Shaikan, the second production facility (PF-2) became operational and three wells were tied into it in 2014.
- Recently acquired **North Sea** assets also contributed 1.3 mboepd to full-year production in 2014.

EXPENDITURES

Competitive level of unit OPEX at 8.5 USD/boe

Upstream operating expenditures, including DD&A, but without special items, amounted to HUF 410bn, HUF 33bn lower compared to 2013. Royalties on Upstream production (including export duties connected to Russian sales) amounted to HUF 99bn. Compared to 2013, this is a decrease of HUF 19bn was mainly due to divestments in Russia, while changes in Hungarian and Croatian regulations also resulted in an increase. Exploration spending increased by HUF 8bn (to HUF 16bn), mainly as a result of intensified seismic activity in Oman. DD&A decreased by HUF 21 bn as there were larger impairments in connection with Omani and Kurdish activity in 2013.

Unit OPEX, excluding DD&A, amounted to USD 8.5 USD/boe, broadly in line with 2013 (8.3 USD/boe).

SUMMARY OF KEY EXPLORATION AND DEVELOPMENT ACTIVITIES IN 2014

In the Kurdistan Region of Iraq:

In the Akri-Bijeel Block, the drilling programme continued with four drilling rigs and one workover rig in 2014. (1) A key milestone was reached with the official approval of the Field Development Plan by the Ministry of Natural Resources. (2) Extensive drilling and well testing in the Bijell field has resulted in a significant improvement in the understanding of the complexities of the reservoirs, however, Bijell-4 & 6 well tests are still in progress and results are expected in Q1 2015. In the meantime, the Bijell 2 well reached its target depth in the Triassic reservoir and confirmed the presence of hydrocarbons. (3) Production and transportation of commercial crude oil started from the Bijell-1 Production Facility following FDP approval. De-bottlenecking is on-going and is scheduled to be completed by Q2 2015. (4) In Bakrman area, the first appraisal well, Bakrman 2, reached target depth in Triassic, oil bearing zones were confirmed with good shows and better-than-anticipated structure. In the Shaikan block, the Shaikan-7 well was drilled and completed as a Jurassic producer, and subsequently connected to PF-1. Shaikan-11, an additional producer to be connected to PF-2, was spudded in December 2014. PF-2 became operational in May 2014 and three wells were tied in to PF-2 in 2014 with Shaikan-11 to follow in 2015. Peak production of nearly 40,000 bpd was achieved on 27 December 2014 on block level (100% gross).

In UK:

On Cladhan, P1 and W1 wells were drilled and completed. The work on P2 was underway at year-end. On Catcher, following its sanction in June 2014, the project got underway successfully. On the facilities side, good progress has been made. FPSO hull fabrication commenced in Japan.

In Russia:

In the Baitugan block, the 2014 development drilling programme was carried out with 4-6 rigs. 52 producing and injection wells were drilled to continue last year's production growth. Construction of infield infrastructure was finished. After the completion of 3D seismic interpretation in 2014 in the Yerilkinsky block the first exploration well is planned for Q3 2015. In the Matjushkinskj block, 673 km of 2D seismic field-work was completed in 2014 and interpretation is in progress with results expected in 2015.

In Kazakhstan:

In the Fedorovsky block, a successful appraisal programme was completed by May 2014. Based on the testing result of the RZK U-24 appraisal well, a new oil discovery was announced in the Bashkirian reservoir of the Rozhkovsky field. After finishing the appraisal programme, an SPE standards-based, independent reserve audit increased bookable 2P reserves by 24 MMboe to 60 MMboe (net to MOL Group). In the North Karpovsky block, drilling of the SK-1 well finished unsuccessfully, because the well was impaired at year-end 2014. Drilling of the SK-2 well is being carried out by the operator on sole risk. Results are expected in Q2 2015.

In Pakistan:

In the TAL Block, production commenced from the Makori East-3, Manzalai 10 & Manzalai 11 wells, while the drilling of two development wells (Makori East-4, Maramzai-3) has started. The Makori Gas Processing Facility was commissioned, producing volumes from the Manzalai, Makori, Makori East, Maramzai and Mamikhel fields. Moreover, the Mamikhel and Maramzai fields were declared commercial, and development plans were submitted to the Government of Pakistan.
The Kot-1 and Malgin-1 exploration wells were tested, then suspended. Drilling operations commenced at the Mardankhel-1 exploratory well, with results expected by the end of Q1 2015. In the Margala and Margala North blocks, drilling of the first exploration well (MGN-1) commenced in Q2 2014 and is due to be completed in Q2 2015. It is expected to have a significant impact on the future exploration approach in the area. In the Ghauri Block, the first exploration well Ghauri X-1 was drilled in Q1 2014 and resulted in oil discovery. The well was put into early production.

In the CEE region:

In Hungary, nine conventional exploratory drillings were completed, five of which were gas or gas condensate discoveries. The unconventional exploration project continued in the Derecske Basin.

Eleven field developments were completed and 10 were still in progress at the end of 2014. Furthermore, five new development wells were drilled and several work-overs were performed during the year. In Croatia, onshore exploration activities included the completion of two exploration wells, as well as the continuation of an unconventional fracking campaign (with the second phase of the campaign performed successfully on three wells). In onshore development, an important milestone was reached in the Ivanić-Žutica EOR project as the permit for trial work on CO_2 injection in the Ivanić field was obtained from the Ministry. As a result, injection in 12 out of 14 wells commenced in Q4 2014. Offshore, five development wells were drilled in 2014, yielding 1.6 mboepd in incremental gas production for INA.

Extended acreage position in Hungary, Croatia and UK

LICENCES ACQUIRED IN 2014

Since 2010, the total territory of Hungary has been a closed area for hydrocarbon exploration. Exploration licenses are not extendable and exploration rights may only be acquired through a concession process. In the first bid round MOL Group contracted for the Szeged Basin West concession block and for the Jászberény geothermal block. In the second bid round in June 2014, MOL Group applied for 2 hydrocarbon concession areas. The contract was signed for the awarded Okány-East concession block in 2015.

In the framework of the first offshore bid round in Croatia, the Ministry of Economy opened a data room for 29 exploration blocks in the Central & South Adriatic in 2014. Two exploration blocks were granted to INA, South Adriatic 25 and South Adriatic 26. INA will proceed with negotiation and signing of the PSA Agreement. In the framework of the first onshore bid round, a data room was opened for six exploration blocks in 2014, while licences will be granted in Q1 2015.

In the UK, MOL Group applied for and was granted four exploration licenses in the Twenty-Eighth UK Bid Round. Each licence is for a four year period, within which time the commitment is to obtain existing seismic and then reprocess the data, with a variety of petrotechnical studies, before deciding whether to drill an exploration well (drill-or-drop commitment).

103% organic Reserves Replacement Ratio

As of the end of 2014, MOL Group has SPE 2P reserves of 555 MMboe. This includes organic reserves bookings among others in Shaikan block, the Kurdistan Region of Iraq (15 MMboe) and in the Fedorovsky block in Kazakhstan (24 MMboe), as well as the effect of last years' acquisitions (North Sea – 30 MMboe) and divestment (49% share in BaiTex LLC – 53 MMboe). The organic reserves replacement ratio reached 103%.

SPE 2P RESERVES, MMBOE	FY 2014
Hungary	123.5
Croatia	194.9
Russia	74.5
Syria	35.8
Kazakhstan	60.4
United Kingdom	30.4
Other	35.4
Total	554.9

The Hungarian Mining Act was modified twice during 2014. Relevant changes are as follows:

- Exploration licensed territory possessed by one mining entrepreneur increased from 12,000 km^2 to 15,000 km^2.
- Fracturing processes are regulated and permitted, which gives the green light to unconventional exploration.
- Hydrocarbons produced by enhanced gas recovery methods (EGR) are royalty free (0%).
- When ownership of a mining plot on which production has not yet started is transferred, the new obligor must start production within one year.

The extraction tax in Russia is dependent on average Urals blend listed prices (Rotterdam and Mediterranean markets) and the Russian Rouble/US Dollar exchange rate and is calculated by a formula set out in tax legislation. Tax authorities inform the public of the extraction tax rate through official announcements on a monthly basis. The Mineral Extraction Tax (MET) rate increased by 4.9% compared to 2013, reaching RUB 493 per ton.

Rates of custom duties are set by the Ministry of Economic Development on a monthly basis, using average prices for Urals crude oil on world crude markets (Mediterranean and Rotterdam) during the monitoring period. The maximum rate of export duty on crude oil is calculated in accordance with the provisions of the law of the Russian Federation "On the Customs Tariff". In 2014, the export duty rate increased to 54%.

As part of tax reforms launched for the oil industry in 2011, further amendments were introduced to provide more incentives for the upstream sector to improve production efficiency. Changes are in force since 1 January 2015.

As of 26 March 2014 the Croatian royalty rate increased from 5% to 10% of hydrocarbons' market value.

UPSTREAM OUTLOOK

Mitigate production decline and maximise cash flow in mature CEE assets, while monetising value from key international growth projects

Key goals for 2015

- Zero HSE incidents/accidents
- Increase MOL Group production to 105-110 mboepd
- Mitigate production decline and maximise cash flow in mature CEE assets
- Progress towards monetising the value from key international growth projects in the Kurdistan Region of Iraq, Pakistan and the CIS countries
- Grow MOL Group's presence in the North Sea
- Reach flat to declining unit cost across all countries
- Enhance international exploration portfolio
- Finalise major organisational changes in Group Upstream
- Utilise opportunities arising from the current lower oil price environment

Following the U-turn in production in mid-2014, MOL Group will further increase it in 2015. The main areas of incremental barrels are: (1) North Sea, where Cladhan development is now almost complete and should be on track for first oil in H2 2015, joining the barrels of recently-acquired producing fields; (2) The Kurdistan Region of Iraq, where we expect a gradual increase of production from both the Akri-Bijeel and Shaikan blocks, following de-bottlenecking activities on surface facilities and tie-in of new wells; (3) Finally, INA's firm goal is to reverse the production decline in Croatia. Monetisation of the value from key international growth projects will ensure further sizable production growth beyond 2015.

MOL Group intends to mitigate the decline in production and maximise cash flow on matured CEE fields, building on MOL Group's extensive know-how, as well as taking portfolio optimisation steps and making cost efficiency improvements. In Hungary, besides drilling nine new exploratory wells, the 2015 work programme includes finalisation of 10 field development projects and the start of 14 new field development projects with the strategic goal of keeping the production decline rate below 5%. Moreover, to ease the pressure of declining production on unit production costs, an extensive cost optimisation programme is being undertaken. In Croatia, INA's firm goal is to stop natural production decline and put Croatian production on an upward trend. 2015 will bring the finalisation of the first phase of major EOR projects, with a positive effect on production of the Ivanić field and the start of CO^2 injection in the Žutica field. The 4P well-optimisation program will continue, which in 2014 already resulted in a crude oil production increase for the first time in more than a decade. Moreover, an extensive onshore exploration drilling campaign should also contribute to the growth.

In the Kurdistan Region of Iraq, MOL Group intends to increase production gradually from both blocks. However, in the Akri-Bijeel block the main goal for 2015 is to complete our information acquisition campaigns with the testing of Bijell-2, -4, -6 and Bakrman-2 appraisal wells, which should serve as valuable information for further delineation of the reservoir. In the meantime, de-bottlenecking is on-going and scheduled to be completed by Q2 2015 on the Bijell-1 Production Facility. The 2015 work plan on Shaikan includes completion of Shaikan-11, as well as de-bottlenecking and facility upgrade projects, enabling production to stabilize around 37-40 Mboepd at block level (100% gross).

North Sea operations, where MOL Group extended its presence after purchasing assets from Premier Oil in 2014, should already contribute substantially to Group-level production. The Cladhan development is now almost complete and should be on track for first oil in H2 2015, joining the barrels of recently-acquired producing fields. The Catcher field development project is moving forward with the first wells planned for drilling in Q2 2015 and FPSO construction in Japan is underway. The ultimate aim is to be able to commence oil production from Catcher in mid-2017. In Pakistan, MOL Group continues field development in TAL block, as well as being committed to fully exploring the upside potential of all other blocks. In the Margala North block, where MOL Group has a 70% interest as an operator, the MGN-1 well is the first to be drilled in the northern part of the Potwar Basin, and is therefore expected to have a significant impact on the future exploration approach to the area. In the Karak block, the continuation of extended Well Test Production and the drilling of two exploratory wells are the key tasks ahead.

In Russia, in order to maintain the increasing production trend in the Baitugan block, drilling of 40-50 production and injection wells per year will take place. In the Yerilkinsky block, 3D seismic interpretation confirmed the block's high potential while the first exploration well is planned to be drilled in Q3 2015. In the Matjushkinskj block, the focus will remain on exploration, including the interpretation of recent 2D seismic surveys, which is expected to clarify the remaining potential of the block. Following a successful completion of the appraisal programme in Kazakhstan's Fedorovsky block in 2014, MOL Group will proceed with preparations for the start of the first phase of the development project. This will evaluate the behaviour of the reservoirs to determine the full-scale field development plan, while also ensuring the sale of produced gas and condensate. The first development well (U-25) is expected to be spudded in Q2 2015. Moreover, following a new commercial discovery in the Bashkirian reservoir in 2014, a two year Exploration Licence extension was offered, providing a unique opportunity to explore the remaining area and upside potential of the block.

Finally, MOL Group is well-positioned to utilise opportunities that arise from the current lower oil price environment with the aim of balancing risk and seeking new accretive exploration and development opportunities.

DOWNSTREAM OVERVIEW

HIGHLIGHTS

- Clean CCS EBITDA increased by more than 30% in 2014;
- Beside a better macro environment, outstanding results were also supported by the successful implementation of the New Downstream efficiency improvement programme, which delivered a $500mn improvement between 2011 and 2014;
- The new, three-year Next Downstream Program has been launched, which supports the overall Downstream normalized free cash flow generation target of USD 900mn and clean CCS Downstream EBITDA target of USD 1.3-1.4bn by 2017 through:
  - USD 350mn asset and market efficiency improvement
  - and further USD 150mn contribution of strategic growth projects
- Tangible demand recovery in domestic markets: aggregate motor fuel markets grew by 4%.

OVERVIEW OF 2014

	FY 2013	FY 2014	CH. %
Total MOL Group refinery margin (USD/bbl)	2.0	3.1	55
Complex refinery margin (MOL+Slovnaft) (USD/bbl)	3.4	4.6	35
Brent dated (USD/bbl)	108.7	98.9	(9)
Ural Blend (USD/bbl)	108.0	98.0	(9)
Brent Ural spread (USD/bbl)	0.69	1.35	96
Crack spread – premium unleaded (USD/t)	165	170	3
Crack spread – gasoil 10ppm (USD/t)	117	107	(9)
Crack spread – naphtha (USD/t)	53	61	15
Crack spread – fuel oil 3.5 (USD/t)	(234)	(223)	5
Integrated petrochemicals margin (EUR/t)	295	364	23

Favourable trends in the downstream environment, especially in the second half of 2014

The refining environment improved during 2014 compared to the previous year. The lower oil price environment – especially in the second half of the year – supported refinery margins through lower costs of own consumption and significant refinery run cuts. Additionally, after the especially tight Urals' markets in 2013, it took almost a year for refineries to adapt and turn to oil grades substitutes outside the region (e.g. from the Arab Gulf and Latin America) resulting in a wider Brent-Urals spread year-on-year. Lower European gasoline production lifted gasoline cracks compared to 2013. On the other hand, global diesel demand was lower than expected due to the mild European winter and slowing Chinese economy, while export volumes from Russia and the US increased. These factors prompted a 9% gasoil crack decrease by the end of 2014.

CCS-BASED DS EBITDA [3,4] (HUF BN)	FY 2013	FY 2014	CH. %
MOL Group	156.8	206.3	32
o/w Petrochemicals	13.7	40.0	192
o/w Retail	33.7	47.4	41
MOL excl. INA	171.8	235.2	37
INA	(15.0)	(28.9)	93
CCS-BASED DS OPERATING PROFITS [3,4] (HUF BN)	**FY 2013**	**FY 2014**	**CH. %**
MOL Group	29.2	95.2	226
MOL excl. INA	73.3	147.0	101
INA	(44.0)	(51.8)	18

3,4 Notes and special items listed in Appendix I and II.

Drop in total sales mainly on account of black products due to the change of business model in Italy

EXTERNAL REFINED AND PETROCHEMICALS PRODUCT SALES BY PRODUCT (KT)	FY 2013 RESTATED	FY 2014	CH. %
Total refined products	18,092	16,725	(8)
o/w Motor gasoline	3,987	3,614	(9)
o/w Diesel	9,363	9,133	(2)
o/w Fuel oil	677	554	(18)
o/w Bitumen	1,026	629	(39)
o/w Retail segment sales	3,480	3,513	1
o/w Motor gasoline	1,105	1,073	(3)
o/w Gas and heating oils	2,289	2,347	3
Total Petrochemicals product sales	1,302	1,126	(14)
o/w Olefin products	306	184	(40)
o/w Polymer products	996	942	(5)
Total refined and petrochemicals product sales	19,394	17,851	(8)

Successful implementation of USD 500mn New Downstream Program

MOL Group Downstream benefited from a better external environment and the success of our internal efficiency improvement efforts. Consequently, Downstream's clean CCS EBITDA rose by 32% year-on-year. The MOL Group-level New Downstream Program was launched in 2012 to improve profitability throughout the whole value chain and to reach USD 500mn EBITDA growth by 2014 on a like-for-like basis, compared with 2011. Through the completion of more than 300 initiatives, the division managed to improve its efficiency, ensure more flexible operations and maximise its revenues whilst enforcing a more rigorous cost management approach. In line with original plans, in 2014 (which was the third and final year of the New Downstream Program), USD 500mn EBITDA improvement was achieved.

Considerable improvement under-pinned by strengthening R&M, petchem and retail

Annual Downstream performance was positively influenced by:

- a significant improvement in the petrochemicals segment's results supported by the most favourable petrochemicals environment since 2007, as the integrated petrochemicals margin increased by 23% to 364 EUR/t, compared to the prior year.
- a significantly improving Retail contribution supported by a volume sales increase, mainly in Hungary and Slovakia, as well as higher margins.
- the widening of the Group refinery margin by over 1 USD/bbl, due mostly to the 10 USD/bbl drop of Brent, which generated lower costs of own consumption and losses, and the 0.7 USD/bbl widening of the Brent-Ural spread.
- Implementation of New Downstream Efficiency measures described in more detail above.

These positive effects, however, were partly offset by:

- a less favourable R&M contribution from INA due to deteriorating production yields and higher own consumption and losses mainly related to fall-out of some conversion units. This had an adverse impact on sales volumes as well, which dropped by 5%. Additionally, last year's INA performance was positively influenced by a change in inventories evaluation methodology with a HUF 9bn impact.
- non-recurring effect of the IES refinery conversion completed during the first nine months of 2014, following which regular depot operations were launched. The termination of crude processing activities adversely impacted volumes sold in Italy in a year-on-year comparison.

CHANGE IN REGIONAL MOTOR FUEL DEMAND FY 2014 VS. FY 2013 IN %	MARKET*			MOL GROUP SALES**		
	GASO-LINE	DIESEL	MOTOR FUELS	GASO-LINE	DIESEL	MOTOR FUELS
Hungary	3	9	7	(3)	1	0
Slovakia	3	6	5	(3)	3	1
Croatia	(5)	0	(2)	(14)	(3)	(6)
Other	(2)	0	(1)	(11)	1	(3)
CEE 10 countries	(1)	1	0	(8)	1	(2)

* Company estimates ** Sales from own refinery production and purchased from external sources

In 2014, we experienced 4% aggregate domestic market (Hungary, Slovakia and Croatia) growth, while the wider CEE motor fuels market remained broadly in line with last year's levels. The motor gasoline market showed positive trends in two domestic countries, Hungary and Slovakia, but was still down regionally. The diesel market performed better, growing regionally by a mere 1%. In the case of gasoil, the Hungarian, Slovak and Czech markets strongly supported the increase.
Group motor fuel sales dropped both in core markets and in the wider CEE region (excluding Italy) mainly due to enhanced competition and the planned major Slovnaft turnaround in Q2 and also other smaller-scale unplanned events.

Significant improvement in retail performance

The Retail arm delivered a 41% increase on a clean CCS EBITDA basis and its contribution reached HUF 47bn. This remarkable uplift was supported by retail price liberalisation in Croatia in February 2014. In addition to that, we achieved a 10% and a 7% sales increase in Hungary and Slovakia respectively against 2013.

TOTAL RETAIL SALES (KT) FY 2013	FY 2014	CH. %	
Hungary	789	864	10
Slovakia	422	452	7
Croatia	1,106	1,077	(3)
Romania	503	501	0
Other	660	619	(6)
Total retail sales*	3,480	3,513	1

* Restatement of 2013 sales data

Total retail sales volumes (including LPG and lubricants volumes) increased by 1% year-on-year due to the expanded filling station network and demand recovery in Hungary, Slovakia and the Czech Republic. Romanian and Croatian markets remained depressed due to an excise duty increase effective from the first quarter of the year.

During 2014, MOL Group announced inorganic deals in order to extend its retail portfolio. Following the anticipated closing of all purchases, the number of fuel stations will increase by 169 in the Czech Republic, by 42 in Romania and by 41 in Slovakia. New service stations will extend our captive market as well as improve our ability to reach a higher number of end users. At the same time, MOL Group's retail market share is expected to approach 15% in the Czech Republic and comfortably exceed 10% in Romania.

DOWNSTREAM OUTLOOK

Slightly easing fundamentals in the mid-term

With a conservative approach, our expectation for the 2015 environment is similar to that of 2014. While the lower crude price environment is lending support through lower processing costs, this effect is limited as European refinery capacity overhang will persist, capping any sudden surge in margins. Global surplus of refinery capacity may even increase as new deep conversion refineries are starting up in the Middle East, India and Brazil. Due to sluggish global demand, margins may be under pressure in 2015.

In the mid-term however, we assume there will be closure of marginal assets in Europe and a revival of economic performance leading to healthier demand growth on a global level. Therefore, the margin environment may improve overall in Europe in the mid-term.
Following years of decline, motor fuel demand is expected to stabilise in the CEE region. On the back of economic growth, an increase in motor fuel demand may again be largely driven by diesel in 2015, meaning that the gap between motor gasoline and diesel sales will increase further regionally.

Next Downstream targets further USD 500m EBITDA improvement…

The overall target of Downstream is to achieve USD 1.3-1.4bn EBITDA and around USD 900mn normalised cash flow generation by the end of 2017. Our 2014 performance serves as a baseline for the initiation of the Next Downstream Program with the target of reaching incremental USD 500mn EBITDA generation on the same time horizon.

…USD 350m coming from asset and market efficiencies

The Downstream division is ready to address the challenges ahead by delivering a new asset and market efficiency programme of USD 350mn within the scope of the Next Downstream Program. Altogether, more than 150 individual actions are included in this part of the program, tackling efficiency improvements in production and commercial areas. As a result, MOL Group will improve our white product yield by 2.5%, increase operational availability of key assets, enhance energy intensity and increase traded motor fuel volumes to 150% against own-produced motor fuels.
We also intend to develop our existing retail network. The conceptual change in retail, through the conversion of filling stations into a widespread sales point network means that we will concentrate on selling consumer goods and attracting more customers. As a result, MOL Group will be able to increase fuel sales by over 25% and reach a high double digit margin increase on the non-fuel side (including the additional contribution of retail deals announced in 2014).

… USD 150mn added by strategic projects

Additionally, our strategic growth projects will further contribute USD 150mn to the Next Downstream Program. This part of the programme covers the construction of a new 130,000 tonne-per-annum capacity butadiene extraction unit in our TVK petrochemical plant and the installation of a new low-density polyethylene plant (LDPE-4) in Bratislava, which will not only replace three out-of-date production units currently in operation, but also significantly increase the quality of produced LPDE.
Furthermore, retail performance will benefit from the additional contribution of the recently-acquired fuel stations, exceeding 250 retail outlets overall.
The refinery conversion project in Mantua was completed by the end of the third quarter of 2014. The new operational model will bring additional financial benefits in the coming years.

Pursuing inorganic opportunities in the region

Following the aggressive inorganic network expansion of previous years, we wish to further pursue inorganic growth opportunities in the region within the supply radius of our refineries. Such potential steps will enhance our captive market positions and support overall margin capture of our Downstream business.

GAS MIDSTREAM SEGMENT OVERVIEW

Gas Midstream delivered 37% lower results on an EBITDA basis, excluding special items, compared to last year. This significant drop is a result of forced gas inventory sale due to regulatory changes in Croatia and lack of storage revenues following the sale of the Hungarian storage unit (MMBF) in 2013 with its HUF 21bn contribution in the base period. The Hungarian gas transmission business delivered solid results in light of a further cut in regulated returns in November 2013.

FGSZ LTD.

Operating profit contribution fell (based on IFRS figures)

Operating profits of FGSZ in 2014 were significantly (16%) lower compared to the previous year, mainly due to the effects of unfavourable external factors.

Significantly lower operating revenues from domestic transmission due to external factors

Revenues from domestic transmission services totalled HUF 60.1bn, significantly lower (by 12%) than the base period figures. Revenues fell mainly due to the unfavourable effect of tariff changes valid from 1 July 2014, as well as lower capacity bookings and lower turnover fee revenues in line with decreasing domestic natural gas consumption, and further decreases in public utility charges as of 1 November 2013.

Despite lower tariffs for household customers and due to decreased industrial demand, domestic natural gas consumption showed a further decrease compared to the previous year but the significantly higher volumes injected to storage compensated this negative effect.

Lower transit transmission revenues in line with lower transmission volumes

Revenue from natural gas transit was HUF 19.6bn, lower by 9% compared to the base period figure. Favourable FX effects could compensate only partly for the significant negative effect of decreasing transit transmission volumes (lower by 20%). Both the southward Serbian-Bosnian and other transit transmission volumes were significantly lower compared to the previous year.

Strict control of operating costs

Lower operating costs (by 3%) had a favourable effect on operating profit. The lower operating expenses as a result of strict cost control and lower depreciation compensated for the negative effect of the slightly higher cost of natural gas consumption by the transmission system (thanks to higher compressor gas consumption, as a result of increased storage injection activities and changing transmission needs).

PRIRODNI PLIN D.O.O.

Prirodni Plin (PP), INA's gas trading company, reported a HUF 21.4bn EBIT loss in 2014. Performance was negatively impacted by enforced stored gas sales during Q2 as a consequence of regulatory changes in Croatia. From January 1 2015, PP will be reported as part of the Upstream division.
A package of resolutions put forward by the Ministry of Economy and related to INA's obligation to deliver the gas produced in Croatia at a regulated price was applied from 1 April 2014. This decision obliges INA to sell the portion of its natural gas production for household supplies to state-owned company HEP as the wholesale market supplier, also introducing distributors' purchase obligation from HEP. With this change, the regulated price of natural gas to households was reduced from 2.4 to 1.7 HRK/m3

CAPITAL EXPENDITURE PROGRAMME

CAPITAL EXPENDITURES	FY 2013	FY 2014
	(HUF BN)	(HUF BN)
Upstream	149.5	326.3
of which inorganic:	0.0	121.0
Downstream	93.8	186.3
of which inorganic:	0.0	13.7
Gas Midstream	8.1	3.8
Corporate	18.4	19.3
Intersegment	0.0	(2.0)
Total	269.8	534.1
of which inorganic:	0.0	134.7

CAPEX spending was focused on Upstream (61%)

Total CAPEX nearly doubled in 2014 compared to the previous year, however, 25% of total CAPEX was spent on inorganic investment projects. In line with the announced strategy, CAPEX spending was more focused on Upstream, representing 61% of total Group CAPEX, while Downstream was responsible for 35% of the spending. The remaining 4% or HUF 23bn of our capital expenditure targeted gas and corporate projects.

UPSTREAM CAPEX

FY 2014 (HUF BN)	HUNGA-RY	CROATIA	KURDISTAN REGION OF IRAQ	RUSSIA	PAKI-STAN	UK	OTHER	TOTAL (HUF BN)
Exploration	12.4	3.9	41.6	4.9	8.4	0.5	14.4	86.1
Development	11.6	30.3	7.1	11.5	1.2	41.6	6.1	109.4
Acquisition	1.6	0.0	0.0	0.0	0.0	119.4	0.0	121.0
Consolidation & other	6.3	2.2	0.9	0.1	0.0	0.1	0.2	9.8
Total	31.9	36.4	49.6	16.5	9.6	161.6	20.7	326.3

In 2014, Upstream CAPEX amounted to HUF 328bn, the biggest contributor of which was HUF 121bn in inorganic CAPEX, mostly composed of two acquisitions of North Sea assets. Other major investments excl. acquisitions were made in the Kurdistan Region of Iraq (24% of total), the North Sea Region (20%), Croatia (18%), Hungary (15%), and Russia (8%).

DOWNSTREAM CAPEX

CAPEX (IN BN HUF)	FY 2013	FY 2014	CH. %	MAIN PROJECTS IN FY 2014
R&M CAPEX and investments excluding retail	42.5	70.5	66	• Friendship I crude pipeline reconstruction • Major Turnaround in Slovnaft • Tank reconstruction program • High-value asset replacements (SN AVD-6 Unit revamp) • Significant CAPEX spending in MOL RO (New Giurgiu Storage Terminal) • Conversion of the Mantova refinery
Retail CAPEX and investments	20.1	29.7	48	• Friendship I crude pipeline reconstruction • Major turnaround in Slovnaft • Tank reconstruction program • High-value asset replacements (SN AVD-6 Unit revamp) • Significant CAPEX spending in MOL RO (New Giurgiu Storage Terminal) • Conversion of the Mantova refinery
Petrochemicals CAPEX	29.1	85.0	192	• Construction works in Butadiene Recovery Project started at TVK • At SN Petchem LDPE4 substantial implementation progress (civil, equipment installation) were achieved
Power and other	2.1	1.5	(29)	• Follow-up activities in Slovnaft related to TPP Revamp
Total	93.8	186.7	99	

Downstream CAPEX doubled year-on-year. In Petrochemicals, growth projects dominated (e.g. LDPE4 and Butadiene), consequently investments increased almost threefold within the segment. In Refining & Marketing, the major turnaround of Slovnaft and the reconstruction of the Friendship pipeline was the main reason for the 66% increase. We continued the expansion of the Group retail network both inorganically and organically, which pushed investments up by close to 50%.

CAPEX BY TYPE (IN BN HUF)	FY 2013	FY 2014	CH. %
Total	93.8	186.7	99
Strategic projects	30.4	93.9	209
Normalised CAPEX	63.4	92.8	46

Of key projects:

- The conversion of the Mantua refinery to a logistics hub was completed in Q3 2014, and as of Q4 operations commenced in line with the new business model.
- The 130 kt/year butadiene extraction unit construction works are on track. The unit is expected to reach the commissioning phase in Q2 2015 and start commercial operations during Q3 2015. The unit will produce feedstock material of synthetic rubber for car tyres and improve further the profitability of the Petrochemicals business.
- The construction of the new 220 kt/year capacity LPDE4 unit in Slovnaft is progressing according to schedule. It is expected to be commissioned by the end of 2015. The new unit will increase production flexibility, improve product quality and ensure higher naphtha off-take from the refinery.
- The mechanical completion of the Friendship-1 pipeline has been reached, which will be followed by commissioning and subsequent test runs in Q1 2015. The Bratislava refinery may receive the first crude cargo from the Adriatic Sea during 2015.

FINANCING OVERVIEW

MOL Group sustained its strong financial position

The overall corporate financial position and the ability to generate operational cash flow are key priorities due to the turbulent financial environment, the fall in commodity prices and economic slowdown.

During 2014, MOL maintained its strong financial position and enjoyed EUR 4.1bn available liquidity at year-end. Indebtedness slightly increased from the previous year's record low level, but remained at a favourable level. The slight increase is partially due to cash outflows regarding recent upstream and retail asset acquisitions, partially due to FX changes. Simplified net debt to EBITDA stood at 1.31 at the close of the year, increasing from 0.79, whilst the gearing ratio increased from 15.9% to 19.6% year-on-year.

Sufficient external financing

MOL Group has sufficient financing for its operations and investments. Our diversified, medium- and long-term financing portfolio consists of revolving syndicated and club loans, long-term bonds and loan facilities through multilateral financial institutions.

Enhancing the maturity profile

To further enhance the Group's funding portfolio, MOL Plc. concluded a USD 1,550mn revolving credit facility in October, which replaced the matured EUR 500mn and, due to more favourable terms, also replaced the USD 545mn facility, which was subsequently cancelled. The term of the facility is five years with an extension option of two additional years. The Group also decreased its cost of funding via the prepayment of a loan signed in November 2010 with the European Investment Bank (EIB) by EUR 150mn with original maturity due in December 2018, as well as by reduced pricing of a 7-year loan agreement between INA and the European Bank for Reconstruction and Development.

Slightly increased gearing ratio

INDEBTEDNESS

	2013	2014
Simplified Net debt/EBITDA	0.79	1.31
Net gearing	15.9%	19.6%

72% euro-denominated debt

PROPORTION AND AMOUNT OF TOTAL DEBT (EXCLUDING SHORT-TERM DEBT) DENOMINATED IN THE FOLLOWING CURRENCIES

31 DEC 2013 (BN OWN CURRENCY)	31 DEC 2013 (BN HUF)	PORTION	CURRENCY	31 DEC 2014 (BN OWN CURRENCY)	31 DEC 2014 (BN HUF)	PORTION %
0.88	189	24.5	USD	0.8	203	25.9
1.84	548	71.0	EUR	1.8	559	71.5
N.A.	34	4.5	HUF and other*	N.A.	20	2.6
N.A.	771	100	Total	N.A.	782	100

* Includes mainly HUF, as well as HRK- and PLN-denominated debt

NOTES TO THE PROFIT & LOSS STATEMENT

SALES, OPERATING EXPENSES AND OPERATING PROFITS

Group net sales revenue decreased

Group net sales revenues decreased by 10% to HUF 4,867bn following revenue decreases in Gas Midstream by 40%, in Upstream by 15% and in Downstream by 9%.

Other operating income decreased by 65% to HUF 26.6bn mainly as the result of fewer one-off gains realised on divestiture in 2014 than in 2013: gain on divestment of Russian entities (2014: HUF 12.7bn; 2013: HUF 10.5bn) and MMBF Zrt. (2013: HUF 42.4bn).

Other operating expenses decreased by HUF 5.0bn to HUF 288.7bn in 2014. In 2014 and 2013, other operating expenses also included one-off tax penalties by INA for the amount of HUF 9.1bn and HUF 5.0bn, respectively.

In 2014 and in 2013, non-recurring expenses relating to the termination of refining activities at IES increased operating expenses by HUF 4.1bn and by HUF 22.8 bn respectively, of which HUF 9.3bn related to the provision made for redundancies in 2013, recognised as personnel expenses. In 2014, depreciation expenses decreased by 32% to reach HUF 368.3bn, mainly as a result of fewer one-off impairment charges compared to those recognised in 2013.

In 2014, an impairment charge of HUF 16.0bn was recognised on the refining assets of INA. In Upstream and Corporate & Other segments, the one-off effect in relation to the impairment on INA's Syrian current and non-current assets amounted to HUF 52.4bn and HUF 1.3bn respectively. Furthermore, unsuccessful exploration wells were written down in Kazakhstan, Egypt, Russia, Croatia and Hungary to the amount of HUF 17.7bn in 2014.

In 2013, impairment expenses of HUF 123.8bn and HUF 26.7bn respectively were recognised on the refining assets of IES and INA. In the Upstream division, the one-off effect impairment expense on INA's Syrian assets amounted to HUF 43.4bn. In 2013, unsuccessful exploration wells were written down in the Kurdistan Region of Iraq, Egypt, Oman and Hungary to the amount of HUF 27.3bn.

FINANCIAL RESULTS

Higher net financial expenses in 2014

A net financial expense of HUF 104.5bn was recorded in 2014, compared to HUF 58.3bn in 2013. Interest payable and interest received have not changed significantly from 2013 to 2014. However in 2014 and in 2013, a foreign exchange loss of HUF 38.8bn and a gain of HUF 4.1bn respectively were booked on trade and other receivables and payables. In 2014 and in 2013, a foreign exchange loss of HUF 32.2bn and of HUF 8.2bn respectively was booked on borrowings. In 2014, a HUF 48.7bn foreign exchange loss on bank loans designated as net investment hedging instruments was accounted for in the translation reserve, within equity. In 2013, a HUF 4.4bn foreign exchange gain on bank loans was accounted for in equity. A fair valuation gain on the conversion option embedded in the capital security issued by Magnolia Finance Ltd. amounted to HUF 0.6bn versus the unrealised loss of HUF 0.3bn in 2013.

INCOME FROM ASSOCIATES

Income from associates amounted to HUF 18.9bn in 2014, mainly as the result of the contribution from MET Zrt., (HUF 6.8bn) and from MOL Group's 10% share in the operations of the Pearl Petroleum Company (HUF 12.9bn).

PROFIT BEFORE TAXATION

As a result of the above-mentioned items, the Group's loss before taxation in 2014 was HUF 45.5bn, compared to a loss of HUF 56.9bn in 2013.

TAXATION

Slight Income tax expense due to offsetting effect of current and deferred taxes

Income tax expenses amounted to HUF 5.4bn in 2014 compared to income tax benefits of HUF 38.0bn in 2013. Significant one-off impairment expenses recognised both in 2014 and in 2013 lowered the relevant corporate tax bases of MOL Plc. and INA d.d., and resulted in huge negative deferred tax expenses. Despite the above effects, Group member entities provided stable local and corporate income tax expenses (2014: 30.5bn; 2013: HUF 33.4bn).

CASH FLOW

CONSOLIDATED CASH FLOW	2013	2014
	(HUF mn)	**(HUF mn)**
Net cash provided by operating activities	614,685	434,528
of which: movements in working capital	175,575	47,116
Net cash used in investing activities	(124,994)	(558,459)
Net cash provided by/(used in) financing activities	(239,251)	(263,670)
Net increase/(decrease) in cash and cash equivalents	250,440	(387,601)

Operating cash flow decreased by 29%

Operating cash inflow in 2014 decreased to HUF 434.5bn from HUF 614.7bn in 2013, due to higher cash outflows in the working capital lines. Operating cash flow, before movements in working capital, decreased by 16% to HUF 421.9bn. Income taxes paid amounted to HUF 34.4bn.
Net cash used in investment activities increased to HUF 558.5bn in 2014, mainly as a result of cash outflows relating to inorganic (North Sea and Czech retail network acquisition) and organic investments (construction of the Butadiene plant, the LDPE4 unit and the reconstruction of Friendship I crude oil pipeline).

Net financing cash outflow totalled HUF 263.7bn, primarily as a result of the net repayment of long-term and short-term debt and the dividend payment.

SUSTAINABILITY

Overview of Sustainability Performance of MOL Group

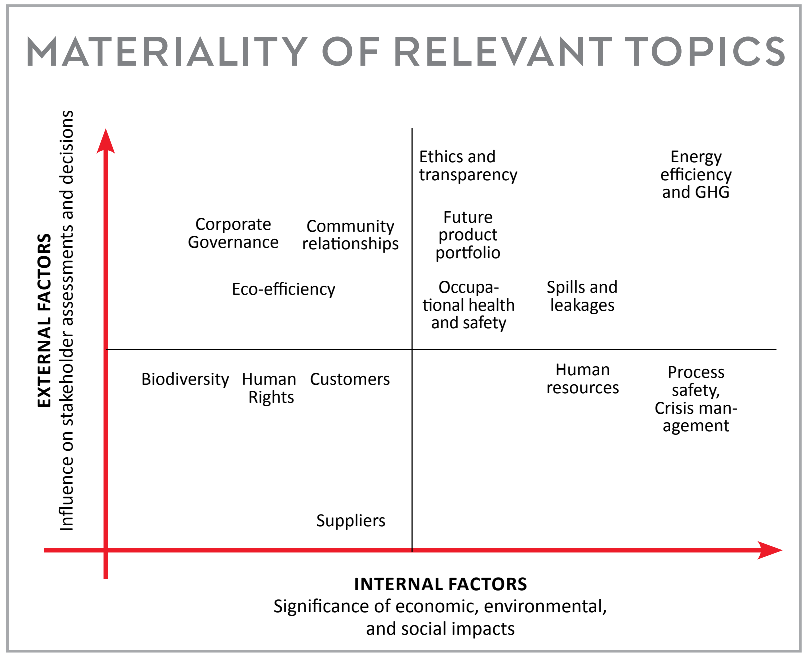
Sustainability is considered to be a fundamental criterion of business success by the largest companies and an increasing number of shareholders. Long-term financial success and good corporate sustainability performance are complementary to each other. For MOL Group, sustainability translates as the balanced integration of economic, environmental and social factors into our everyday business operations.

MOL Group operates strong governance systems (including a Board of Directors-level committee) to oversee its sustainability performance, and has a sustainability strategy to manage it. The overall target to be reached by the end of 2015 has been defined as: "Achieve and maintain an internationally-acknowledged leading position (top 20%) in sustainability performance." As a key performance indicator (KPI), we use the total score awarded to us by the Dow Jones Sustainability Index.

Materiality of Sustainability Topics in Reporting

MOL Group in 2014 qualified for inclusion in the Sustainability Yearbook 2015 issued by RobecoSAM (the company which conducts the assessment related to the Dow Jones SI). In order to be listed in the Yearbook, companies must be in the top 15% of their industry. MOL Group was also included in the MSCI Emerging Market ESG index.

MOL Group considers materiality to be a fundamentally important concept in sustainability reporting. We conduct a materiality assessment which we use to rank and classify topics that are relevant to the oil and gas industry according to how important they are to our external and internal stakeholders. To read more about our materiality assessment, please visit our website.
Internal factors include potential financial impacts and the existence of internal objectives. The key input is the MOL Group-level risk matrix that is continuously updated and presented to the Board of Directors, and feedback from our employee representatives.
External stakeholder perceptions are surveyed through our public forums and collected using our feedback channels (sd@mol.hu). Special attention is paid to topics that are considered to be relevant to external sustainability analysts and issues which are related to governmental initiatives.
The outcome of the materiality assessment is a materiality matrix, an illustration of which is presented in this chapter. We consider all the topics in the matrix to be material except for those located at the bottom left.



The procedure for materiality assessment is not designed to exclude any of the relevant topics from our reporting. The assessment is drawn up with a view to ensuring that the most material topics are highlighted and described in more detail, thereby providing our readers with deeper insight into our sustainability performance.

Performance summary on selected material topics

According to the materiality assessment, the most important sustainability topics for MOL Group operations are GHGs and energy efficiency, prevention and clean-up of spills, future product portfolio, ethics and transparency and also occupational and process safety management. Hereafter, we briefly summarise our performance in each of these areas.

GHG emissions further decreased at Group level through increasing the efficiency of energy consumption. The most significant achievement is that our energy efficiency projects, especially our New Downstream Development program, resulted in an estimated saving of almost 320 thousand tonnes of CO_2 emissions compared to the baseline from the year 2011. Of these savings, 85 thousand tonnes is an additional achievement made in 2014. These projects alone helped us make annual financial savings of HUF 13bn. The total reduction in direct CO_2 emissions since 2011 is 1.4 million tons, which is equivalent to 0.3 million tonnes on an annual basis (a 5% decrease); however, this reduction is a result of several factors, also including operational changes and divestments.

Spills and leakages are large and unpredictable sources of environmental contamination caused by industry. Managing and preventing spills is of key importance to oil and gas companies but the Company's impacts are still considered to be moderate. MOL Group is the owner and operator of production and storage facilities and transportation pipelines worldwide. Spills are mostly associated with our aging assets in Central Eastern Europe, while the largest single spill event was due to an attempted theft. The number of spills with more than 1 m^3 hydrocarbon content further decreased in 2014 and all of them happened onshore. In 2014, only five such spills occurred, which is the lowest number in recent years. Even though no major spills occurred in MOL Group's operations in 2014, the overall amount has increased from 133 m^3 in 2013 to 194 m^3 in 2014. The increase is the result of two cases in Croatia, one caused by a one-off human error, while the other was the result of attempted theft.

Health and safety is a top priority for MOL Group and for the oil and gas industry generally. The company employs 27,499 workers, who perform almost 50 million work hours per year, while our contractors work more than 40 million hours per year. Workers spend a large portion of this time using dangerous technology at operational sites. MOL Group's safety performance slightly improved in 2014 compared to 2013. The Lost Time Injury Frequency Rate decreased to 1.0 (from 1.5 in 2013) and no own employee fatalities occurred at our controlled operations. Sadly, however, there was one on-site contractor fatality. Moreover, there was an increase in road accident-related contractor and third-party fatalities, which was mostly related to our Upstream international operations where crude oil is transported by road.

Continuously improving our product portfolio is important due to external factors and the potential financial implications it has on MOL Group. Meeting the obligations of the Climate Change Package of the European Union will have a significant impact on the long-term demand for fossil fuels and energy, on refinery product quality, and also on petrochemical operations. However, through its impact, this will also open up new business opportunities for oil and gas companies in the area of "clean fuel/energy". To increase the share of low-carbon products and services that we offer, MOL Group has launched and continues to work on a series of R&D projects. The focus in 2014 was on identifying and promoting technologies to further reduce the life-cycle-emissions of our fuels and to be able to comply with regulations. Some project examples include MOL Truck Diesel, a high-quality, CO_2-efficient product. Its formula was improved in 2014 to further reduce GHGs. The chemically-stabilised rubber bitumen product of MOL Group launched in 2013, received ECO-label certification in 2014.

Ethics and transparency are key to long-term business success. MOL Group has had a Code of Ethics since 1999 and has been operating an ethics reporting system for all stakeholders since 2002. In 2014, 88 ethics-related complaints were reported to the Ethics Council of MOL Group and the INA Group, a slight increase compared to the 81 cases reported in 2013. Investigation was necessary in 61 cases. Consequences for ethical misconduct revealed by the Ethics Council included termination of employment in three cases, written disciplinary notices in nine cases and verbal disciplinary notices given in four cases. Awareness-raising and training are continuous throughout MOL Group, and employees spent an estimated 26,490 hours on ethics-related training in 2014.

INTEGRATED RISK MANAGEMENT

MOL's integrated risk management is one of the best, according to Dow Jones Sustainability Management

The aim of MOL Group Risk Management is to deal with the challenges posed by an ever-changing external environment as we seek to support stable and sustainable operations underpinning the future growth of the company. MOL Group has developed a risk management function as an integral part of its corporate governance structure.

A comprehensive and dynamic system that incorporates a broad range of risks is prepared by Enterprise Risk Management (ERM) at group level. ERM integrates financial and operational risks along with a wide range of strategic risks, as well as compliance issues and potential reputational effects. The ERM process identifies the most significant and material risks to the performance of the company. Risks are assessed based on a unified methodology and collected into risk maps at different levels. Risk responses and controls are reviewed, while mitigation actions are established and reviewed for completion by top management on a regular basis.
Enterprise Risk Management is a framework covering Business Units and Functional Units, which ensures incorporation of risks faced by the company into Risk Maps.

Risk analysis activity supports stable and efficient operations by identifying key risks that threaten the achievement of the company's objectives and require specific attention by the top management through the strengthening of controls, the execution of mitigation actions or a combination of the two. The Risk Map is a heat map that is graphically presents major risks on a matrix using probability and impact ratings, both being the result of detailed risk assessment processes. The Risk Maps integrate Strategic, Operational and Financial risks, which are identified and reassessed on a quarterly basis, providing regular updates to top management on the evolution of risks and the status of mitigation actions.
To ensure the profitability and financial stability of the Group, Financial Risk Management is in place to handle short-term, market-related risks. Commodity price, FX and interest rate risks are measured by using a complex model based on Monte Carlo simulation, and are managed – if considered necessary - with risk mitigation tools such as swaps, forwards and options.
Business Continuity Management is the process of preparing for unexpected disruptions that have low probability but high impact. Emergency Response plans, Crisis Management procedures, Disaster Recovery and other risk control programmes are crucial in a business where operational risk exposure is significant, as a result of the chemical and physical processes underlying most of the Group's operations.

Transfer of excess operational risks is carried out by Insurance Management. Purchase of insurance represents an important risk mitigation tool used to cover the most relevant operational and liability exposures. The major insurance types are: Property Damage, Business Interruption, Liability and Control of Well Insurance. These are set around a yearly cycle (i.e. annual renewal of most insurance policies). Insurance is managed through a joint programme for the whole of MOL Group, in order to exploit considerable synergy effects.

The existence of an integrated risk management function enables MOL Group to exploit the synergies between the above detailed pillars of risk management. The input sources of modelling financial risks are also applied in ERM. Similarly, the accumulated information on operational risks gained through managing insurance is also an important factor in the development of ERM. The results of ERM on operational risks (including business continuity management) can provide a clearer direction to insurance management by highlighting areas that must be covered by insurance, and where further analysis is required to make decisions on how to manage the associated risks.

Besides providing information on the most imperative risks that MOL Group faces, Risk Management also supports top management and the Board of Directors in optimizing investment decision-making, taking into consideration the risk profile of each project. For this purpose, Group Risk Management is involved in the evaluation of major projects through the utilisation of its ERM capabilities by providing its opinion on capital allocation and financing headroom.

APPENDIX

APPENDIX I

IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT AND EBITDA (in HUF mn)

MOL GROUP	FY 2013	FY 2014
OPERATING PROFIT EXCLUDING SPECIAL ITEMS	**148,463**	**109,069**
UPSTREAM	**(32,858)**	**(35,026)**
Gain on divestiture of Russian companies	10,507	12,679
Impairment on INA Syrian assets (non-current and current)	(43,365)	(52,426)
Disputed gas price differential		6,436
INA provision for redundancy		(1,715)
DOWNSTREAM	**(176,645)**	**(31,273)**
Impairment on INA's refinery assets	(26,745)	(15,990)
Gain on sale of surplus state reserves of Slovnaft Polska	3,420	
Tax penalty of INA	(5,005)	(9,095)
IES write-off	(123,813)	
SN CAPEX reclassification	(1,665)	
IES scrapping	(3,324)	
IES provision for dismantling, restructuring	(10,255)	(4,145)
IES provision for redundancy	(9,258)	
Compensation for damages to CMEPS s.r.o.		(38)
INA provision for redundancy		(2,005)
GAS MIDSTREAM	**(2,851)**	
Loss on MMBF transaction	(2,851)	
CORPORATE and OTHER		**(2,690)**
Impairment on INA Syrian assets (Crosco)		(1,336)
INA provision for redundancy		(1,354)
INTERSEGMENT	**45,263**	
Gain on MMBF transaction	45,263	
TOTAL IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT	**(167,091)**	**(68,989)**
OPERATING PROFIT	**(18,628)**	**40,080**

MOL GROUP	FY 2013	FY 2014
EBITDA EXCLUDING SPECIAL ITEMS	**494,226**	**410,221**
UPSTREAM	**10,507**	**15,403**
Gain on divestiture of Russian companies	10,507	12,679
Impairment on INA Syrian assets (non-current and current)		(1,997)
Disputed gas price differential		6,436
INA provision for redundancy		(1,715)
DOWNSTREAM	**(26,087)**	**(15,283)**
Gain on sale of surplus state reserves in Slovnaft Polska	3,420	
Tax penalty imposed on INA	(5,005)	(9,095)
SN CAPEX reclassification	(1,665)	
IES scrapping	(3,324)	
IES provision for dismantling, restructuring	(10,255)	(4,145)
IES provision for redundancy	(9,258)	
Compensation for damages to CMEPS s.r.o.		(38)
INA provision for redundancy		(2,005)
GAS MIDSTREAM	**(2 851)**	
Loss on MMBF transaction	(2 851)	
CORPORATE and OTHER		**(1,977)**
Impairment on INA Syrian assets (Crosco)		(623)
INA provision for redundancy		(1,354)
INTERSEGMENT	**45,263**	
Gain on MMBF transaction	45,263	
TOTAL IMPACT OF SPECIAL ITEMS ON EBITDA	**26,832**	**(1,857)**
EBITDA	**521,058**	**408,364**

APPENDIX II

Notes

[1] Net external sales revenues and operating profits include profits arising both from sales to third parties and transfers to the other Business Units. Upstream transfers domestically-produced crude oil, condensates and LPG to Downstream and natural gas to Gas Midstream. Internal transfer prices are based on prevailing market prices. Gas transfer prices equal average import prices. Segmental figures include the results of fully consolidated subsidiaries engaged in their respective segments.

[2] This line shows the effect on operating profits of the change in the amount of unrealised profit in respect of intersegment transfers. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third-party sale takes place but only in a subsequent quarter. For segmental reporting purposes, the transferor segment records a profit immediately at point of transfer. However, at the Company level, profits are only reported when a 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 Upstream to Gas Midstream.

[3] Special items affecting operating profits and EBITDA are detailed in Appendix I.

[4] Estimated Current Cost of Supply-based EBITDA and operating profit/(loss) excluding special items, and impairment on inventories in Refining & Marketing.

[5] In converting HUF financial data into USD, the 223.7 HUF/USD MNB rate was used for FY 2013, while the FY 2014 figure was calculated by converting the results of each month based on the respective monthly average HUF/USD MNB rate.

FINANCIAL STATEMENTS AND NOTES

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY AND SUBSIDIARIES

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

31 DECEMBER 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders MOL Hungarian Oil and Gas Plc.

Report on financial statements

1.) We have audited the accompanying 2014 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprise the consolidated balance sheet as at 31 December 2014 - showing a balance sheet total of HUF 4,649,525 million and a loss for the year of HUF 50,866 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2.) Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3.) Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 about whether the consolidated financial statements are free from material misstatement.

4.) 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 of consolidated financial statements that give a true and fair view 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.

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

Opinion

6.). 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 2014 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Other reporting requirement – Report on the consolidated business report

7.) We have reviewed the consolidated business report of MOL Hungarian Oil and Gas Plc. for 2014. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian legal requirements. Our responsibility is to assess whether the consolidated business report is consistent with the consolidated financial statements for the same financial year. Our work regarding the consolidated business report has been restricted to assessing whether the consolidated business report is consistent with the consolidated annual financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the consolidated business report of MOL Hungarian Oil and Gas Plc. for 2014 corresponds to the disclosures in the 2014 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc.

Budapest, 16 March 2015

Bartha Zsuzsanna
Ernst & Young Kft.
Registration No.: 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

MOL HUNGARIAN OIL AND GAS PLC. AND SUBSIDIARIES

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

31 DECEMBER 2014

Budapest, 16 March 2015

Zsolt HERNÁDI Chairman of the Board of Directors Chief Executive Officer	József SIMOLA Group Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	NOTES	2014	2013 RESTATED
ASSETS		**HUF million**	**HUF million**
Non-current assets			
Intangible assets	4	371,236	323,646
Property, plant and equipment	5	2,513,014	2,252,927
Investments in associated companies and joint ventures	10	165,776	128,220
Available-for-sale investments	11	20,796	14,636
Deferred tax assets	30	75,000	64,578
Other non-current assets	12	101,692	66,953
Total non-current assets		**3,247,514**	**2,850,960**
Current assets			
Inventories	13	364,591	465,506
Trade receivables	14	450,985	512,584
Securities	33	222,467	6,604
Other current assets	15	144,252	219,881
Income tax receivable		15,973	39,447
Cash and cash equivalents	16, 36	203,743	564,170
Total current assets		**1,402,011**	**1,808,192**
TOTAL ASSETS		**4,649,525**	**4,659,152**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	79,229	79,215
Reserves		1,666,438	1,604,887
Profit/(loss) for the year attributable to equity holders of the parent		4,078	21,901
Equity attributable to equity holders of the parent		**1,749,745**	**1,706,003**
Non-controlling interests		445,993	473,517
Total equity		**2,195,738**	**2,179,520**
Non-current liabilities			
Long-term debt	19	455,039	673,248
Provisions	20	393,192	310,912
Deferred tax liabilities	30	49,820	74,877
Other non-current liabilities	21	28,637	27,247
Total non-current liabilities		**926,688**	**1,086,284**
Current liabilities			
Trade and other payables	22	969,738	1,034,195
Income tax payable		5,542	2,537
Provisions	20	44,703	47,219
Short-term debt	23	180,448	211,223
Current portion of long-term debt	19	326,668	98,174
Total current liabilities		**1,527,099**	**1,393,348**
TOTAL EQUITY AND LIABILITIES		**4,649,525**	**4,659,152**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

31 DECEMBER 2014

	NOTES	2014	2013 RESTATED
		HUF million	**HUF million**
Net revenue	3, 24	4,866,607	5,400,417
Other operating income	25	26,598	75,696
Total operating income		**4,893,205**	**5,476,113**
Raw materials and consumables used		3,910,598	4,418,408
Personnel expenses	26	260,242	259,747
Depreciation, depletion, amortisation and impairment		368,284	539,686
Other operating expenses	27	288,681	293,727
Change in inventories of finished goods and work in progress		73,533	24,748
Work performed by the enterprise and capitalized		(48,213)	(41,575)
Total operating expenses		**4,853,125**	**5,494,741**
Operating profit		**40,080**	**(18,628)**
Finance income	28	35,300	29,385
Of which: Fair valuation difference of conversion option	28	601	-
Finance expense	28	139,764	87,729
Of which: Fair valuation difference of conversion option	28	-	271
Finance expense, net	**28**	**104,464**	**58,344**
Income from associates		18,902	20,062
Profit/(loss) before tax		**(45,482)**	**(56,910)**
Income tax expense	30	5,384	(37,959)
Profit/(loss) for the year		**(50,866)**	**(18,951)**
Attributable to:			
Equity holders of the parent		4,078	21,901
Non-controlling interests		(54,944)	(40,852)
Basic earnings per share Attributable to ordinary equity holders of the parent (HUF)	**31**	**(39)**	**165**
Diluted earnings per share Attributable to ordinary equity holders of the parent (HUF)	**31**	**(39)**	**165**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

31 DECEMBER 2014

	NOTES	2014	2013 RESTATED
		HUF million	**HUF million**
Profit /(Loss) for the year		**(50,866)**	**(18,951)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations, net of tax	29	144,208	4,128
Net investment hedge, net of tax	29	(42,249)	4,646
Available-for-sale financial assets, net of deferred tax	29	4,788	(284)
Cash-flow hedges, net of deferred tax	29	(2,088)	(3,071)
Share of other comprehensive income for associates	29	24,168	(2,321)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**128,827**	**3,098**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	29	(1,541)	213
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(1,541)**	**213**
Other comprehensive income for the year, net of tax		**127,286**	**3,311**
Total comprehensive income for the year		**76,420**	**(15,640)**
Attributable to:			
Equity holders of the parent		91,507	26,152
Non-controlling interest		(15,087)	(41,792)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2014

	SHARE CAPITAL	SHARE PREMIUM	FAIR VALUATION RESERVE	TRANSLATION RESERVE	EQUITY COMPONENT OF DEBT AND DIFFERENCE IN BUY-BACK PRICES	RETAINED EARNINGS	TOTAL RESERVES	PROFIT/(LOSS) 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
Closing balance 31 December 2012	**79,202**	**(325,669)**	**5,769**	**152,759**	**(8,074)**	**1,643,645**	**1,468,430**	**151,484**	**1,699,116**	**547,205**	**2,246,321**
Restate effect	-	-	-	-	-	17,805	**17,805**	-	**17,805**	-	**17,805**
31 December 2012 - Restated	**79,202**	**(325,669)**	**5,769**	**152,759**	**(8,074)**	**1,661,450**	**1,486,235**	**151,484**	**1,716,921**	**547,205**	**2,264,126**
Retained profit for the year	-	-	-	-	-	-	**-**	21,901	**21,901**	(40,852)	**(18,951)**
Other comprehensive income for the year	-	-	(3,206)	6,965	-	492	**4,251**	-	**4,251**	(940)	**3,311**
Total comprehensive income for the year	-	-	(3,206)	6,965	-	492	**4,251**	21,901	**26,152**	(41,792)	**(15,640)**
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	151,484	**151,484**	(151,484)	**-**	-	**-**
Dividends	-	-	-	-	-	(38,925)	**(38,925)**	-	**(38,925)**	-	**(38,925)**
Dividends to non-controlling interests	-	-	-	-	-	-	**-**	-	**-**	(18,722)	**(18,722)**
Equity recorded for share based payments	**13**	-	-	-	-	228	**228**	-	**241**	-	**241**
Net change in balance of treasury shares held, net of tax	-	-	-	-	-	1,287	**1,287**	-	**1,287**	-	**1,287**
Disposal of subsidiaries	-	-	-	-	-	-	**-**	-	**-**	(12,816)	**(12,816)**
Transactions with non-controlling interests	-	-	-	-	-	327	**327**	-	**327**	(358)	**(31)**
Closing balance 31 December 2013 - Restated	**79,215**	**(325,669)**	**2,563**	**159,724**	**(8,074)**	**1,776,343**	**1,604,887**	**21,901**	**1,706,003**	**473,517**	**2,179,520**
Retained profit for the year	-	-	-	-	-	-	**-**	4,078	**4,078**	(54,944)	**(50,866)**
Other comprehensive income for the year	-	-	269	82,280	-	4,880	**87,429**	-	**87,429**	39,857	**127,286**
Total comprehensive income for the year	-	-	269	82,280	-	4,880	**87,429**	4,078	**91,507**	(15,087)	**76,420**
Transfer to reserves of retained profit for the previous year	-	-	-	-	-	21,901	**21,901**	(21,901)	**-**	-	**-**
Dividends	-	-	-	-	-	(49,710)	**(49,710)**	-	**(49,710)**	(11,852)	**(61,562)**
Dividends to non-controlling interests	-	-	-	-	-	-	**-**	-	**-**	-	**-**
Equity recorded for share based payments	**14**	-	-	-	-	152	**152**	-	**166**	-	**166**
Net change in balance of treasury shares held, net of tax	-	-	-	-	-	1,693	**1,693**	-	**1,693**	-	**1,693**
Disposal of subsidiaries	-	-	-	-	-	-	**-**		**-**	(413)	**(413)**
Transactions with non-controlling interests	-	-	-	-	-	86	**86**	-	**86**	(172)	**(86)**
Closing balance 31 December 2014	**79,229**	**(325,669)**	**2,832**	**242,004**	**(8,074)**	**1,755,345**	**1,666,438**	**4,078**	**1,749,745**	**445,993**	**2,195,738**

CONSOLIDATED STATEMENT OF CASH FLOWS

31 DECEMBER 2014

	Notes	2014 HUF million	2013 HUF million
Profit before tax		**(45,482)**	**(56,910)**
Depreciation, depletion, amortisation and impairment		368,284	539,686
Write-off of inventories, net		25,907	3,905
Increase / (decrease) in provisions		4,796	20,744
Net (gain) / loss on sale of property, plant and equipment		(1,394)	(2,509)
Write-off / (reversal of write-off) of receivables		3,596	15,610
Net (gain) / loss on sale of subsidiaries		(12,679)	(52,919)
Interest income		(10,788)	(15,146)
Interest on borrowings		42,433	47,521
Net foreign exchange (gain) / loss		65,120	11,295
Fair valuation difference of conversion option (see Note 28)		(601)	271
Other financial (gain) / loss, net		(2,333)	4,783
Share of net profit of associate and a joint venture		(18,902)	(20,062)
Other non-cash items		3,896	4,455
Operating cash flow before changes in working capital		**421,853**	**500,724**
Decrease / (increase) in inventories		90,903	14,104
Decrease / (increase) in trade receivables		96,594	47,049
Decrease / (increase) in other current assets		7,043	(21,230)
(Decrease) / increase in trade payables		(181,447)	106,664
(Decrease) / increase in other payables		34,023	28,988
Total working capital adjustments		**47,116**	**175,575**
Income taxes paid		(34,441)	(61,614)
Net cash provided by operating activities		**434,528**	**614,685**
Capital expenditures, exploration and development costs		(478,334)	(252,389)
Proceeds from disposals of property, plant and equipment		3,423	4,182
Acquisition of subsidiaries and non-controlling interests, net cash	36	(12,908)	(267)
Acquisition of joint ventures		-	(7)
Acquisition of associated companies and other investments		(1,933)	(9,656)
Net cash inflow / (outflow) on sale of subsidiary undertakings	8	51,928	53,907
Proceeds from disposal of associated companies and other investments		230	2,906
Changes in loans given and long-term bank deposits		55,914	8,093
Changes in short-term investments		(202,385)	26,862
Interest received and other financial income		15,815	14,617
Dividends received		9,791	26,758
Net cash used in investing activities		**(558,459)**	**(124,994)**

CONSOLIDATED STATEMENT OF CASH FLOWS

31 DECEMBER 2014

	Notes	2014 HUF million	2013 HUF million
Repayment of long-term notes		(33,487)	-
Issuance of long-term notes		-	-
Long-term debt drawn down	36	228,149	464,233
Repayments of long-term debt		(266,594)	(646,353)
Changes in other long-term liabilities		-	91
Changes in short-term debt		(60,642)	59,655
Interest paid and other financial costs		(69,059)	(58,873)
Dividends paid to shareholders		(49,685)	(38,992)
Dividends paid to non-controlling interest		(11,940)	(19,012)
Equity withdrawn by non-controlling interest		(412)	-
Net cash provided by / (used in) financing activities		**(263,670)**	**(239,251)**
(Decrease) / increase in cash and cash equivalents		**(387,601)**	**250,440**
Cash and cash equivalents at the beginning of the year		564,170	317,654
Exchange differences of cash and cash equivalents of consolidated foreign subsidiaries		27,383	(1,742)
Unrealised foreign exchange difference on cash and cash equivalents		(209)	(2,182)
Cash and cash equivalents at the end of the year	36	**203,743**	**564,170**

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

31 DECEMBER 2014

1. GENERAL

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc., MOL or the parent company) was incorporated on 1 October 1991 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 2014 and 2013 was 27,499 and 28,769, respectively. The registered office address of the Company is 1117 – Budapest, Október huszonharmadika u. 18., Hungary.

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. Depositary Receipts (DRs) are listed on the Luxembourg Stock Exchange and are traded on London's International Order Book and Over The Counter (OTC) market in the USA.

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 16 March 2015.

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 2014.
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 differs 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. Control is evidenced when the Group is exposed, or has rights, to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affects its returns.

The acquisition method of accounting is used for acquired businesses by measuring assets and liabilities at their fair values upon acquisition, the date of which is determined with reference to the settlement date. Non-controlling interest is stated at the non-controlling interest's proportion of the fair values of net assets. The income and expenses of companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

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

Non-controlling interests represent the profit or loss and net assets not held by the Group and are shown separately in the consolidated balance sheets 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 arrangements

An arrangement is under joint control when the decisions about its relevant activities require the unanimous consent of the parties sharing the control of the arrangements. Joint arrangements are divided into two types: joint operation and joint venture. The type of the arrangement should be determined by considering the rights and obligations of the parties arising from the arrangement in the normal course of business.
If the Company has rights to the assets and obligations for the liabilities relating to the arrangement then the arrangement is qualified as a joint operation The Company's interest in a joint operation are accounted for by recognising its relative share of assets, liabilities, income and expenses of the arrangement, combining with similar items in the consolidated financial statements on a line-by-line basis. When the Group contributes or sells assets to the joint operation, based on the substance of the transaction gain or loss from the transaction is recognized only to the extent of other parties' interest in the joint operation. When the Group purchases assets from the joint operation, the Group does not recognize its share of the profits of the joint operation from the transaction until it resells the assets to an independent party.

If the Company has rights to the net assets of the arrangement then the arrangement is qualified as a joint venture. The Group's investments in joint ventures are accounted for using the equity method of accounting. Investment in a joint venture is recognised initially at cost and it should be subsequently adjusted for the post-acquisition changes in the share of the joint venture's net asset. The Group's share from the profit or loss of the joint venture's operation is included as a single line item in the income statement. Profits and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. 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 recognised 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 of impairment the recoverable amount of the investment is determined to identify any impairment loss to be recognised. Where losses were made in previous years, an assessment of the factors is made to determine if any loss may be reversed.

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.

Revision of operational segments

Starting from 1 January 2014, the Group has revised some of its operational segments to reflect changes in organizational responsibilities as well as the approach of the Group's chief operating decision making bodies with respect to resource allocation and performance analysis. As a consequence, the following Upstream service companies: Crosco, Rotary, Geoinform, GES and GES Middle East were reclassified from Upstream to Corporate and other.

Change in subsequent measurement of strategic inventories

The Group re-assessed its accounting for strategic inventories that are held on stock to be able to promptly substitute any damaged major equipment in the production facilities. The Group has previously measured all strategic inventories at cost less accumulated depreciation and impairment. Depreciation was recognised from the date of purchase through the useful life of these inventories or the production facility (whichever is lower).

As of 1 January 2014 the Group has elected to change the method of subsequent measurement of strategic inventories not dedicated solely to specific equipment. With the amendment these inventories are initially recognised as construction in progress and not depreciated until installation. Subsequent to the installation these assets are depreciated during the useful life of the production facility (or if lower the technical useful life of the inventory itself). Based on past practical experiences the Group believes that this new model more effectively demonstrates the value of these inventories. As of 31 December 2014, the amount of strategic inventories recognised as construction in progress was HUF 536 million.

Change in the classification of obligatory stock

The Group decided to change the balance sheet classification of the obligatory level of inventory required by state legislations, believing that the classification as Other non-current asset reflects better the economic substance of this type of assets. These obligatory stocks are not used within the operating cycle of the business meaning that these assets are not available in short-term to be converted into cash. The reclassified amounts should be subject of impairment test, comparing their net book value with their net realisable value based on long-term estimated sale prices (unless the inventory is realised in the next 12 months) reflecting the Company's intention to hold these stocks longer than the normal inventory turnover. The comparative period has been modified, reclassifying current assets in the amount of HUF 30,054 million to the category Other non-current assets in the balance sheet as of 31 December 2013.

IFRS and IFRIC interpretations adopted in current year

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 significant effect on the financial statements of the Group. They did, however, give rise to additional disclosures.

- *Amendments to IFRS 10, IFRS 12 and IAS 27 relating to Investment Entities*
- *IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*
- *IFRIC 21 Levies*
- *Amendments to IAS 36 Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets*
- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting*
- *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*
- *Annual improvements 2010-2012 Cycle*
- *Annual improvements 2011-2013 Cycle*

The principal effects of these changes are as follows:

Amendments to IFRS 10, IFRS 12 and IAS 27 relating to Investment Entities

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments have no impact on the Group.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. This interpretation is effective for annual periods beginning on or after 1 January 2014 and has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Amendments to IAS 36 Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the requirement to disclose recoverable amount of those CGUs to which goodwill or other intangibles with indefinite useful lives had been allocated when there was no impairment or reversal of impairment recognised on the related CGU. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and do not have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and do not have material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

2.3. 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 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. As the members of Group are parties in several joint operations and considering the Group's active portfolio management, the financial statements could be impacted by these amendments.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

2.4. 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 and Goodwill

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 of 31 December 2014 the Group presents financial assets designated as at fair value through profit and loss in the amount of HUF 221,646 million reflecting the fair value of the Euro denominated sovereign securities held by MOL Plc.

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 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 finance 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 finance income or finance 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 other comprehensive income 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 from periodic maintenance costs), are normally charged to income statement 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 automatisation 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 benefit employee 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 other comprehensive income immediately. Past service costs, resulting from the introduction of, or changes to the defined benefit scheme are recognized as an expense immediately.

xviii) Greenhouse gas emissions

The Group receives free emission rights in Hungary, Croatia, Slovakia and Italy 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. Having assessed the probability of receiving economic benefits from sales activities in Group's operations in Kurdistan the management decided to recognise revenue on a cash basis on export sales in Kurdistan and recognise revenue on accrual basis for all other export and domestic sales.

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 Company 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) Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

xxix) 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 both on trade receivables and payables and on borrowings are recorded as finance income or expense.

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

Financial statements of foreign entities are translated at year-end exchange rates with respect to the 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.

xxx) Earnings Per Share

Basic earnings per share are calculated by decreasing the net profit for the period attributable to ordinary shareholders adjusted with the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity; and divided by the weighted average number of ordinary shares outstanding during the period, after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share 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.

xxxi) Segmental Disclosure

For management purposes the Group is organised into three major operating business units: Upstream, Downstream, Gas Midstream. 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.

xxxii) 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.

2.5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements 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 judgements 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 judgements relate to the following:

Revenue recognition for oil and gas activities and impairment of assets in Syria

Consequent to the political turmoil started in 2011 and the sanctions posed by US and EU on Syria, treatment of revenues from operations therein requires judgement. Having assessed the probability of receiving economic benefits from sales activities in Group's Syrian operations, including counterparty risk associated with GPC, the Syrian National Oil Company, the management decided that criteria set out in IAS 18 – Revenue Recognition were not met from early 2011. Therefore, beginning from this date, revenue was recognized only if cash has been received from GPC though until 26 February 2012 INA regularly issued invoices, the last invoice being issued for February 2012. August 2011 was the last month for which INA invoices were paid in full. INA's unrecorded revenues until February 2012 accumulate to approximately USD 372.5 million.

On 22 February 2012 Croatia adopted EU/UN sanctions towards Syrian Arab Republic, hence INA d.d. declared Force Majeure as from 26 February 2012. By declaring Force Majeure, INA d.d. suspended all its petroleum activities in Hayan and Aphamia blocks as per Production Sharing Agreement (Hayan/Aphamia) and recalled all its local and expatriate employees. Although the production in Hayan Block is still ongoing, the Group has not recognised production volumes since the announcement of Force Majeure. Due to inadequate operating condition and lack of regular maintenance the physical deterioration of surface facilities is reflected in depreciation charge calculated based on an average residual useful life of 3.5 years. Depreciation charge for 2014 and 2013 was recognised in amount of HUF million 12,355 and HUF 21,465 million, respectively.

Since the announcement of Force Majeure no revenue has been accounted for. These circumstances also gave rise to an impairment indicator with respect to the Group's Syrian assets. The Group performed an impairment test on its Syrian non-current assets of Hayan Block, being a separate cash generating unit (see Note 5). Such impairment calculation requires an estimate of the recoverable amount of the cash generating unit, that is, the higher of fair value less costs to sell and value in use. Value in use has been determined on the basis of discounted estimated future net cash flows and of multiple scenarios with respect to return to normal production. The most significant variables in determining cash flows are discount rates, the period for which cash flow projections are made, probabilities relating to different scenarios as well as the assumptions and estimates used to determine the amount and timing of cash inflows and outflows, including crude oil and natural gas prices (considering the price formulae set out in the respective Production Sharing Agreement), the incremental rebuilding costs, operating expenses and future annual production volumes. While such cash flows reflect the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the political, security and economic conditions in Syria. The possible impacts of multiple probability weighted settlement scenarios on Group's operation in Syria representing:

I.) Havaria: the properties are subject to physical damage as a result of targeted or accidental attacks.

II.) Return to operation: after crisis settlements and full or partial removals of sanctions the Group expects to return to operations within 3 to 10 year time horizon.

III.) No return: the Group is disabled returning at all and the assets are lost.

For estimation of future production volumes the proved developed reserves derived from business plans prior to Force Majure were used. Asset-specific discount rates were derived from the USD-based weighted average cost of capital and are adjusted for project-specific risks, as applicable. The discount rate applied was 17.3% (see note 5). Based on multiple-scenario DCF calculations the Group has recorded impairment in 2014 and in 2013 in amount of HUF 50,429 million and HUF 34,905 million on non-current assets and of HUF 1,997 million and HUF 1,968 million on current assets in Hayan Block, respectively.

On the basis of technical information available prior to Force Majeure and of uncertainties over the possible date of return to operation the Group also recorded impairment on the Syrian Aphamia Block related to the prior years' drillings in amount of HUF 8,460 million in 2013.

Scope of environmental and field abandonment provision

The Group recognised significant amount of provisions in connection with its operations having environmental impact. Regulations, especially environmental legislation do not exactly specify the extent of remediation work required or the technology to be applied. 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 77,005 million and HUF 71,533 million, while field abandonment provision amounts to HUF 265,273 million and HUF 198,372 million as of 31 December 2014 and 2013, respectively (see Note 20).

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

Management uses judgement when capitalized exploration and evaluation assets are reviewed to determine capability and continuing intent of further development. Carrying amount of exploration and evaluation assets is HUF 260,994 million and HUF 221,002 million as of 31 December 2014 and 2013, 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 of 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 volatility of MOL share prices and dividend yield. Considering the worldwide financial crisis in the near past, current difficulties of the euro-zone and risks attributed to Central-Eastern-European economies, such fair value measurements contain an increased uncertainty. In case of the conversion option embedded in MOL's perpetual exchangeable capital securities, valuation was performed with reference to prices on the market of convertible instruments. Further details of financial instruments are described in Note 33.

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 nominal discount rates are expected to be between 3.5% and 4.5% (2013: 3.5%). Consequently, the carrying amount of these obligations (in case of environmental liabilities HUF 77,005 million and HUF 71,533 million, in case of field abandonment provision HUF 265,273 million and HUF 198,372 million as of 31 December 2014 and 2013, 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 falling oil prices (considered as impairment indicator), the economic difficulties experienced worldwide, in the euro-zone and also in the Central-Eastern European region where the Group operates. In addition, recent turmoil in North-African and Middle-East countries add a further uncertainty to the recoverability assumptions of non-current assets therein. Discount rates were derived from the USD-based weighted average cost of capital for the Group (8.0%). 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 91,030 million and HUF 237,708 million in 2014 and 2013, respectively. These charges include an impairment loss of HUF 15,274 million on intangible assets (2013: HUF 56,141 million), mainly for exploration and evaluation assets written-off in amount of HUF 15,211 million (2013: HUF 44,498 million, and impairment loss of HUF 9,504 million on goodwill), an impairment loss of HUF 79,421 million (2013: HUF 182,538 million) and a reversal of impairment of HUF 3,665 million (2013: HUF 971 million) on property, plant and equipment. Carrying amount of goodwill is HUF 38,388 million and HUF 36,382 million as of 31 December 2014 and 2013, 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 judgement 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 such recognized deferred tax assets was HUF 140,879 million and HUF 67,090 million as of 31 December 2014 and 2013, respectively (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 23,184 million and HUF 17,664 million at 31 December 2014 and 2013, 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 judgement when probability of future outflow of economic benefits is determined and estimations when the most likely outcome of these actions is assessed and provision is recognized on a consistent basis. Provision for legal claims is HUF 24,610 million and HUF 18,713 million at 31 December 2014 and 2013, respectively (see Note 20 and 34).

2.6. CORRECTION OF AN ERROR

MOL has not recognised (net) deferred tax asset for the deductible and taxable temporary differences on provision for field abandonment liabilities and the corresponding increase in assets values, since deferred tax assets and liabilities for temporary differences, which arise 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 cannot be recognised. However, a net deductible temporary difference arose after the initial recognition once the assets started to depreciate, which was not recorded by the Group so far.
The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

	1 JANUARY 2013	31 DECEMBER 2013	1 JANUARY 2014
	HUF million	HUF million	HUF million
Consolidated statement of financial position			
Deferred tax assets	17,805	18,264	18,264
Total non-current assets	17,805	18,264	18,264
TOTAL ASSETS	17,805	18,264	18,264
Reserves	17,805	17,805	18,264
Profit/(loss) for the year attributable to equity holders of the parent	-	459	-
Equity attributable to equity holders of the parent	-	459	-
Total equity	17,805	18,264	18,264
TOTAL EQUITY AND LIABILITIES	17,805	18,264	18,264
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Income tax expense	-	(459)	-
Profit/(loss) for the year	-	459	-
Attributable to equity holders of the parent	-	459	-

Impact on basic and diluted earnings per share (EPS) was only HUF 5 (restating from HUF 160 to HUF 165) for the period ended on 31 December 2013. The change did not have an impact on Other Comprehensive Income for the period or the Group's operating, investing and financing cash flows.

3. SEGMENTAL INFORMATION

2014	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Net Revenue						
Sales to external customers	198,112	4,399,575	206,717	62,203		**4,866,607**
Inter-segment sales	315,980	10,896	26,089	155,017	(507,982)	-
Total revenue	**514,092**	**4,410,471**	**232,806**	**217,220**	**(507,982)**	**4,866,607**
Results						
Profit/(loss) from operations	75,275	(31,579)	23,532	(43,525)	16,377	**40,080**
Net finance costs						**104,464**
Income from associates				18,902		**18,902**
Profit before tax						**(45,482)**
Income tax expense/(benefit)						**5,384**
Profit for the year						**(50,866)**

2013	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Net Revenue						
Sales to external customers	176,218	4,834,553	348,478	41,168		**5,400,417**
Inter-segment sales	432,040	13,416	37,044	159,841	(642,341)	-
Total revenue	**608,258**	**4,847,969**	**385,522**	**201,009**	**(642,341)**	**5,400,417**
Results						
Profit/(loss) from operations	142,432	(169,659)	34,009	(62,351)	36,941	**(18,628)**
Net finance costs						**58,344**
Income from associates				20,062		**20,062**
Profit before tax						**(56,910)**
Income tax expense/(benefit)						**(37,959)**
Profit for the year						**(18,951)**

ASSETS AND LIABILITIES

31 DECEMBER 2014	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment	1,005,780	1,143,875	236,538	136,124	(9,303)	**2,513,014**
Intangible assets	285,701	65,729	2,196	26,326	(8,716)	**371,236**
Inventories	21,102	336,493	3,858	23,650	(20,512)	**364,591**
Trade receivables	28,102	381,710	28,538	46,669	(34,034)	**450,985**
Investments in associated companies and joint ventures	-	-	-	165,776	-	**165,776**
Not allocated assets						**783,923**
Total assets						**4,649,525**
Trade payables	69,735	350,792	11,168	44,095	(34,137)	**441,653**
Not allocated liabilities						**2,012,134**
Total liabilities						**2,453,787**

OTHER SEGMENT INFORMATION

2014	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
Capital expenditure:	**368,563**	**174,835**	**6,063**	**18,573**	**-**	**568,034**
Property, plant and equipment	274,620	173,415	5,945	9,495	-	**463,475**
Intangible assets	93,943	1,420	118	9,078	-	**104,559**
Depreciation and amortization	**210,509**	**127,091**	**13,488**	**20,016**	**(2,820)**	**368,284**
From this: impairment losses recognized in income statement	75,730	19,095	196	1,007	(1,333)	**94,695**
From this: reversal of impairment recognized in income statement	(1,872)	(1,793)	-	-	-	**(3,665)**

ASSETS AND LIABILITIES

31 DECEMBER 2013	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment	842,854	1,039,541	243,855	134,024	(7,347)	**2,252,927**
Intangible assets	245,271	62,470	2,948	20,455	(7,498)	**323,646**
Inventories	18,767	426,824	39,586	17,345	(37,016)	**465,506**
Trade receivables	156,583	449,471	40,907	37,292	(171,669)	**512,584**
Investments in associated companies and joint ventures	-	-	-	128,220	-	**128,220**
Not allocated assets						**976,269**
Total assets						**4,659,152**
Trade payables	71,390	468,284	160,651	25,888	(171,669)	**554,544**
Not allocated liabilities						**1,925,087**
Total liabilities						**2,479,631**

OTHER SEGMENT INFORMATION

2013	UPSTREAM	DOWN-STREAM	GAS MID-STREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
Capital expenditure:	**140,727**	**93,778**	**7,988**	**11,868**	**-**	**254,361**
Property, plant and equipment	85,139	92,375	6,720	5,164	-	**189,398**
Intangible assets	55,588	1,403	1,268	6,704	-	**64,963**
Depreciation and amortization	**224,573**	**278,151**	**21,921**	**20,150**	**(5,109)**	**539,686**
From this: impairment losses recognized in income statement	81,236	157,314	259	1,830	(1,960)	**238,679**
From this: reversal of impairment recognized in income statement	(385)	(504)	-	(82)	-	**(971)**

Impairment (net of reversal) recorded in the consolidated income statement amounts to HUF 91,030 million and HUF 237,708 million in 2014 and 2013, respectively. Impairments (including goodwill) recognised in 2014 decreased profit/(loss) from operation by HUF 73,858 million in Upstream, by HUF 17,302 million in Downstream, by HUF 196 million in Gas Midstream segment and by HUF 1,007 million in Corporate segment.

The operating profit of the segments includes the profit arising both from sales to third parties and transfers to the other business segments. Upstream transfers crude oil, condensates and LPG to Downstream and natural gas to the Gas Midstream segment. 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.

GEOGRAPHIC INFORMATION

ASSETS BY GEOGRAPHIC AREAS

31 DECEMBER 2014	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES
	HUF million	HUF million	HUF million
Hungary	56,810	724,166	26,039
Croatia	102,623	798,244	
Slovakia	6,027	470,600	1,601
Rest of European Union	64,404	318,694	3,297
Rest of Europe	15,459	74,280	
Rest of world	125,913	127,030	134,839
Total	**371,236**	**2,513,014**	**165,776**

31 DECEMBER 2013	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES
	HUF million	HUF million	HUF million
Hungary	56,023	699,847	21,451
Croatia	102,125	803,948	-
Slovakia	6,103	405,701	1,670
Rest of European Union	23,385	80,614	4,802
Rest of Europe	33,298	118,489	-
Rest of world	102,712	144,328	100,297
Total	**323,646**	**2,252,927**	**128,220**

SALES BY GEOGRAPHICAL AREA

	2014	2013
	HUF million	HUF million
Hungary	1,366,520	1,457,589
Croatia	593,352	705,369
Italy	434,215	613,574
Austria	430,718	511,723
Slovakia	424,889	421,268
Czech Republic	321,988	329,536
Romania	295,561	313,261
Poland	172,367	202,061
Germany	151,376	151,829
Bosnia-Herzegovina	129,439	131,657
Serbia	90,487	88,015
Slovenia	85,165	72,080
Switzerland	82,554	115,138
United Kingdom	37,928	21,426
Russia	22,097	39,703
Rest of Europe	99,150	107,549
Rest of Central-Eastern Europe	34,461	32,191
Rest of the World	94,340	86,448
Total	**4,866,607**	**5,400,417**

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 2014 and 2013.

4. INTANGIBLE ASSETS

	RIGHTS	SOFTWARE	EXPLORATION AND EVALUATION ASSETS	GOODWILL	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January 2013					
Gross book value	136,347	48,773	264,270	86,769	**536,159**
Accumulated amortization and impairment	(74,170)	(38,549)	(36,462)	(41,028)	**(190,209)**
Net book value	62,177	10,224	227,808	45,741	**345,950**
Year ended 31 December 2013					
- additions	18,194	6,053	52,066	-	**76,313**
- acquisition of subsidiary	-	-	-	-	**-**
- amortization for the year	(8,157)	(3,108)	(1,469)	-	**(12,734)**
- impairment	(2,044)	(95)	(44,498)	(9,504)	**(56,141)**
- reversal of impairment	-	-	-	-	**-**
- disposals	(10,979)	(21)	(28)	-	**(11,028)**
- revaluation of emission quotas	(481)	-	-	-	**(481)**
- disposal of subsidiaries	(2,921)	(58)	(725)	-	**(3,704)**
- exchange adjustment	(483)	87	(5,702)	163	**(5,935)**
- transfers and other movements	(1,754)	(372)	(6,450)	(18)	**(8,594)**
Closing net book value	53,552	12,710	221,002	36,382	**323,646**
At 31 December 2013					
Gross book value	129,762	54,173	274,930	86,243	**545,108**
Accumulated amortization and impairment	(76,210)	(41,463)	(53,928)	(49,861)	**(221,462)**
Net book value	53,552	12,710	221,002	36,382	**323,646**
Year ended 31 December 2014					
- additions	15,036	5,969	91,673	-	**112,678**
- acquisition of subsidiaries	-	80	-	-	**80**
- amortization for the year	(7,380)	(3,318)	(1,174)	-	**(11,872)**
- impairment	(42)	(21)	(15,211)	-	**(15,274)**
- disposals	(6,276)	(34)	-	-	**(6,310)**
- revaluation of emission quotas	278	-	-	-	**278**
- disposal of subsidiaries	(6)	-	(10,657)	-	**(10,663)**
- exchange adjustment	2,663	383	18,267	2,006	**23,319**
- transfers and other movements	3,451	(5,191)	(42,906)	-	**(44,646)**
Closing net book value	61,276	10,578	260,994	38,388	**371,236**
At 31 December 2014					
Gross book value	153,001	47,321	308,690	91,226	**600,238**
Accumulated amortization and impairment	(91,725)	(36,743)	(47,696)	(52,838)	**(229,002)**
Net book value	61,276	10,578	260,994	38,388	**371,236**

Exploration and evaluation assets

Impairment in 2014 mainly related to exploration activities qualified unsuccessful in Hungary (HUF 9,046 million), to the write-off of unsuccessful SK-1 well in Kazakhstan (HUF 2,652 million) and Novomatjushkinskaya-103 and Zapadno-Kedrovskaya-121 wells in Russia (HUF 1,938 million). Impairment in 2013 also related to exploration activities qualified unsuccessful in Hungary (HUF 6,536 million), to the write-off of unsuccessful Gulak and Bekhme wells in Kurdistan (HUF 10,326 million), Haw-1 well in Oman (HUF 6,498 million), Hayan block in Syria (HUF 9,717 million), Aphamia block in Syria (HUF 8,460 million) and Disouq block in Egypt (HUF 3,922 million).

Transfers from exploration and evaluation assets represent expenditures which, upon determination of proved reserves of oil and natural gas are reclassified to property, plant and equipment (see Note 2.3 *xv.*). In addition to these exploration and evaluation assets, a further HUF 15,951 million and HUF 8,780 million exploration expenses were incurred in 2014 and 2013, respectively, which were not eligible for capitalization. Consistent with the successful effort method of accounting they were charged to various operating cost captions of the consolidated income statement as incurred.

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:

	2014			2013		
	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
Downstream	**35,099**	**-**	35,099	**42,772**	**9,504**	33,268
- Roth Group	8,013	-	**8,013**	7,556	-	**7,556**
- Romanian retail network	4,612	-	**4,612**	4,353	-	**4,353**
- IES Group	-	-	**-**	9,439	9,439	**-**
- Croatian retail network	15,302	-	**15,302**	14,487	-	**14,487**
- Czech retail network	6,695	-	**6,695**	6,395	-	**6,395**
- TVK	477	-	**477**	477	-	**477**
- TVK Polska*	-	-	**-**	65	65	**-**
Upstream	**3,289**	**-**	**3,289**	**3,114**	**-**	**3,114**
- Rotary (former DrillTrans)	3,289	-	**3,289**	3,114	-	**3,114**
Total goodwill	**38,388**	**-**	**38,388**	**45,886**	**9,504**	**36,382**

* TVK Polska was closed in 2013

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 during its estimated remaining useful life 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

On 31 December 2014 goodwill of HUF 8,013 million (2013: HUF 7,556 million) was allocated to the wholesale activities of Roth Group operating mainly on the Austrian wholesale market, forming a separate cash generating unit within Downstream 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 1%. 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 Downstream segment vary between 8% 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 implications of the key assumptions on the recoverable amount are discussed below:

– 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. Even an increase of approximately 5.6 percentage points in this rate would give a value in use equal to the carrying amount of Roth Group's wholesale activities.

Romanian retail network

On 31 December 2014 goodwill of HUF 4,612 million (2013: HUF 4,353 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 units) 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 11% and 13% 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

In 2013, as a consequence of the unfavourable economic environment that the refining business faces in Italy, after detailed assessment of the long term sustainability of the Mantova operations of IES the Group decided to convert the refinery into a products logistics hub. The Group performed an impairment test on its non-current assets including goodwill. As a result, the Group recognised full impairment charge of HUF 9,439 million against goodwill. For goodwill allocation purposes, the Mantova refinery and its wholesale activity (being a single cash generating unit) were considered.

Croatian retail network

On 31 December 2014 goodwill of HUF 15,302 million (2013: HUF 14,487 million) was allocated to the Croatian retail network comprising of filling stations under INA and Tifon brands. For goodwill allocation purposes, the Croatian filling stations' network as a whole (being a group of cash generating units including the Tifon and INA brands) is considered. For the network cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management and extrapolated cash flows for the average residual useful life of the filling stations based on an estimated growth rate which varies between 2% and 4% in the long-term. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 10% and 13% 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.

Czech retail network

On 31 December 2014 goodwill of HUF 6,695 million (2013: HUF 6,395 million) was allocated to the Czech retail network comprising of filling stations under PapOil and Slovnaft brands. For goodwill allocation purposes, the Czech filling stations' network as a whole (being a group of cash generating units including the PapOil and Slovnaft brands) is considered. For the network cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management and extrapolated cash flows for the average residual useful life of the filling stations based on an estimated growth rate which varies between 2% and 4% in the long-term. The rates used to discount the forecast cash flows reflecting risks specific to the Retail segment vary between 11% and 12% in the years considered.

With regard to the assessment of value in use of the Czech 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.

Rotary

Subsequent to an impairment test performed at the end of 2014, no impairment has been recognized on the goodwill relating to the activities of Rotary, drilling subsidiary of INA d.d. Discounted cash flow was calculated using a pre-tax discount rate of 9.5% (2013: 9.97%).

TVK Polska

The dissolution of TVK Polska finished on 28 February 2013 and the allocated goodwill was derecognised.

Intangible assets with indefinite useful life

In addition to goodwill, MOL Group has acquired the INA brand in 2009 which has an 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 14,153 million as of 31 December 2014. Since the brand is an integral part of the Croatian filling station network, it has been included in the carrying value of the group of cash generating units to which the corresponding goodwill has been allocated and has been tested for impairment accordingly (see above).

5. PROPERTY, PLANT AND EQUIPMENT

	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 2013					
Gross book value	2,642,054	1,933,770	119,305	223,766	**4,918,895**
Accumulated depreciation and impairment	(1,056,256)	(1,162,656)	(90,264)	(1,344)	**(2,310,520)**
Net book value	**1,585,798**	**771,114**	**29,041**	**222,422**	**2,608,375**
Year ended 31 December 2013					
- additions and capitalizations	70,996	68,901	8,869	42,323	**191,089**
- acquisition of subsidiaries	622	62	47	-	**731**
- depreciation for the year	(153,577)	(127,104)	(8,563)	-	**(289,244)**
- impairment	(44,326)	(130,001)	(2,243)	(5,968)	**(182,538)**
- reversal of impairment	865	53	37	16	**971**
- disposals	(686)	(186)	(72)	(50)	**(994)**
- disposal of subsidiaries	(70,591)	(16,041)	(42)	(1,112)	**(87,786)**
- exchange adjustment	2,245	3,090	242	(1,084)	**4,493**
- transfers and other movements	17,394	(9,545)	2,034	(2,053)	**7,830**
Closing net book value	**1,408,740**	**560,343**	**29,350**	**254,494**	**2,252,927**
At 31 December 2013					
Gross book value	2,609,960	1,930,528	125,018	260,091	**4,925,597**
Accumulated depreciation and impairment	(1,201,220)	(1,370,185)	(95,668)	(5,597)	**(2,672,670)**
Net book value	1,408,740	560,343	29,350	254,494	**2,252,927**
Year ended 31 December 2014					
- additions and capitalizations	87,220	170,998	8,462	195,997	**462,677**
- acquisition of subsidiaries	12,238	1,120	-	54	**13,412**
- depreciation for the year	(143,996)	(113,485)	(7,901)	-	**(265,382)**
- impairment	(37,991)	(33,817)	(202)	(7,411)	**(79,421)**
- reversal of impairment	3,278	209	178	-	**3,665**
- disposals	(564)	(14)	(712)	(345)	**(1,635)**
- disposal of subsidiaries	(21,086)	(2,141)	(28)	(1,652)	**(24,907)**
- exchange adjustment	47,255	44,894	989	17,201	**110,339**
- transfers and other movements	42,180	(3,926)	3,949	(864)	**41,339**
Closing net book value	**1,397,274**	**624,181**	**34,085**	**457,474**	**2,513,014**
At 31 December 2014					
Gross book value	2,885,967	2,150,910	173,618	468,715	**5,679,210**
Accumulated depreciation and impairment	(1,488,693)	(1,526,729)	(139,533)	(11,241)	**(3,166,196)**
Net book value	**1,397,274**	**624,181**	**34,085**	**457,474**	**2,513,014**

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.

North Sea asset acquisition from Wintershall and Premier Oil UK Limited

The Group has executed Share Purchase Agreements with Wintershall Norge AS for acquiring shareholding interest of Wintershall's UK North Sea basin off-shore assets in 14 licences in line with the Group's active portfolio development strategy. The portfolio includes non-operated equity stakes in the Broom (29% Working Interest), Catcher (20% WI), Cladhan (33.5% WI), Scolty and Crathes fields (50% WI). The transaction was completed on 24 March 2014. The deal is treated as asset acquisition and an addition of HUF 106,796 million was recognised as Property, plant and equipment and Intangibles.
As of 19 December 2014, MOL completed the acquisition of shareholding interest in 6 licences from Premier Oil UK Limited located in the UK Central North Sea area. The portfolio includes non-operated equity stakes in Scott (21.84% unitised Working Interest "WI"), Rochelle (15% unitised WI) and Telford (1.59% unitised WI) producing fields, as well as participating interest in exploration licences including the Rochelle Upper Jurassic deep prospect. The acquisition is estimated to increase MOL's 2P reserves by 14 MMboe, while prospective resources (7 MMboe, unrisked) provide an additional upside potential. The deal is treated as asset acquisition and an addition of HUF 82,755 million was recognised as Property, plant and equipment. Key assets (Scott, Telford and Rochelle) are operated by Nexen, one of the largest and most reputable and experienced operators in the region.

Impairment, net of reversal

Changes in estimates

In 2014 based on the requirements of IAS 16 the Group has performed an annual revision of useful lives of property, plant and equipment and intangibles, having HUF 257 million positive effects on the consolidated profits.

Impairment test of non-current assets in Syria

Changes in revenue recognition in Syria (see Note 2.5 on critical judgements) are considered as an impairment indicator, therefore the Group performed an impairment test on its Syrian non-current assets (including exploration and evaluation assets, see Note 4), qualifying as a cash generating unit. Such impairment calculation requires an estimate of the recoverable amount of the Syrian cash generating unit, that is, the higher of fair value less costs to sell and value in use. Value in use has been determined on the basis of discounted estimated future net cash flows and of multiple scenarios with respect to return to normal production. The most significant variables in determining cash flows are discount rates, the period for which cash flow projections are made, probabilities relating to different scenarios as well as the assumptions and estimates used to determine the amount and timing of cash inflows and outflows, including crude oil and natural gas prices (considering the price formulae set out in the respective Production Sharing Agreement), the incremental rebuilding costs, operating expenses and future annual production volumes. While such cash flows reflect the management's best estimate for the future, these estimates are exposed to an increased uncertainty as a result of the political, security and economic conditions in Syria. Asset-specific discount rates were derived from the USD-based weighted average cost of capital and are adjusted for project-specific risks, as applicable. The discount rate applied was 17.3% (17.5% in 2013). Based on multiple-scenario discounted cash-flow calculations the Group has recorded impairment in amount of HUF 50,429 million and HUF 43,365 million in Syria in 2014 and in 2013, respectively (of which HUF 50,327 million and HUF 25,188 million relates to PP&E). After recognizing impairment the book value of total Group assets in Syria as at 31 December 2014 was HUF 30,348 million (31 December 2013: HUF 89,647 million).
The management regularly monitors and, if needed, re-assesses impairment calculations based on latest developments in the country

Impairment test on refining and wholesale assets of IES

In 2013, as a consequence of the unfavourable economic environment that the refining business faces in Italy, after detailed assessment of the long-term sustainability of the Mantova operations of IES the Group decided to convert the refinery into a products logistics hub. The Group performed an impairment test on Italian refining and wholesale assets, qualifying as a cash generating unit. Since the refinery operation abandoned as of the end of 2013 all related assets were written off. For the wholesale activity cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management. Based on the calculation, the Group recognised an impairment charge of HUF 114,393 million against Property, plant and equipment and Intangibles (excluding Goodwill) in 2013. Currently, the book value of total Group refining and wholesale assets in Italy as at 31 December 2014 was HUF 11,748 million (as at 31 December 2013: HUF 6,015 million).

Impairment test on refining and wholesale assets of INA

As a consequence of the unfavourable economic environment, after detailed assessment of the long-term sustainability of the Sisak and Rijeka refining operations of INA the Group performed an impairment test on Croatian refining and wholesale assets, qualifying as cash generating units. For the refining and wholesale activity, cash flow forecasts are prepared which are derived from the most recent financial budgets approved by management. Based on the calculation, the Group recognised an impairment expense of HUF 15,990 million and HUF 27,709 million in 2014 and 2013, respectively against Property, plant and equipment, of which HUF 15,990 million relates to assets in operation in 2014 (2013: HUF 26,745 million). After recognizing impairment the book value of total Group refining and wholesale non-current assets in Croatia as at 31 December 2014 was HUF 141,232 million (31 December 2013: HUF 153,157 million).

Other impairment expenses

Impairment expense of HUF 252 million and HUF 3,325 million were recorded with respect to the revision of field abandonment provision of maturing and suspended oil and gas producing fields in Hungary in

2014 and 2013, respectively. Impairment expense of HUF 1,163 million and HUF 1,988 million was recognised related to Hungarian oil and gas producing fields in 2014 and 2013. Impairment expense of HUF 3,752 million was recognised as write-off of unsuccessful wells in Croatia (for IKA and Čepelovac blocks, presented as construction in progress). Impairment expense of HUF 1,053 million was recorded with respect to filling stations and retail sites (2013: HUF 4,556 million). Other individually non-material impairment loss of HUF 3,219 million and HUF 4,408 million have been recognized in 2014 and 2013, respectively.

Leased assets

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

	2014	2013
	HUF million	**HUF million**
Cost	7,415	9,759
Accumulated depreciation	(3,540)	(5,008)
Net book value	3,875	4,751

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 5,139 million and HUF 4,196 million in 2014 and 2013, respectively. In 2014 and 2013 the applicable capitalisation rates (including the impact of foreign exchange differences) were 5.2% and 4.8% respectively.

Government Grants

Property, plant and equipment include assets with a value of HUF 11,957 million and HUF 12,477 million in 2014 and 2013 financed from government grants (See Note 25). The total amount reflects mainly the assets of FGSZ, which were partly financed via a European Union grant for the construction of the Hungarian-Romanian and the Hungarian-Croatian natural gas interconnector and transformation of nodes, and the assets of SLOVNAFT a.s. which were financed by the grant received from Slovakian government in order to serve State Authorities in case of state emergencies.

Pledged Assets

Assets with an aggregate net book value of HUF 22,318 million have been pledged by the Group of which HUF 13,070 million as collateral for loans utilized by IES, HUF 8,349 million by TVK-Erőmű Kft. and HUF 899 million by Tisza WTP Kft. As of 31 December 2013 the net book value of pledged assets was HUF 22,954 million, the majority of which relating to the assets of IES S.p.A.

6. SUBSIDIARIES AND JOINT ARRANGEMENTS

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2014	OWNERSHIP 2013
Integrated subsidiaries				
INA-Industrija nafte d.d.	Croatia	Integrated oil and gas company	49%	49%
Upstream				
Adriagas S.r.l.	Italy	Pipeline project company	49%	49%
BHM OIL-Invest Ltd.	Cyprus	Exploration investment management	b)	100%
BMN Investment Ltd.	Cyprus / India	Exploration and production activity	b)	100%
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Hungary	Geothermal energy production	65%	54%
CEGE Geothermikus Koncessziós Kft.	Hungary	Geothermal energy production	65%, g)	-
EMSZ Első Magyar Szénhidrogén Koncessziós Kft.	Hungary	Geothermal energy production	100%, g)	-
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd.	United Kingdom	Exploration and production activity	49%	49%
Kalegran Ltd.	Cyprus / Iraq	Exploration investment management / Exploration and production activity	100%	100%
Ménrót Kft.	Hungary	Exploration investment management	100%	100%
Karpinvest Kft.	Hungary	Exploration investment management	100%	100%
KS EP Investment B.V. (joint operation)	Netherlands	Exploration investment management	49%	49%
Karpovskiy Severniy LLP (joint operation)	Kazakhstan	Exploration and production activity	49%	49%
MH Oil and Gas BV.	Netherlands	Exploration investment management	100%	100%
MK Oil and Gas BV.	Netherlands	Exploration investment management	51%	100%
BaiTex LLC	Russia	Exploration and production activity	51%	100%
MNS Oil and Gas B.V.	Netherlands	Exploration financing	100%, g)	-
MOL ENERGY UK LTD	Netherlands	Exploration and production activity	100%, g)	-
MOLGROWEST (I) Ltd.	United Kingdom	Exploration and production activity	100%, g)	-
MOLGROWEST (II) Ltd.	United Kingdom	Exploration and production activity	100%, g)	-
MOL OPERATIONS UK LTD	United Kingdom	Exploration and production activity	100%, g)	-
MOL UK FACILITIES LTD	United Kingdom	Exploration and production activity	100%, g)	-
MOL Cameroon B. V.	Netherlands	Exploration financing	100%, g)	-
MOL Caspian Oil and Gas Ltd.	Cyprus / Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd. (joint operation)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil Group Ltd. (joint operation)	Kazakhstan	Exploration and production activity	28%	28%
MOL Central Asia Oil and Gas Co. B.V.	Netherlands / Syria / Kazakhstan	Exploration and production activity	100%	100%
MOL Group International Services BV	Netherlands	Exploration financing	100%, g)	-
MOL (MV) Russia B.V.	Netherlands	Exploration financing	100%, g)	-
MOL Matjushkinskaya B.V.	Netherlands	Exploration financing	100%, g)	-
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
MOL Oman Ltd. (former: Lamorak Enterprises Ltd.)	Cyprus / Oman	Exploration and production activity	d)	100%
MOL Pakistan Oil and Gas Co. B.V.	Netherlands / Pakistan	Exploration and production activity	100%	100%
MOL-RUSS Ooo.	Russia	Management services	100%	100%
MOL West Oman B. V.	Netherlands	Exploration financing	100%, g)	-
MOL Yemen Oil and Gas (Cyprus) Ltd.	Cyprus / Yemen	Exploration and production activity	b)	100%
Panfora Oil and Gas S.r.l.	Romania	Exploration and production activity	100%	100%
Platounko Investments Ltd.	Cyprus	Exploration financing	100%	100%
Silverdale	Cyprus	Exploration financing	b)	100%
Surgut Trading Ltd.	Russia	Trade of crude oil	50%	50%
Pronodar Ltd.	Cyprus / Cameroon	Exploration and production activity	c)	100%
Pyrogol Ltd.	Cyprus	Exploration and production activity	100%	100%
RUSI Services Ltd.	Cyprus	Exploration financing	100%	100%
Theatola Ltd.	Cyprus	Exploration investment management	100%	100%
Greentrade Ltd.	Cyprus	Exploration investment management	100%	100%
USI Ltd.	Cyprus	Exploration investment management	100%	100%
UBA Services Ltd.	Cyprus / Russia	Exploration investment management	b)	100%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNER-SHIP 2014	OWNER-SHIP 2013
Gas Midstream				
CROPLIN, d.o.o.	Croatia	Natural gas trading	49%	49%
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%
Prirodni plin d.o.o.	Croatia	Natural gas trading	e)	49%
Downstream				
Dunai Gőzfejlesztő Kft. (former: MOL-CEZ European Power Hungary Kft.)	Hungary	Steam and hot water supply	100%, g)	50%, f)
CM European Power Slovakia s.r.o.	Slovakia	Operation of thermo-power plant	50%, a)	50%, a)
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	50%	50%
Holdina (Guernsey) Ltd.	United Kingdom	Trading of oil products	49%	49%
Holdina d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
IES SpA	Italy	Refinery and marketing of oil products	100%	100%
Batec S.r.l	Italy	Refinery and marketing of bitumen products	100%	100%
Greengas S.r.l.	Italy	Hydrogen plant operation	49%, a)	49%, a)
Nelsa S.r.l.	Italy	Trading of oil products	74%	74%
Panta Distribuzione S.r.l.	Italy	Trading of oil products	100%	100%
INA d.o.o.	Serbia	Trading of oil products	49%	49%
INA BH d.d.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA BL d.o.o.	Bosnia and Herzegovina	Trading of oil products	49%	49%
INA Crna Gora d.o.o.	Montenegro	Trading of oil products	49%	49%
INA Kosovo d.o.o.	Kosovo	Trading of oil products	49%	49%
INA Maziva Ltd. (former: Maziva Zagreb d.o.o.)	Croatia	Lubricants production and trading	49%	49%
INA-Osijek – Petrol d.d.	Croatia	Trading of oil products	49%	49%
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	49%	49%
Interina d.o.o. Skopje (under liquidation)	Macedonia	Trading of oil products	h)	49%
Leodium Investment Kft.	Hungary	Financial services	100%, g)	-
MOL Serbia d.o.o. (former: Intermol d.o.o.)	Serbia	Retail trade of fuels and lubricants	100%	100%
MOL Austria GmbH	Austria	Wholesale trade of lubricants and oil products	100%	100%
Roth Heizöle GmbH	Austria	Trading of oil products	100%	100%
Rumpold Festbrennstoffe GmbH	Austria	Trading of solid fuels and other products	100%	100%
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o.	Slovakia	Financial services	100%	100%
MOL Germany GmbH (former: MK Mineralkontor GmbH)	Germany	Trading of oil products	100%	100%
MOL-LUB Kft.	Hungary	Production and trade of lubricants	100%	100%
MOL-LUB Russ LLC	Russia	Production and trade of lubricants	100%	100%
MOL 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%
MOLTRADE-Mineralimpex Zrt.	Hungary	Importing and exporting of energetical products	100%	100%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail trade	100%	100%
MOL Retail Česká Republika s.r.o.	Czech Republic	Retail trade	100%, g)	-
MOL Ukraine LLC (former: TVK Ukrajna t.o.v.)	Ukraine	Wholesale and retail trade	100%	100%
MULTIPONT Program Zrt.	Hungary	Marketing agent activity	83%	83%
Pap Oil s.r.o. (former: Pap Oil Cerpaci Stanice s.r.o.)	Czech Republic	Retail trade	100%	100%
Petrol d.d.	Croatia	Trading of oil products	41%	41%
Polybit d.o.o. (under liquidation)	Croatia	Production and trading	49%	49%
SLOVNAFT a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	99%	99%
Apollo Rafinéria s.r.o.	Slovakia	Wholesale and retail trade	99%	99%
MOL Slovensko s.r.o.	Slovakia	Wholesale and retail trade	99%	99%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	99%	99%
Slovnaft Trans a.s.	Slovakia	Transportation services	99%	99%
SWS s.r.o.	Slovakia	Transport support services	50%	50%
VÚRUP a.s. (former: Slovnaft VÚRUP a.s.)	Slovakia	Research & development	99%	99%
Zväz pre skladovanie zásob a.s.	Slovakia	Wholesale and retail trade, warehousing	99%	99%
Terméktároló Zrt.	Hungary	Oil product storage	74%	74%
Tifon d.o.o.	Croatia	Retail trade of fuels and lubricants	100%	100%
TVK Plc.	Hungary	Petrochemical production and trading	95%	95%
Tisza-WTP Kft.	Hungary	Feed water and raw water supply	0%, a)	0%, a)
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	25%, a)	25%, a)
TVK France S.a.r.l. (under liquidation)	France	Wholesale and retail trade	95%	95%
TVK Italia S.r.l.	Italy	Wholesale and retail trade	100%	100%
Corporate and other				
Crosco Naftni Servisi d.o.o.	Croatia	Oilfield services	49%	49%
CorteCros d.o.o.	Croatia	Production of anticorrosion products	29%	29%
Crosco B.V.	Netherlands	Oilfield services	49%	49%
Nordic Shipping Ltd.	Marshall Islands	Platform ownership	49%	49%
Crosco International d.o.o. (Slovenia)	Slovenia	Oilfield services	49%	49%
Crosco International d.o.o. (Tuzla)	Bosnia and Herzegovina	Oilfield services	49%	49%

COMPANY NAME	COUNTRY (INCORPORATION /BRANCH)	RANGE OF ACTIVITY	OWNER-SHIP 2014	OWNER-SHIP 2013
Crosco International Ltd.	United Kingdom	Oilfield services	49%	49%
Crosco S.A. DE C.V	Mexico	Maintaining services	49%	49%
Mideast Integrated Drilling & Well Services Company LLC	Oman	Integrated drilling and completion services	24%	24%
Rotary Zrt.	Hungary	Oilfield services	49%	49%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	49%
EMS Management Services Ltd. (under liquidation)	Cyprus	Management services	100%	100%
FER Tűzoltóság és Szolgáltató Kft.	Hungary	Fire service, ambulance service	100%	100%
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
GES Kft. (under liquidation)	Hungary	Geophysical surveying and data processing	100%	100%
Geophysical Services Middle-East LLC (under liquidation)	Oman	Geophysical surveying and data processing	70%	70%
Hostin d.o.o.	Croatia	Tourism	49%	49%
ITR d.o.o.	Croatia	Car rental	49%	49%
Magnolia Finance Ltd.	Jersey	Financial services	0%, a)	0%, a)
MOL Group Finance S.A.	Luxemburg	Financial services	100%	100%
MOL Investment Kft.	Hungary	Financial services	100%, g)	-
MOL Reinsurance Ltd.	Cyprus	Captive insurance	100%	100%
MOL Vagyonkezelő Kft. (former: Hermész Tanácsadó Kft.)	Hungary	Consultancy	100%	100%
Petrolszolg Kft.	Hungary	Repairs and maintenance services	100%	100%
Slovnaft Montáže a opravy a.s.	Slovakia	Repairs and maintenance services	99%	99%
STSI integrirani tehnički servisi d.o.o.	Croatia	Repairs and maintenance services	49%	49%
Ticinum Kft.	Hungary	Asset management	100%	100%
Top Računovodstvo Servisi d.o.o.	Croatia	Accounting services	49%	49%
TVK Ingatlankezelő Kft.	Hungary	Real estate management	95%	95%

a) Consolidated as required by "IFRS 10 - Consolidated Financial Statements"
b) Merged into Platounko Investments Ltd in 2014
c) Merged into MOL Cameroon B.V. in 2014
d) Merged into MOL West Oman B.V. in 2014
e) Merged into INA d.d. in 2014
f) Form of the joint operation as required by "IFRS 11 Joint Arrangements" from 2013
g) Fully consolidated from 2014
h) Divested in 2014

7. BUSINESS COMBINATIONS, TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisitions in 2014

MOL-CEZ European Power Hungary Kft.

As of 31 October 2014 MOL Plc. became the sole shareholder of the MOL-CEZ European Power Hungary Kft. (hereinafter MCEPH). Net cash consideration for acquisition of 50% in MCEPH was HUF 829 million. In the comparative period, the entity was presented as joint venture, reflecting the Group's share of 50% from the entity. As per IFRIC 4 – Determining whether an Arrangement contains a Lease the boiler farm owned by MCEPH was controlled by the Company, presenting 100% of the asset value in the consolidated balance sheet of the Group.

MOL Retail Ceska Republica s.r.o.

As of 3 December 2014 the Group successfully completed the take-over of the business activities of LUKOIL Czech Republic s.r.o. in the Czech Republic, including 44 service stations. This step will significantly contribute to improve MOL Group's market position and the intention of becoming a regional leader in selling fuel and non-fuel goods. MOL Group currently operates 192 service stations under Slovnaft, Pap Oil, and Lukoil brands in the Czech Republic, which are planned to be united in the course of 2015 under two strong brands.

The carrying amounts and provisional fair values of the assets and liabilities are the following:

MOL RETAIL CESKA REPUBLICA S.R.O.	HEADQUARTERS	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARES (%)	CONSIDERATION TRANSFERRED
	Czech Republic	Retail trade	3 December 2014	100%	13,601

	CARRYING AMOUNT	PROVISIONAL FAIR VALUE ADJUSTMENT	PROVISIONAL FAIR VALUE ON ACQUISITION
	HUF million	**HUF million**	**HUF million**
Current assets			
Inventories	863	-	863
Trade and other recivables	1,554	-	1,554
Other current assets	362	-	362
Prepaid taxes	8	-	8
Cash and cash equivalents	1,522	-	1,522
Non-current assets			
Intangible assets	80	-	80
Property, plant and egjupment	7,609	5,803	13,412
Other non-current assets	642	-	642
Current liabilities			
Trade payables	(4,158)	-	(4,158)
Taxes and contributions	(132)	-	(132)
Other current liabilities	(368)	-	(368)
Non-current liabilities			
Long-term debt, net of current portion	-	-	-
Provisions	(803)	-	(803)
Deferred tax liabilities	1,033	(1,103)	(70)
	8,212	**4,700**	**12,912**
Goodwill arisen on acquisition			
Fair value of consideration transferred excluding cash held on escrow account			**12,912**
Less: fair value of identifiable net assets aquired			(12,912)
Goodwill arising on acquisition			-
Net cash outflow on acquisition of subsidiaries			
Consideration paid in cash			13,601
Less: cash and cash equivalent balances acquired			(1,522)
			12,079

Acquisition in 2013

Croplin

Pursuant to the Purchase Agreement INA d.d. acquired 50% of equity in the entity Croplin d.o.o. from E.ON Hungaria Zrt. for HUF 371 million. At 3 September 2013 Commercial Court in Zagreb changes the ownership, and INA d.d. becomes the sole shareholder of Croplin d.o.o. Following the acquisition of 100% ownership, a total investment amounting to HUF 1,817 million and impairment of investments in the amount of HUF 967 million is transferred from investments in associates to investments in subsidiaries.

CROPLIN D.O.O.	HEADQUARTERS	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARES (%)	CONSIDERATION TRANSFERRED
	Zagreb, Croatia	gas, distribution network of gas fuels	3 September 2013	50%	371

	CARRYING AMOUNT	PROVISIONAL FAIR VALUE ADJUSTMENT	PROVISIONAL FAIR VALUE ON ACQUISITION
	HUF million	HUF million	HUF million
Current assets			
Cash and cash equivalents	68	-	68
Trade and other receivables	132	-	132
Other current assets	269	-	269
Prepaid expenses and accrued income	31	-	31
Non-current assets			
Property, plant and equipment	1,064	(333)	731
Investments in associates and joint ventures	235	(235)	-
Investments in other companies	945	(945)	-
Current liabilities			
Trade payables	(2)	-	(2)
Taxes and contributions	(13)	-	(13)
Other current liabilities	-	-	-
	2,729	**(1,513)**	**1,216**
Goodwill arisen on acquisition			
Fair value of consideration transferred			371
Fair value of the previously held interest			845
Total consideration			**1,216**
Less: fair value of identifiable net assets acquired			(1,216)
Goodwill arising on acquisition			-
Net cash outflow on acquisition of subsidiaries			
Consideration paid in cash			371
Less: cash and cash equivalent balances acquired			(68)
			303

8. DISPOSALS

Disposals in 2014

Partial disposal of BaiTex

The Group has sold 49% share of BaiTex LLC ("BaiTex") to the Turkish Petroleum Corporation ("TPAO"). BaiTex is the holder of the hydrocarbon licenses for Baituganskoye field and Yerilkinsky block in the Volga-Ural region, Russia. After receiving the approval of Russian Federal Anti-Monopoly Services, the deal had been completed in the first quarter of 2014. The disposal is in line with the Group's long-term portfolio management and risk sharing strategies. As 51% owner of Baitex, the Group remains the operating shareholder, and recognises 51% of its assets and liabilities due to consolidation of Baitex as Joint Operation. As the market value of the remaining net assets of Baitex is close to the book value, no valuation difference arose as a result of the transaction.

The carrying amounts of 49% of the assets and liabilities of BaiTex as of 31 March 2014 are the following:

	BAITEX
	HUF million
Intangible assets	10,663
Tangible assets	24,907
Other non-current assets	1,236
Inventories	202
Trade receivables	470
Other current assets	48
Prepaid taxes	49
Cash and cash equivalents	1,049
Total assets	**38,624**
Provisions and contingent liabilities	1,013
Deferred tax liabilities	3,952
Trade and other payables	2,649
Total liabilities	**7,614**
Net assets sold	**31,010**
Cash consideration received	42,278
Other correction item*	1,411
Net gain on disposal	**12,679**
The analysis of cash inflow on sales	
Net cash disposed of during the sale	(1,049)
Cash consideration received in 2013 (advance payment)	1,097
Cash consideration received in 2014	42,230
Net cash inflow	**42,278**

*As above presented Net assets sold are converted at transaction date HUF/USD rate, and historical asset values were applied for determination of net gain on disposal, the effect of recycling of cumulative foreign exchange difference was a gain of HUF 8,058 million.

Disposals in 2013

Russian operations (ZMB and MOL Western Siberia)

MOL has executed Share Purchase Agreements for the divestiture of MOL's 50% stake in OOO Zapadno-Malobalykskoye in line with the company's portfolio optimization. This company is the holder of the Zapadno-Malobalykskoye (ZMB) hydrocarbon license in Russia. The transaction was closed on 12 August 2013. MOL in line with the company's portfolio optimization has successfully divested its 100% stake in OOO MOL Western Siberia. The divested company owns the exploration license for the Surgut-7 block, which is strongly linked to the infrastructure of the Zapadno-Malobalykskoye field and thus it is part of a favourable package deal. The transaction was completed as of 3 September 2013.

The carrying amount of disposed assets and liabilities of ZMB and MOL Western Siberia as of 31 July 2013 and analysis of cash flows of the sale are the following:

	ZMB	WESTERN SIBERIA
	HUF million	HUF million
Intangible assets	-	1,652
Tangible assets	11,209	33
Deferred tax asset	750	473
Other non-current assets	100	-
Inventories	681	-
Trade receivables	2,550	-
Other current assets	1,322	195
Cash and cash equivalents	772	16
Total assets	**17,384**	**2,369**
Provisions and contingent liabilities	2,401	32
Trade and other payables	2,522	249
Current tax payable	63	30
Total liabilities	**4,986**	**311**
Net assets sold	**12,398**	**2,058**
Cash consideration received	29,294	4,468
Recycling of cumulative foreign exchange loss	(8,482)	(317)
Net gain on disposal	**8,414**	**2,093**
The analysis of cash inflow on sales		
Net cash disposed of during the sale	(772)	(16)
Cash consideration received	29,294	4,468
Net cash inflow	**28,522**	**4,452**

MMBF

MOL has signed a Share Purchase Agreement on 7th of October 2013 with the Hungarian Hydrocarbon Stockpiling Association (MSZKSZ) and MFB Hungarian Development Bank Zrt. (MFB) on the divestment of its stake held in MMBF Zrt.
The parties have agreed that the Hungarian State acquires 51% shareholding in MMBF from MOL through MFB. After the transaction MFB has 51% shareholding in MMBF. The remaining 21.46% stake of MOL is purchased by MSZKSZ which company was already a minority shareholder of MMBF.

As agreed in the Letter of Intent on divesting MOL's stake in MMBF Zrt, signed in March 2013, the transaction price was based onto the asset valuation prepared by independent valuation experts, including the full settlement of loans between MOL and MMBF. The transaction is fully cash-based, cash consideration for the shares was split into two parts (end of December 2013 and beginning of January 2014), settlement of loans occurred after the Balance Sheet Date.The closing of the transaction was on 30 December 2013.

The carrying amount of disposed assets and liabilities of MMBF as of 31 December 2013 and analysis of cash flows of the sale are the following:

MMBF	
	HUF million
Intangible assets	2,052
Property, plant and equipment	76,544
Deferred tax assets	11,485
Inventories	113
Trade receivables	2,086
Prepaid taxes	48
Other current assets	412
Cash and cash equivalents	1,095
Total assets	**93,835**
Long-term debt, net of current portion	33,697
Provisions	1,236
Other long-term liabilities	117
Trade and other payables	8,431
Short-term debt	-
Current portion of long-term debt	46,007
Total liabilities	**89,488**
Minority interest	13,665
Net assets sold	**(9,318)**
Consideration received	33,010
Recycling of cumulated exchange gain	84
Net gain on disposal	42,412
Net cash disposed during the sale	(1,095)
Cash consideration received in 2013	22,263
Cash consideration received in 2014	10,747
Net cash inflow	**31,915**

9. MATERIAL PARTLY-OWNED SUBSIDIARIES

INA Group

Proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2014	2013
INA-Industrija nafte d.d.	Croatia	51%	51%

	2014	2013
	HUF million	**HUF million**
Accumulated balances of material non-controlling interest	378,960	397,263
Profit/(loss) allocated to material non-controlling interest	(18,089)	(44,594)

The summarised financial information of INA-Industrija nafte d.d. are provided below. This information is based on amounts before intercompany eliminations.

SUMMARIZED INCOME STATEMENT	2014	2013
	HUF million	**HUF million**
Total operating income	968,013	1,092,083
Total operating expenses	(1,085,588)	(1,186,047)
Financial (expense) / income, net	(21,691)	(10,926)
Profit before income tax	**(139,266)**	**(104,890)**
Income tax expense	26,558	18,824
Profit for the year	**(112,708)**	**(86,066)**
Total comprehensive income	**(35,525)**	**(87,581)**
Attributable to non-controlling interests	(18,089)	(44,594)
Dividents paid to non-controlling interests	-	(6,818)

SUMMARIZED BALANCE SHEET	2014	2013
	HUF million	HUF million
Current assets	209,729	285,880
Non-current assets	1,056,239	1,090,451
	1,265,968	**1,376,331**
Current liabilities	(281,439)	(318,216)
Non-current liabilities	(240,274)	(277,914)
	(521,713)	**(596,130)**
Total Equity	**744,255**	**780,201**
Attributable to:		
Equity holders of the parent	365,295	382,938
Non-controlling interests	378,960	397,263

SUMMARISED CASH FLOW INFORMATION	2014	2013
	HUF million	**HUF million**
Net cash provided by operating activities	152,280	177,466
Net cash used in investing activities	(59,484)	(84,524)
Net cash provided by / (used in) financing activities	(89,572)	(96,030)
(Decrease) / increase in cash and cash equivalents	**3,224**	**(3,088)**

Magnolia Finance Ltd.

Proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2014	2013
Magnolia Finance Limited.	Jersey	100%	100%

	2014	2013
	HUF million	**HUF million**
Opening value of equity attributable to non-controlling interests	53,370	63,430
Change (coupon and dividend payments)	(11,121)	(10,060)
Closing value of equity attributable to non-controlling interests	**42,249**	**53,370**

In 2014, holders of the capital securities of Magnolia received a coupon payment of HUF 7,577 million. Coupon payments have been recorded directly against equity attributable (dividend paid) to non-controlling interests.

10. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

COMPANY NAME	COUNTRY	RANGE OF ACTIVITY	OWNER-SHIP 2014	OWNER-SHIP 2013	NET BOOK VALUE OF INVESTMENT 2014	NET BOOK VALUE OF INVESTMENT 2013
					HUF million	HUF million
Investment in associated companies						
Pearl Petroleum Ltd.	Iraq	Exploration of gas	10%	10%	134,839	100,297
MET Magyarország Energiakereskedő Zrt. (MET)	Hungary	Natural gas trading	40%	40%	21,507	18,548
Mazzola & Bignardi S.r.l.	Italy	Retail trade	50%	50%	1,838	1,553
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	40%	40%	1,184	1,078
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	25%	25%	886	1,011
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	49%	715	659
Other associated companies					441	555
Investment in joint ventures						
CM European Power International B.V.	Netherlands	Power plant investment manage-ment	50%	50%	-	2,012
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	49%	-	1,672	-
Rossi Biofuel Zrt.	Hungary	Biofuel component production	25%	25%	2,694	2,507
Total					**165,776**	**128,220**

COMPANY NAME	COUNTRY	RANGE OF ACTIVITY	CONTRIBUTION TO NET INCOME 2014	CONTRIBUTION TO NET INCOME 2013
			HUF million	HUF million
Investment in associated companies				
Pearl Petroleum Ltd.	Iraq	Exploration of gas	12,859	10,896
MET Magyarország Energiakereskedő Zrt. (MET)	Hungary	Natural gas trading	6,825	9,722
Mazzola & Bignardi S.r.l.	Italy	Retail trade	185	8
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	40	(17)
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	23	13
Messer Slovnaft s.r.o	Slovakia	Production of tech-nical gases	42	29
Other associated companies			89	(260)
Investment in joint ventures				
CM European Power International B.V.	Netherlands	Power plant invest-ment management	(1,794)	(880)
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	(11)	
Rossi Biofuel Zrt.	Hungary	Biofuel component production	644	551
Total			**18,902**	**20,062**

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 Chemchemal gas-condensate fields in the Kurdistan Region of Iraq. 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 using the equity method accordingly.

The Group's interest (10%) as of 31 December 2014 in Pearl was as follows:

	2014	2013
	HUF million	HUF million
The associate's balance sheet:		
Non-current assets	178,672	154,322
Current assets	528,110	305,124
Non-current liabilities	(64,286)	(54,538)
Current liabilities	(25,312)	(10,506)
Net assets	**617,184**	**394,402**
Proportion of the Group's ownership at year end	10%	10%
Group's share of assets	61,718	39,440
Fair value adjustment	73,121	60,857
Carrying amount of the investment	**134,839**	**100,297**
The associate's income statement:		
Net revenue	143,849	128,703
Profit from operations	121,967	105,083
Net income attributable to equity-holders	128,589	108,963
Group's share of profit for the year	**12,859**	**10,896**

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.

MET Magyarország Energiakereskedő Zrt. (MET)

The Group's interest (2013: 40%)as of 31 December 2014 in MET was as follows:

	2014	2013
	HUF million	**HUF million**
The associate's balance sheet:		
Non-current assets	12,988	861
Current assets	208,442	204,853
Non-current liabilities	3,951	651
Current liabilities	160,346	155,982
Net assets	**57,133**	**49,081**
Proportion of the Group's ownership at year end	40%	40%
Carrying amount of the investment	**21,507**	**18,548**
The associate's income statement:		
Net Revenue	1,100,593	879,064
Profit from operations	17,182	28,508
Net income attributable to equity-holders	16,837	24,313
Group's share of profit for the year calculated by proportion %	6,735	9,725
Group's net share of profit for the year recorded as income from associates *	**6,825**	**9,722**

* The difference between the calculated Group's share of the profit and the actual result recorded as income from associate are due to the foreign exchange difference arising in both years.

In 2014 and 2013 the Group received dividend on its 40% interest held in MET in the amount of HUF 4,887 million and HUF 22,968 million, respectively.

The financial data representing the Group's interest in MET 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.

11. AVAILABLE-FOR-SALE INVESTMENTS

	NET BOOK VALUE OF INVESTMENT 2014	NET BOOK VALUE OF INVESTMENT 2013
	HUF million	**HUF million**
Quoted - Jadranski Naftovod d.d.	17,021	10,520
Other ordinary shares – unquoted	3,775	4,116
Total	**20,796**	**14,636**

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 2014. 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.

12. OTHER NON-CURRENT ASSETS

	2014	2013
	HUF million	**HUF million**
Long-term bank deposit	31,489	-
Obligatory level of inventory required by state legislations	30,832	30,054
Loans given (see Note 33)	12,159	10,937
Advance payments for assets under construction	5,380	15,524
Prepaid mining royalty	3,127	4,164
Advance payments for intangible assets	2,052	2,503
Prepaid fees of long-term rental	1,548	2,722
Net receivable from currency risk hedging derivatives as fair value hedge (see Note 33)	-	114
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 33)	-	864
Other	15,105	71
Total	**101,692**	**66,953**

MOL Plc. made long- term deposit of EUR 100 million with 2 years maturity and interest rate of 6M EURIBOR + 2,3% in June 2014.

The obligatory level of inventory required by state legislations are classified as Other non-current asset because they are not used within the operating cycle of the business i.e. these assets are not available in short-term to be converted into cash (see 2.2 Changes in Accounting Policies).

Loans given primarily contain the HUF 5,991 million shareholder loan acquired with respect to Pearl Petroleum Company, 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 2014 and 2013 was HUF 1,038 million and HUF 1,163 million, respectively, and is expected to maintain a similar pattern in the forthcoming years.

13. INVENTORIES

	2014 AT COST	2014 LOWER OF COST OR NET REALISABLE VALUE	2013 AT COST	2013 LOWER OF COST OR NET REALISA-BLE VALUE
	HUF million	**HUF million**	**HUF million**	**HUF million**
Work in progress and finished goods	252,103	229,694	300,692	295,402
Other raw materials	72,409	55,531	74,727	60,282
Purchased crude oil	67,133	55,137	86,170	82,418
Other goods for resale	26,621	24,229	22,124	20,965
Purchased natural gas	-	-	8,674	6,439
Total	**418,266**	**364,591**	**492,387**	**465,506**

Impairment of HUF 25,907 million was recorded in 2014, mainly on refinery products (HUF 16,717 million) and raw materials (HUF 9,339 million). In 2013 HUF 7,229 million was recorded as impairment of inventories.

14. TRADE RECEIVABLES

	2014 HUF million	2013 HUF million
Trade receivables	489,652	548,787
Provision for doubtful receivables	(38,667)	(36,203)
Total	**450,985**	**512,584**

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

Movements in the provision for doubtful receivables were as follows:

	2014 HUF million	2013 HUF million
At 1 January	36,203	26,596
Additions	13,937	19,935
Reversal	(13,386)	(8,301)
Amounts written off	(2,234)	(2,398)
Currency differences	4,147	371
At 31 December	**38,667**	**36,203**

As at 31 December 2014 and 2013 the analysis of the recoverable amount of trade receivables that were past due is as follows:

	2014 HUF million	2013 HUF million
Neither past due nor impaired	398,771	469,507
Past due but not impaired	52,214	43,077
Within 90 days	32,034	29,719
91 - 180 days	3,452	5,322
Over 180 days	16,728	8,036
Total	**450,985**	**512,584**

15. OTHER CURRENT ASSETS

	2014 HUF million	2013 HUF million
Prepaid and recoverable taxes and duties (excluding income taxes)	57,281	75,421
Receivables from commodity hedging derivatives as cash flow hedge (see Note 32 and 33)	19,867	3,396
Receivables from joint venture partners	16,845	6,026
Advances paid	11,678	6,044
Receivables from closed derivative transactions	8,369	2,000
Prepaid expenses	5,614	4,727
Margining receivables	2,423	-
Receivables from financial instruments at fair value through profit and loss (see note 33)	1,754	437
Current portion of loans given, net* (see Note 33)	1,410	83,123
Security deposits	1,348	486
Interest receivable	744	6,196
Consideration receivable from disposal	-	10,514
Other	16,919	21,511
Total	**144,252**	**219,881**

* Current portion of loans given includes HUF 79,940 million receivable from MMBF in 2013. The loan was fully repaid in January 2014 as part of the MMBF disposal.

Analysis of loans given

	2014 HUF million	2013 HUF million
Current portion of loans given	1,421	83,133
Provision for doubtful loans receivable	(11)	(10)
Total	**1,410**	**83,123**

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

	2014 HUF million	2013 HUF million
At 1 January	10	75
Additions	-	3
Reversal	-	(69)
Currency differences	1	1
At 31 December	**11**	**10**

16. CASH AND CASH EQUIVALENTS

	2014 HUF million	2013 HUF million
Cash at bank – HUF	29,130	77,961
Cash at bank – EUR	69,826	49,698
Cash at bank – USD	23,119	20,669
Cash at bank - HRK	9,728	10,743
Cash at bank – CZK	7,905	7,359
Cash at bank – PLN	286	3,127
Cash at bank – RON	5,893	2,185
Cash at bank – RUB	1,410	1,347
Cash at bank – other currencies	8,239	8,160
Short-term bank deposits – EUR	12,785	286,401
Short-term bank deposits – USD	23,323	41,862
Short-term bank deposits – HUF	212	28,272
Short-term bank deposits – other currencies	4,385	18,963
Cash on hand – HUF	1,301	1,393
Cash on hand – other currencies	5,669	5,632
Cash equivalents	532	398
Total	**203,743**	**564,170**

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:

	2014	2013
Current accounts		
EUR	0.00% - 0.48%	0.00% - 0.29%
USD	0.01% - 0.25%	0.01% - 0.07%
HUF	0.55% - 2.63%	1.57% - 6.30%
Short-term bank deposits		
EUR	0.01% - 2.70%	0.01% - 1.82%
USD	0.03% - 2.00%	0.02% - 2.10%
HUF	0.60% - 3.30%	1.70% - 6.50%

17. SHARE CAPITAL

There was no change in the number of issued shares in 2014. As of 31 December 2014, the issued share capital was 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 2014 and 2013 is HUF 79,229 million and HUF 79,215 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 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 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 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; further, the "yes" vote of the holder of "B" series of share is required to adopt decisions on any proposal not supported by the Board of Directors in the following matters: election and dismissal of the members of the Board of Directors, the Supervisory Board and the auditors, decision of distribution of profit after taxation and amending of certain provisions of the Articles of Association.
Based on the authorization granted in the Article 17.D of the Articles of Association the Board of Directors is entitled to increase the share capital until April 23, 2019 in one or more instalments by not more than HUF 30 billion in any form and method provided by the Civil Code.

Treasury share transactions

Option agreements with ING Bank, UniCredit Bank and CA-CIB

The option rights arising out of the share option agreement concluded between MOL and ING Bank N.V. ('ING') on 27th November, 2012, regarding 5,220,000 MOL Series "A" Ordinary shares was cash settled in respect of all the shares on 27th November, 2013. The strike price for both call and put options was EUR 61.5060 per share.
Simultaneously, MOL and ING signed a share option agreement on 22nd November, 2013. As a result of the transactions, MOL received an American call option and ING received a European put option regarding the 5,220,000 MOL Series "A" Ordinary shares. The maturity of both options was 1 year. The strike price of both call and put option was EUR 49.38623 per one share. The strike price for both the call and the put options was amended to EUR 47.4444 per share in June 2014.
The option rights arising out of the share option agreement concluded between MOL and ING Bank N.V. on 22nd November, 2013, regarding 5,220,000 MOL Series "A" Ordinary shares was cash settled in respect of all the shares on 27th November, 2014. The strike price was EUR 47.4444 per share.
Simultaneously, MOL and ING signed a share option agreement on 24th November, 2014. As a result of the transactions, MOL received an American call option and ING received a European put option regarding the 5,220,000 MOL Series "A" Ordinary shares. The maturity of both options is 1 year with an additional 1 year extension possibility. The strike price of both call and put option is USD 50.92842 per one share.
Based on the agreement between MOL and UniCredit Bank AG ('Unicredit'), the option rights under the share option agreement in relation to the 3,561,053 MOL series "A" Ordinary shares concluded between UniCredit and MOL on 7th February, 2012 was cash settled in respect of all the shares on 13th February, 2013. The strike price for both, call and put options was EUR 70.36 per share.
MOL and UniCredit concluded a share purchase agreement in respect of 519,443 shares and a share option agreement in respect of 4,080,496 shares. As a result of these transactions, MOL received an American call options and UniCredit received European put options regarding the 4,080,496 number of shares on 13th February, 2013. The maturity of both the put and call options was one year, such maturity being subject to yearly extensions of one year, up to a total tenor of three years. The strike price of both call and put options was EUR 61.2671 per share. The strike price for both the call and the put options was amended to EUR 61.2656 per share in June 2013.

On 23rd December, 2013 MOL has agreed with UniCredit to an extension of the option agreements that it concluded with UniCredit on 7th February, 2013 in respect of a total of 4,080,496 pieces of MOL Series "A" Ordinary shares by one year. The effective date of the extension was 10th February, 2014. MOL continued to hold American call options and UniCredit continued to hold European put options in respect of a total of 4,080,496 Shares. The expiration of both the call and the put options is one year from the previous expiration, such maturity being subject to an option for a further extension by one additional year. The strike price of both the call and put options remained unchanged at EUR 61.27 per share.
Based on the share option agreement relating to 4,080,496 Series "A" MOL Ordinary shares concluded on 7th February, 2013 with UniCredit Bank A.G. and extended for 1 year as of 10th February, 2014. The strike price for both the call and the put options was changed to EUR 60.75697 per share in June 2014.
MOL entered into a share purchase and a share option agreement with Credit Agricole Corporate and Investment Bank ('CA CIB') on 3rd December, 2013. As a result of this transaction, CA CIB owned a total number of 2,129,666 MOL Series "A" ordinary shares. Under the share option agreement MOL had an American call option and CA CIB a European put option in relation to such shares. Both options maturity was in one year. The strike price for both the call and the put options was EUR 46.9557 per share. The strike price for both the call and the put options was amended to EUR 44.9987 per share in May 2014.
The option rights arising out of the share option agreement concluded between MOL and CA CIB on 3rd December, 2013, regarding 2,129,666 MOL Series "A" Ordinary shares, was cash settled in respect of all the shares on 9th December, 2014. The strike price was EUR 44.9987 per share.
Simultaneously, MOL and CACIB signed a share option agreement on 4th December, 2014. As a result of the transactions, MOL received an American call option and CACIB received a European put option regarding the 2,129,666 MOL Series "A" Ordinary shares. The maturity of both options is 1 year. The strike price of both the call and the put options is USD 48.0967 per one 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. 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 EUR 78.7 per share which could be exercised until 2014. 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, measured at its fair value, determined by applying the binomial valuation model.
Fair value of the option as of 31 December 2013 was nil (see Note 22 and 33), determined by applying the binomial valuation model. Spot market price (HUF 14,475 per share), implied volatility (21.7%) and no expected dividend have been used as input to the model.

CEZ option transaction expired in January 2014, without excercising the call option by MOL.

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 original expiration of the share-swap agreements was on 11 July 2012. During 2012 the expiration has been extended to 11 July 2017; until that date each party can initiate a cash or physical settlement of the deal.
Fair value of the share swap agreement amounted to HUF 1,401 million as at 31 December 2014 which has been recorded as derivative financial liability (see Note 22 and 33). As at 31 December, 2013 the fair value of the swap was HUF 979 million which was recorded as derivative financial liability (see Note 22 and 33).

Termination of, and entering into share lending

On 23 May 2013 the individual share lending agreement concluded with OTP Bank Plc. ('OTP'), on the bases of the effective share-lending framework agreement, regarding 371,301 "A" series MOL shares was terminated and the shares were credited on MOL's securities account.
On 3 June 2013 according to the effective share-lending framework agreement concluded with OTP, 371,301 pieces series "A" MOL ordinary shares have been lent to OTP.
On 23 May 2014 the individual share lending agreement concluded with OTP, on the bases of the effective share-lending framework agreement, regarding 371,301 "A" series MOL shares was terminated and the shares were credited on MOL's securities account. The ratio of the acquired share of the registered capital was 0,36%.
On 2 June 2014, 371,301 pieces series "A" MOL ordinary shares were lent to OTP under the individual share lending agreement came into effect according to the effective share-lending framework agreement concluded with OTP.
On 4 September 2014 the individual share lending agreement concluded with OTP under the share-lending framework agreement regarding 371,301 "A" series MOL shares was terminated and the shares were credited on MOL's securities account.

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 20 March 2011 and 12 March 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 IFRS 10 – Consolidated Financial Statements.

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 7,577 million and HUF 7,284 million in 2014 and 2013, respectively. Coupon payments 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 liabilities (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. The fair value of the conversion option as of 31 December 2014 and 2013 was HUF 2,431 million and HUF 3,032 million respectively (see Note 21 and Note 33).

The fair valuation impact of the option was HUF 601 million gain and HUF 271 million loss in 2014 and 2013, respectively, recorded as finance income and finance 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 REPURCHASE OBLIGATION	NUMBER OF SHARES OUTSTANDING	AUTHORISED NUMBER OF SHARES
December 31, 2012	**104,518,485**	**(5,146,955)**	**(20,170,334)**	**79,201,196**	**134,519,063**
Settlement of the option agreement with UniCredit Bank A.G.	-	(3,561,053)	3,561,053	-	-
New option agreement with UniCredit Bank A.G.	-	4,080,496	(4,080,496)	-	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Treasury shares lent to OTP Bank Plc.	-	371,301	(371,301)	-	-
Share distribution for the members of the Board of Directors	-	13,500	-	13,500	-
Settlement of the option agreement with ING Bank N.V.	-	(5,220,000)	5,220,000	-	-
New option agreement with ING Bank N.V	-	5,220,000	(5,220,000)	-	-
New option agreement with Credit Agricole Corporate and Investment Bank	-	2,129,666	(2,129,666)	-	-
December 31, 2013	**104,518,485**	**(2,484,346)**	**(22,819,443)**	**79,214,696**	**134,519,063**
Share distribution for the members of the Board of Directors	-	13,500	-	13,500	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Treasury shares lent to OTP Bank Plc.	-	371,301	(371,301)	-	-
Treasury shares call back from OTP Bank Plc.	-	(371,301)	371,301	-	-
Settlement of the option agreement with ING Bank N.V.	-	(5,220,000)	5,220,000	-	-
New option agreement with ING Bank N.V	-	5,220,000	(5,220,000)	-	-
Settlement of the option agreement with Credit Agricole Corporate and Investment Bank	-	(2,129,666)	2,129,666	-	-
New option agreement with Credit Agricole Corporate and Investment Bank	-	2,129,666	(2,129,666)	-	-
December 31, 2014	**104,518,485**	**(2,842,147)**	**(22,448,142)**	**79,228,196**	**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 and included in the total of the authorized number of shares.

18. DIVIDENDS

The shareholders at the Annual General Meeting in April 2014 approved to pay HUF 60,000 million dividend in respect of 2013, which equals to HUF 590.10 dividend per share. The total amount of reserves legally available for distribution based on the statutory company only financial statements of MOL Plc. is HUF 1,496,794 million and HUF 1,398,419 million as of 31 December 2014 and 2013, respectively.

19. LONG-TERM DEBT

	WEIGHTED AVERAGE INTEREST RATE 2014	WEIGHTED AVERAGE INTEREST RATE 2013	MATURITY	2014	2013
	%	**%**		**HUF million**	**HUF million**
Unsecured bonds in EUR			2015 - 2017	482,730	454,493
Eurobond1	3.96	3.96		238,198	224,415
Eurobond 2	6.15	6.15		244,532	230,078
Unsecured bonds in USD	6.51	6.51	2019	130,422	108,064
Unsecured bank loans in USD	3.39	3.78	2015 - 2021	72,492	81,262
Unsecured bank loans in EUR	2.64	2.70	2015 - 2022	68,340	83,157
Unsecured bank loans in HUF	4.58	7.02	2015	15,033	16,924
Unsecured bonds in HUF	-	7.00	-	-	11,542
Secured bank loans in EUR	0.83	1.41	2015 - 2018	6,223	8,522
Financial lease payable	5.91	7.03	2015 - 2034	3,239	3,860
Other	0.28	0.34	2015 - 2019	3,228	3,598
Total				**781,707**	**771,422**
Current portion of long-term debt				326,668	98,174
Total long-term debt, net of current portion				**455,039**	**673,248**

	2014	2013
	HUF million	**HUF million**
Maturity one to five years	440,853	560,299
Maturity over five years	14,186	112,949
Total	**455,039**	**673,248**

UNSECURED BONDS

ISSUER	ORIGINAL CURRENCY	VOLUME (MILLION) IN ORIGINAL CURRENCY	VOLUME (IN HUF MILLION)	TENOR (YEARS)	ISSUE DATE	MATURITY DATE	COUPON
MOL Plc	EUR	750	236,168	10	5 October, 2005	5 October, 2015	3.875%
MOL Plc	EUR	750	236,168	7	20 April, 2010	20 April, 2017	5.875%
MOL Group Finance SA	USD	500	129,565	7	26 September, 2012	26 September, 2019	6.250%

EUR bonds

An EUR 750 million fixed rate bond was issued by MOL Plc. in 2005. The notes are due in October 2015; pay an annual coupon of 3.875%. In 2010 MOL also issued EUR 750 million fixed rate Eurobond notes. The notes are due in April 2017; pay an annual coupon of 5.875%.

USD bonds

In 2012 MOL Group Finance S.A. (100% subsidiary of MOL Plc.) issued USD 500 million fixed rate bond guaranteed by MOL Plc. The notes have 7-year original maturity, are due in September 2019 and pay an annual coupon of 6.250%.

Unsecured bank loans

Further enhancement of the maturity profile of the Group happened through the loan transaction concluded this year by MOL Plc.
MOL Plc. smoothly accomplished the refinancing of its EUR 500 million revolving credit facility agreement that expired in September 2014, and due to the favourable price environment the refinancing of the USD 545 million (former USD 480 million) revolving credit facility with a USD 1,550 million giant revolving credit facility. The tenor of the facility is 5 years which can be extended by further 1+1 years.
Consequently, the main elements of unsecured revolving bank loans are:

- EUR 1,000 million multicurrency revolving club facility of MOL,
- USD 1,550 million multicurrency revolving club facility of MOL,
- USD 400 million multicurrency revolving club facility of INA,
- EUR 200 million multicurrency revolving club facility of Slovnaft.

In terms of main loan agreements with multilateral institutions, MOL Plc. signed an 8.5 years, USD 150 million loan agreement with the European Bank for Reconstruction and Development (EBRD) on 2 July 2012. The loan is used to finance capital expenditures of LDPE unit and upgrade the steam cracker of Slovnaft Group.
INA also concluded a 7-year loan agreement with EBRD in the amount of EUR 210 million in September 2010 for refinery modernisation (this credit facility is co-financed by ICF Debt Pool and Cordiant Capital Fund). The pricing of this EBRD facility has been favourably decreased in December 2014.
MOL Plc. also had a long-term investment loan agreement with the European Investment Bank (EIB) signed on 29 November 2010 in the amount of EUR 150 million and maturity of December 2018, to finance the construction of 205 km long natural gas transmission pipeline between Városföld and the Hungarian-Croatian border, which loan has been repaid during 2014, as well as the contract has been terminated.

Secured bank loans

Secured loans were obtained for specific capital expenditure projects and are secured by the assets financed from the loan.

Financial lease payable

Minimum lease payments and present values of payments as of 31 December 2014 and 2013 respectively are as follows:

	2014 MINIMUM LEASE PAYMENTS	2014 PRESENT VALUE OF PAYMENTS	2013 MINIMUM LEASE PAYMENTS	2013 PRESENT VALUE OF PAYMENTS
	HUF million	HUF million	HUF million	HUF million
Maturity not later than 1 year	654	563	995	791
Maturity two to five years	1,710	1,289	3,352	2,790
Maturity over five years	1,835	1,388	1,340	999
Total minimum lease payments	**4,199**		**5,687**	
Less amounts representing financial charges	(959)		(1,107)	
Present values of financial lease liabilities	**3,240**	**3,240**	**4,580**	**4,580**

20. PROVISIONS FOR LIABILITIES AND CHARGES

	ENVIRONMENTAL	REDUNDANCY	LONG TERM EMPLOYEE BENEFITS	FIELD ABANDONMENT	LEGAL CLAIMS	OTHER	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Balance as of 31 December 2012	**73,349**	**5,955**	**16,637**	**200,076**	**18,058**	**23,702**	**337,777**
Acquisition / (sale) of subsidiaries	-	-	-	(3,572)	-	-	(3,572)
Additions and revision of previous estimates	(1,289)	12,588	1,463	(5,143)	3,621	18,490	29,730
Unwinding of the discount	2,107	83	633	6,799	-	-	9,622
Currency differences	846	(83)	(295)	334	107	(319)	590
Provision used during the year	(3,480)	(3,283)	(774)	(122)	(3,073)	(5,284)	(16,016)
Balance as of 31 December 2013	**71,533**	**15,260**	**17,664**	**198,372**	**18,713**	**36,589**	**358,131**
Acquisition / (sale) of subsidiaries	-	-	-	55,731	-	723	56,454
Additions and revision of previous estimates	2,990	5,585	5,053	(4,079)	6,167	(677)	15,039
Unwinding of the discount	2,032	-	757	6,795	-	1,049	10,633
Currency differences	3,525	797	731	8,565	570	2,455	16,643
Provision used during the year	(3,075)	(7,470)	(1,021)	(111)	(840)	(6,488)	(19,005)
Balance as of 31 December 2014	**77,005**	**14,172**	**23,184**	**265,273**	**24,610**	**33,651**	**437,895**
Current portion 2013	3,999	1,986	1,880	607	13,960	24,787	47,219
Non-current portion 2013	67,534	13,274	15,784	197,765	4,753	11,802	310,912
Current portion 2014	4,757	3,814	2,199	380	15,909	17,644	44,703
Non-current portion 2014	72,248	10,358	20,985	264,893	8,701	16,007	393,192

Environmental Provision

As of 31 December 2014 provision of HUF 77,005 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 2014 also includes a contingent liability of HUF 21,764 million recognized upon acquiring INA Group, representing its present environmental obligations and a further HUF 15,907 million environmental contingent liability regarding the acquisition of IES (see Note 34).

Provision for Redundancy

As part of a continuing efficiency improvement project, MOL Plc., SLOVNAFT a.s., INA d.d., IES SpA 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. Relating to the restructuring of activities in Mantova, a provision for redundancy of HUF 9,145 million was recognised at IES in 2013 out of which HUF 6,863 million remained as of 31 December 2014. In 2014, a provision of HUF 5,074 million was made for redundancy program at INA in the income statement. The closing balance of provision for redundancy is HUF 14,172 million and HUF 15,260 million as of 31 December 2014 and 2013, respectively.

Provision for Field Abandonment Liabilities

As of 31 December 2014 provision of HUF 265,273 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 7% of these costs are expected to be incurred between 2015 and 2019 and the remaining 93% between 2020 and 2065. The amount of the provision has been determined on the basis of management's understanding of the respective legislation, calculated at current prices and discounted using estimated risk-free real interest rates. Activities related to field suspension, such as plugging and abandoning wells upon termination of production and remediation of the area are planned to be performed by hiring external resources. Based on the judgement of the management, there will be sufficient capacity available for these activities in the area. As required by IAS 16 – Property, Plant and Equipment, the qualifying portion of the provision has been capitalized as a component of the underlying fields.

Provision for Long-term Employee Benefits

As of 31 December 2014 the Group has recognized a provision of HUF 23,184 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 7 months of final salary respectively, depending on the length of service period. In addition to the above mentioned benefits, in Hungary the retiring employees are entitled to the absence fee for their notice period – which lasts for 1-3 months depending on the length of the past service – which is determined by the Hungarian Labour Code. None of these plans have separately administered funds; therefore there are no plan assets. The amount of the provision has been determined using the projected unit credit method, based on financial and actuarial variables and assumptions that reflect relevant official statistical data 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.

	2014	2013
	HUF million	**HUF million**
Present value of total long-term employee benefit obligation at the beginning of the year	**17,664**	**16,637**
Past service cost not accounted for at the beginning of the year	-	-
Balance as of the beginning of the year	**17,664**	**16,637**
Acquisitions / (disposals)	-	-
Past service cost	936	18
Current service cost	2,266	1,846
Interest costs	757	633
Provision used during the year	(1,021)	(774)
Net actuarial (gain)/loss	1,851	(401)
from which:		
Retirement benefit (See Note 29)	1,860	(281)
Jubilee benefit	(9)	(120)
Exchange adjustment	731	(295)
Balance as at year end	**23,184**	**17,664**
Present value of total long-term employee benefit obligation at year end	23,184	17,664

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:

	2014	2013
	HUF million	**HUF million**
Current service cost	2,266	1,846
Net actuarial (gain)/loss	(9)	(120)
Past service cost	936	18
Net benefit expense (See Note 26)	**3,193**	**1,744**

fits were determined:

	2014	2013
Discount rate in %	2.0-3.7	2.0-5.4
Average wage increase in %	0-2.0	0-2.0
Mortality index (male)	0.02-2.87	0.02-2.87
Mortality index (female)	0.01-1.15	0.01-1.30

Legal and Other Provisions

Legal and other provisions include provision for emission quotas, legal claims and for other future payment obligations. As of 31 December 2014 and of 31 December 2013, legal and other provision of HUF 5,338 million and HUF 10,131 million was made for future operational costs of IES relating to conversion of Mantova refinery into a products logistics hub, respectively. As of 31 December 2014 provision of HUF 24,610 million has been made for estimated total costs of litigations. As of 2014 MOL Group has been granted 5,013,761 emission quotas by the Hungarian, Croatian, Slovakian and Italian authorities. The total use of emission quotas amounted to 5,983,441 tons in 2014. In 2014 the amount of provision for the shortage of emission quotas increased to HUF 2,486 million (in 2013 provision was HUF 913 million).

21. OTHER NON-CURRENT LIABILITIES

	2014	2013
	HUF million	**HUF million**
Trade payable to exploration partners	129	127
Government grants received (see Note 22 and 25)	11,161	11,694
Received and deferred other subsidies	3,741	3,893
Deferred compensation for property, plant and equipment	4,626	3,655
Conversion option of exchangeable capital securities issued by Magnolia Finance Ltd (see Note 17 and 33)	2,431	3,032
Liabilities to government for sold apartments	2,094	2,213
Deferred income for apartments sold	1,360	1,319
Payable from currency risk hedging derivatives as fair value hedge (see Note 33)	208	440
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 33)	1,710	-
Other	1,177	874
Total	**28,637**	**27,247**

22. TRADE AND OTHER PAYABLES

	2014	2013
	HUF million	**HUF million**
Trade payables	441,653	554,545
Transferred "A" shares sold with put and call options attached (see Note 32 and 33)	171,049	177,512
Taxes, contributions payable (excluding corporate tax)	170,239	154,743
Liability from reimbursed mining royalty	35,226	35,226
Amounts due to employees	32,011	29,655
Payables from commodity hedging derivatives as cash-flow hedge (see Note 32 and 33)	18,054	2,057
Advances from customers	16,160	22,079
Liabilities to joint venture partners	15,749	4,304
Custom fees payable	10,043	8,956
Fee payable for strategic inventory storage	7,019	6,900
Discount payable to customers	5,783	4,297
Payables from closed derivative transactions	5,430	1,861
Payables from financial liabilities at fair value through profit and loss (see Note 33)	5,284	1,594
Financial collateral and bail received	2,958	2,584
Other accrued incomes (short-term)	2,922	877
Bank interest payable	2,042	3,005
Margining liability	1,500	2,221
Government subsidies received and accrued (short-term) (see Note 25)	796	783
Strategic capacity booking fee	655	808
Dividend payable	441	396
Purchase price difference payable on prior year acquisitions	303	287
Other subsidies received and accrued (short-term)	287	267
Penalty payable	31	22
Other	24,103	19,216
Total	**969,738**	**1,034,195**

Trade payables are non-interest bearing and are normally settled on 30-day terms. Taxes, contributions payable mainly include mining royalty, contributions to social security, value added tax and excise tax. The liability from reimbursed mining royalty in 2013 and also in 2014 HUF 35,226 million relates to the amount reimbursed by Hungarian Government following the annulation of resolution of European Commission. This mining tax had been paid by MOL in 2010. As the European Commission appealed against the annulation made by General Court of the European Court of Justice, and there is no change on its status in 2014, the amount reimbursed was presented as other payables (revenue is not recognised in income statement).

23. SHORT-TERM DEBT

	2014	2013
	HUF million	**HUF million**
Unsecured bank loans in EUR	131,559	93,770
Unsecured bank loans in USD	38,725	94,807
Unsecured bank loans in HRK	5,905	6,175
Unsecured bank loans in PLN	3,812	6,382
Secured bank loans in EUR	-	4,311
Unsecured bank loans in other currencies	447	5,778
Total	**180,448**	**211,223**

24. SALES BY PRODUCT TYPES

	2014	2013
	HUF million	**HUF million**
Sales of oil products	3,411,547	3,714,793
Sales of petrochemicals	678,786	769,769
Sales of natural gas and gas products	355,959	456,630
Sales revenue of services	214,762	230,922
Sales of crude oil	109,421	129,372
Sales of other products	96,132	98,931
Total	**4,866,607**	**5,400,417**

25. OTHER OPERATING INCOME

	2014	2013
	HUF million	**HUF million**
Net gain realized on disposal of subsidiaries	12,679	52,919
Penalties, late payment interest, compensation received	5,050	13,074
Gain on sales of intangibles, property, plant and equipment	1,394	2,509
Government grants released	827	968
Allowances and subsidies received	378	504
Other	6,270	5,722
Total	**26,598**	**75,696**

In 2014 HUF 12,679 million net gains were realized on disposal of subsidiaries which relates to the sale of 49% share of BaiTex LLC (“BaiTex”) (see Note 8).

GOVERNMENT GRANTS	2014	2013
	HUF million	**HUF million**
At 1 January	12,477	12,059
Government grants received	52	1,302
Release of deferred grants (see table above)	(827)	(968)
Exchange adjustment	255	84
At 31 December (see Note 5, 21 and 22)	**11,957**	**12,477**

26. PERSONNEL EXPENSES

	2014	2013
	HUF million	**HUF million**
Wages and salaries	183,287	179,088
Social security	43,081	43,343
Other personnel expenses	31,165	36,539
Long-term employee benefits (see Note 20)	3,193	1,744
Expense (reversal of expense) of share-based payments (See Note 38)	(484)	(967)
Total	**260,242**	**259,747**

27. OTHER OPERATING EXPENSES

	2014	2013
	HUF million	**HUF million**
Mining royalties	90,905	90,032
Taxes and contributions	37,549	43,291
Rental costs	29,769	32,812
Other services	32,368	22,179
Contribution to strategic inventory storage	30,687	20,674
Provision for legal and other claims	(2,328)	19,153
Provision for doubtful receivables	3,596	15,610
Consultancy fees	9,493	8,991
Insurance	7,473	7,332
Advertising expenses	9,789	7,073
Site security costs	5,652	5,256
Cleaning costs	4,960	5,078
Bank charges	3,974	4,258
Penalties, late payment interest, compensation (net of provision utilized)	6,165	3,880
Outsourced bookkeeping services	3,342	2,957
Environmental protection expenses, net	2,838	1,389
Environmental levy	819	738
Revaluation of emission quotas	-	481
Damages	97	98
Crisis tax for Hungarian energy suppliers and retail activities	-	-
Net loss realized on disposal of subsidiaries	-	-
Environmental provision made during the year	2,990	(1,289)
Provision for greenhouse gas emission over quota allocated free of charge	1,372	(3,108)
Provision for field abandonment	(4,191)	(6,647)
Other	11,362	13,489
Total	**288,681**	**293,727**

Provision for legal and other claims in 2013 include HUF 10,255 million provisions made for future operational costs of IES relating to conversion of Mantova refinery into a products logistics hub. During 2014, above operational costs arose, however provision made in 2013 was not covering all incurred expenses. Total of such operational costs (partially recognised as further provision made for legal and other claims) amounted to HUF 4,145 million in 2014.

28. FINANCE EXPENSE, NET

	2014	2013
	HUF million	**HUF million**
Interest received	10,788	15,147
Dividends received	4,107	3,629
Net gain on derivative transactions	-	-
Fair valuation gain on conversion option (see Note 17)	601	-
Fair valuation gain on trading debt securities	13,399	-
Foreign exchange gain on cash and cash equivalents, net	5,945	-
Foreign exchange gain on receivables and payables, net	-	4,098
Other finance income, net	460	6,511
Total finance income	**35,300**	**29,385**
Interest on borrowings	42,433	47,521
Interest on provisions	10,633	9,622
Other costs on borrowings	8,013	8,393
Net loss on derivative transactions	6,096	649
Fair valuation loss of conversion option (see Note 17)	-	271
Net loss on sales of investments	-	-
Foreign exchange loss on cash and cash equivalents, net	-	7,152
Foreign exchange loss on receivables and payables, net	38,834	-
Foreign exchange loss on borrowings	32,231	8,240
Impairment of investments	465	5,105
Other finance expenses, net	1,059	776
Total finance expenses	**139,764**	**87,729**
Total finance expense, net	**104,464**	**58,344**

The net finance expenses increased by HUF 46,120 million in 2014 compared to 2013, which was mainly driven by the rise in foreign exchange losses due to weakening of HUF against the major currencies. The increasing finance losses were partially offset by fair valuation gain (HUF 13,399 million) of trading debt securities bought in 2014. With regards the interest accruals, both the interest income and expense decreased in 2014 compared to the prior year.

29. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2014	2013
	HUF million	**HUF million**
Exchange differences on translating foreign operations, net of tax		
Gains / (losses) arising during the year	136,150	3,206
Reclassification adjustments for gains and losses included in the income statement	8,058	922
Income tax effect	-	-
	144,208	**4,128**
Net investment hedge, net of tax		
Gains / (losses) arising during the year	(48,658)	4,430
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	6,409	216
	(42,249)	**4,646**
Available-for-sale financial assets		
Gains / (losses) arising during the year	5,985	(355)
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	(1,197)	71
	4,788	**(284)**
Cash-flow hedges		
Gains / (losses) arising during the year	(1,939)	1,383
Reclassification adjustments for gains and losses included in the income statement	1,092	(3,243)
Reclassification adjustments to initial cost of hedged inventories	(1,864)	(1,509)
Income tax effect	623	298
	(2,088)	**(3,071)**
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation		
Gains / (losses) arising during the year (see Note 20)	(1,860)	281
Reclassification adjustments for gains and losses included in the income statement	-	-
Income tax effect	319	(68)
	(1,541)	**213**
Share of other comprehensive income for associates		
Gains / (losses) arising during the year	24,169	(2,325)
Reclassification adjustments for gains and losses included in the income statement	-	6
Income tax effect	(1)	(2)
	24,168	**(2,321)**

30. INCOME TAXES

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2014 and 2013 include the following components:

	2014	2013
	HUF million	**HUF million**
Current corporate income taxes	17,273	20,015
Local trade tax and innovation fee	13,238	13,368
Deferred corporate income taxes	(25,127)	(71,342)
Total income tax expense/(benefit)	**5,384**	**(37,959)**

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 19% in 2014 and in 2013 also. A further surplus tax of 31% is applicable for domestic energy supplier entities from 1 January 2013. Slovakian and Croatian tax rates were 22% (2013: 23%) and 20% (2013: 20%), respectively. Italian tax rate applicable for 2014 is 37.9%, being an aggregate of a corporate income tax of 27.5%, a surcharge tax on energy sector of 6.5% and local tax rate of 3.9% (in 2013 the total tax rate was 41.9%, following a temporary increase of surcharge tax - for 3 years - by government). UK tax rate applicable for 2014 is 62%, being an aggregate of (ring fence) corporation tax of 30% and supplementary charge of 32%. Enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

Local trade tax represents another revenue-based tax for Hungarian subsidiaries, payable to local municipalities. Tax base is calculated by deducting certain production costs from sales revenue. Tax rates vary between 1-2% dependent on the resolution of local governments where the entities have their business activities.

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 16% personal income tax liability arises also withheld at source.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2014	2013
	HUF million	**HUF million**
Deferred and current tax recognized in other comprehensive income:		
Net gain/ (loss) on hedge of a net investment and foreign exchange differences of loans given	6,409	216
Revaluations of available-for-sale financial assets	(1,197)	71
Revaluations of financial instruments treated as cash-flow hedges	623	298
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	319	(68)
Revaluations of financial instruments of associated companies	(1)	-
	6,153	**517**
Reclassifications from equity to profit or loss:		
Relating to hedges of net investments	-	-
Relating to available-for-sale financial assets	-	-
Relating to cash-flow hedges	-	-
Relating to actuarial gain/loss on provision for retirement benefit obligation	-	-
Relating to associated companies	-	(2)
	-	**(2)**
Total income tax recognized in other comprehensive income	**6,153**	**515**

The notes are integral part of these consolidated financial statements.

The deferred tax balances as of 31 December 2014 and 2013 in the consolidated balance sheet consist of the following items:

	BALANCE SHEET		RECOGNIZED IN INCOME STATEMENT	
	2014	2013	2014	2013
	HUF million	HUF million	HUF million	HUF million
Breakdown of net deferred tax assets / (liabilities)				
Statutory tax losses carried forward	140,879	67,090	30,065	30,792
Provisions	45,584	36,876	4,442	(2,430)
Depreciation, depletion and amortization	(106,168)	(45,419)	(17,139)	18,747
Fair valuation of assets on acquisitions	(76,266)	(84,152)	9,848	22,183
Differences in accounting for domestic oil and gas exploration and development	(16,134)	(17,127)	994	1,720
Capitalization of certain borrowing costs	(8,262)	(8,214)	(507)	429
Capitalized periodic maintenance costs	(2,311)	(2,681)	624	233
Receivables write off	1,614	(235)	(172)	(1,588)
Inventory valuation difference	2,795	1,304	1,032	(4,785)
Elimination of intragroup transactions	15,336	21,732	(4,458)	(1,602)
Embedded derivatives	-	(164)	-	-
Valuation of financial instruments	3,075	2,964	(307)	(89)
Foreign exchange differences	12,864	13,384	(519)	2,174
Other	12,174	4,343	1,224	5,558
Deferred tax (expense) / income			**25,127**	**71,342**
Net deferred tax asset / (liability)	25,180	(10,299)		
Reflected in the statement of financial position:				
Deferred tax assets	75,000	64,578		
Deferred tax liabilities	(49,820)	(74,877)		
Net deferred tax asset / (liability)	**25,180**	**(10,299)**		

Analysis of movements in net deferred tax assets and liabilities during the year

	2014	2013
	HUF million	HUF million
Net deferred tax asset / (liability) at 1 January	**(10,299)**	**(71,207)**
Recognized in income statement	25,127	71,342
Recognized directly in equity (as other comprehensive income)	7,848	2,497
Sale of subsidiaries (see Note 8)	3,952	(12,708)
Acquisition of subsidiaries	1,157	83
Exchange difference	(2,605)	(306)
Net deferred tax asset / (liability) at 31 December	**25,180**	**(10,299)**

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 2014, 2013 and in 2011 at MOL Plc. Additional tax losses arose at INA, at TVK Plc. and some of TVK's subsidiaries (between 2009 and 2013). Apart from that the newly acquired UK assets also possessed significant unused tax losses. 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 140,879 million and HUF 67,090 million has been recognized as of 31 December 2014 and 2013, 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 incurred in 2014 and 2013 were HUF 60,394 million and HUF 75,472 million, respectively.

From the unused tax losses (for which deferred tax asset was recognized) at the end of the period, HUF 381,415 million can be utilised after 5 years or has no expiry, while HUF 140,123 million can be utilized between 2015 and 2019. Due to change in tax legislation in Hungary, the existing unused tax losses can be used until 2024.
A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates is as the follows:

	2014	2013
	HUF million	HUF million
Profit before tax per consolidated income statement	(45,482)	(56,910)
Tax at the applicable tax rate (19%, 2013: 19%)	(8,642)	(10,813)
Tax holiday available	(2,646)	(5,017)
Surplus taxes and local trade tax	12,058	11,314
Differences not expected to reverse	(9,698)	(41,441)
Effect of different tax rates	(17,693)	(58,665)
Adjustment to the period of realisation	-	-
Losses of subsidiaries not recognized as an asset	60,394	75,472
Non-taxable income	(5,617)	(7,455)
Revaluation of deferred tax assets and liabilities	-	(1,090)
Recognition of prior year tax losses carried forward	(22,726)	-
Other	(46)	(264)
Total income tax expense / (benefit) at the effective income tax rate of minus 12% (2013: 67%)	**5,384**	**(37,959)**

Differences not expected to reverse primarily include the tax impact of loss 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. EARNINGS PER SHARE

Basic earnings per share are calculated by decreasing the net profit for the period attributable to ordinary shareholders with the coupon paid to the owners of Perpetual Exchangeable Capital Securities and divided by the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share is calculated considering 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.

Both in 2014 and 2013, the diluted earnings per share equals with the basic earnings per share as there is no dilutive effect on the earnings.

	INCOME (HUF MILLION)	WEIGHTED AVERAGE NUMBER OF SHARES	EARNINGS PER SHARE (HUF)
Basic Earnings Per Share 2013	14,617	88,449,078	165
Diluted Earnings Per Share 2013	14,617	88,449,078	165
Basic Earnings Per Share 2014	(3,499)	90,653,661	(39)
Diluted Earnings Per Share 2014	(3,499)	90,653,661	(39)

	2014	2013
	HUF million	HUF million
Net profit attributable to ordinary shareholders	4,078	21,901
Coupon payment to holders of capital securities of Magnolia (-)	(7,577)	(7,284)
Net profit attributable to ordinary shareholders for basic earnings per share	**(3,499)**	**14,617**
Coupon payment to holders of capital securities of Magnolia (+)	-	-
Fair value of conversion option	-	-
Net profit attributable to ordinary shareholders for diluted earnings per share	**(3,499)**	**14,617**

	2014	2013
	HUF million	HUF million
Weighted average number of ordinary shares for basic earnings per share	90,653,661	88,449,078
Effect of dilution – Weighted average number of conversion of perpetual exchangeable securities	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	**90,653,661**	**88,449,078**

32. 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 financial risks at group level in a model using Value at Risk approach. A quarterly Financial Risk Report is submitted to the senior management.

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

- Corporate Level Objectives – maintenance of financial ratios and targeted financial results, 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 (e.g.: 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 primary 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 to the protection of shareholder value by maintaining discipline in CAPEX spending, ensuring risk-aware project selection.

The Group is currently in Low Gearing status. As of 31 December 2014 the Net Debt / EBITDA was at 1.31 level while the Net Gearing was 19.6%. The derivative transaction the company may enter is under ISDA (International Swaps and Derivatives Association) agreements and Hungarian law governed Dealing Master Agreement in the Hungarian Market.
MOL Commodity Trading Limited was established with the purpose to centralize and manage the Group's needs on oil and oil product derivatives, to optimize the Group-level CO_2 quota position and to manage the procurement of electricity. In order to improve control over the resulting market and credit risks, risk limits (VaR) are applied and monitored on a daily basis.

Key Exposures

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

Commodity Price Risk Mwanagement

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 2014 MOL concluded short-term commodity swap transactions. These transactions are mainly dealt for inventory hedging purposes in order to mitigate the effects of the potential price movements during the non-business-as-usual refinery activities (e.g. turnarounds/ shutdowns), and they are also related to crude oil procurement and other trading possibilities. As of 31 December 2014 the fair value of open commodity derivative transactions designated as fair value hedge was a net payable of HUF 1,990 million (see Note 33). The fair value of accompanying firm commitments as hedged items under commodity derivative transaction designated as fair value hedges was receivable of HUF 1,754 million and payable of HUF 33 million (see Note 33).

In 2013 and 2014 MOL concluded swap deals on a significant volume of crude oil purchases and ultra-low sulphur diesel sales forecasted for 2014 and 2015 with the economic purpose of capturing a favourable crack spread on this product. As of 31 December 2014 the fair value of open transactions designated as cash-flow hedge was a receivable of HUF 19,867 million with respect to crude oil swap (see Note 15 and 33) and a payable of HUF 18,054 million with respect to diesel swap (see Note 22 and 33), with a corresponding adjustment of the fair valuation reserve in other comprehensive income. Deals will be settled subsequent to each month in the next years.

As of 31 December 2014 and 2013 the fair value of open commodity derivative transactions not designated as hedges were a net payable of HUF 1,491 million and a net receivable of HUF 251 million (see Note 33), respectively.

Foreign Currency Risk Management

At group level, the Group has a net long USD, EUR, RON, and net short HUF, HRK, RUB operating cash-flow position from economic point of view.
When MOL is in low 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 ('natural hedge').

The Group may use cross currency swaps to adjust the currency mix of the debt portfolio. As of 31 December 2014 and 2013 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 SDR price setting to be closely related to the underlying originally USD denominated contract. This derivative has been separated from the underlying contract and designated as a cash-flow hedge to the underlying gas transit contract. The fair value of the embedded SDR derivative is a net payable of HUF 1,710 million (HUF 1,385 million net of deferred tax) as of 31 December 2014 (see Note 21). The corresponding figure as of 31 December 2013 was HUF 864 million net receivable (HUF 700 million net of deferred tax). The decrease in the fair value of this instrument has been recognized in other comprehensive income.

INA has concluded certain long-term contracts on gas and crude- oil storage and transport which contain embedded derivatives as defined by IAS 39. These derivatives has been separated from the underlying contracts and designated as fair value hedge to the underlying gas and crude oil contracts. The fair value of the embedded derivatives is a payable of HUF 577 million as of 31 December 2014 (see Note 33). The corresponding figures as of 31 December 2013 were HUF 206 million receivable and HUF 719 million payable.

The Group classifies its forward exchange contracts and currency exchange options either as fair value hedges, in case of debts, either as cash-flow hedges in case a designated hedging relationship exist or as stand-alone derivatives and carries them at fair values.

As of 31 December 2014 there were no open foreign exchange forward transactions, while as of 31 December 2013 the fair value of open foreign exchange forward transactions was a net payable of HUF 2 million (see note 33).

During 2014 the Group acquired Euro dominated sovereign securities in the notional amount of HUF 207,658 million (see Note 33 for details of the valuation). The transactions are in line with the risk management policy of the Group as significant part of the securities has maturity date in 2015 providing natural hedge for the EUR 750 million fixed rate bond issued by MOL Plc. maturing in October 2015 (see Note 19 for details on Long-term debt).

Hedge of net investments in foreign operations

Certain facilities of the Group's long-term debt (USD 767 million and EUR 1,628 million) has been designated as hedging instruments in a net investment hedge of foreign operations denominated in USD and EUR. These borrowings are used to hedge the Group's exposure to the spot USD and EUR foreign exchange retranslation risk of these investments. Losses of HUF 48,658 million incurred on retranslating these borrowings are recorded in other comprehensive income to offset corresponding gains on translating the hedged net investments in foreign operations.

Interest rate risk management

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

As result of the 750M EUR Bond transaction in 2005, 750M EUR Bond transaction in 2010, HUF 16 billion Hungarian retail bond transaction also in 2010-2011 and the 500M USD Bond transaction in 2012, the fixed portion of the total debt increased substantially. As of 31 December 2014 and 2013, 54.1% and 49.5 % 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 2014 and 2013, 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 CLEAN CCS-BASED* (CURRENT COST OF SUPPLY) OPERATING PROFIT

	2014	2013
	HUF billion	**HUF billion**
Brent crude oil price (change by +/- 10 USD/bbl; with fixed crack spreads and petrochemical margin)		
Upstream	+ 22.3 / - 23.5	+ 25.9 / - 25.2
Downstream	- 18.7 / + 18.7	- 16.9 / + 16.9
Gas Midstream	+ 0.4 / - 0.2	- 2.0 / + 1.8
Exchange rates (change by +/- 10 HUF/USD; with fixed crack spreads)		
Upstream	+ 13.5 / - 13.5	+ 17.3 / - 17.3
Downstream	+ 8.4 / - 8.4	+ 15.9 / - 15.9
Gas Midstream	+ 1.1 / - 0.9	- 2.1 / + 1.9
Exchange rates (change by +/- 10 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)		
Upstream	+ 0.1 / - 0.1	- 0.4 / + 0.3
Downstream	+ 16.3 / - 16.3	+ 13.4 / - 13.4
Gas Midstream	+ 0.1 / + 0.1	-
Crack spread (change by +/- 10 USD/t)		
Upstream	+ 0.9 / - 0.8	+ 1.0 / - 1.0
Downstream	+ 37.3 / - 37.3	+ 41.8 / - 41.8
Integrated petrochemical margin (change by +/- 10 EUR/t)		
Downstream	+ 2.4 / - 2.4	+ 1.9 / - 1.9
Brent - Ural Spread (+/- 1 USD/bbl)		
Upstream	- 0.1 / + 0.1	- 0.2 / + 0.2
Downstream	+ 17.1 / - 17.1	+ 18.3 / - 18.3

*Clean CCS and CCS calculation methodology is not regulated by IFRS.

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.

Customers are allocated to several segments in order to provide better transparency and to achieve more conscious diversification. The different characteristics of the segments support the mitigation of credit risk. For segments with higher risk profile the ratio of secured credit limits is also higher. Deposit, bank guarantee, letter of credit and lien are the most preferred types of security.

As a result of being a major player in the East-Central European region, approximately 70% of our customers are situated in that region; nevertheless our customer portfolio is much diversified from geographical point of view.

Group procedures ensure that sales are made to customers with appropriate credit history and do not exceed an acceptable credit exposure limit.

Individual credit limits are calculated and defined after external and internal assessment of customers. Information on existing and possible customers is gathered from well-known and reliable Credit Agencies. Internal assessment shall be done on the basis of information obtained, where individual credit limits are calculated by predefined algorithms. The internal semi-automated assessment shall be considered as an international best practice with conservative credit management approach. In favour of diversified customer credit risk within the portfolio the Group is using credit insurance services.

Sophisticated software solutions (SAP, CRM and Endur) ensure online monitoring of credit exposures, breach and expiry of credit limits and also overdue receivables. When such credit situations occur, shipments shall be blocked. Decisions on the unblocking of the shipments shall be made by authorized managers both on Financial and on Business side. The level of the Managerial decisions is regulated in Group policies.

Liquidity risk

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

The amount of undrawn major committed credit facilities as of 31 December 2014 consists of the following:

	2014
	HUF million
Long-term loan facilities available (general corporate purpose)	867,924
Short-term facilities available	388,510
Total loan facilities available	**1,256,434**

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 2014 and 2013 based on contractual undiscounted payments.

31 DECEMBER 2014	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	-	-	654	1,710	1,835	**4,199**
Floating rate long-term bank loans	-	3,425	103,176	125,944	19,884	**252,429**
Floating-rate other long-term loans	-	-	1,722	1,126	-	**2,848**
Floating-rate short-term bank loans	-	98,845	78,135	-	-	**176,980**
Floating-rate other short-term loans	-	-	1	45	-	**46**
Fixed rate bonds	-	-	267,292	425,873	-	**693,165**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	-	33	1,121	-	**1,154**
Transferred "A" shares with put and call options attached (see Note 22 and 33)	-	-	171,049	-	-	**171,049**
Maximum exposure under financial guarantees	107	-	-	-	-	**107**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	61,378	311,774	246,531	-	-	**619,683**
Total	**61,485**	**414,044**	**868,593**	**555,819**	**21,719**	**1,921,660**

31 DECEMBER 2013	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	-	52	943	3,352	1,340	**5,687**
Floating rate long-term bank loans	-	34,364	28,575	124,187	8,008	**195,134**
Floating-rate other long-term loans	-	17	186	7,193	-	**7,396**
Floating-rate short-term bank loans	-	91,708	119,980	-	-	**211,688**
Floating-rate other short-term loans	-	-	-	-	-	**-**
Fixed rate bonds	-	-	40,221	520,200	114,575	**674,996**
Other	-	-	-	-	-	**-**
Non-interest bearing long-term liabilities	-	-	33	1,121	-	**1,154**
Transferred "A" shares with put and call options attached (see Note 22 and 33)	-	-	177,512	-	-	**177,512**
Maximum exposure under financial guarantees	173	-	-	-	-	**173**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	76,066	345,936	275,562	-	-	**697,564**
Total	**76,239**	**472,077**	**643,012**	**656,053**	**123,923**	**1,971,304**

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. Treasury share transactions (see Note 17) are also used for such purposes. No changes were made in the objectives, policies or processes during 2014 and 2013.

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

	2014	2013
	HUF million	HUF million
Long-term debt, net of current portion	455,039	673,248
Current portion of long-term debt	326,668	98,174
Short-term debt	180,448	211,223
Less: Cash and cash equivalents and securities	426,210	570,774
Net debt	**535,945**	**411,871**
Equity attributable to equity holders of the parent	1,749,745	1,706,003
Non-controlling interest	445,993	473,517
Total equity	**2,195,738**	**2,179,520**
Capital and net debt	**2,731,683**	**2,591,391**
Gearing ratio (%)	**19.6%**	**15.9%**

33. FINANCIAL INSTRUMENTS

Financial instruments in the balance sheet include investments, other non-current assets, trade receivables, other current assets, securities, 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.
Securities include EUR-denominated sovereign securities in both periods.

Types and fair values of financial assets (excluding trade receivables, other current assets and cash and cash equivalents) and financial liabilities (excluding trade and other payables) are the following:

	2014	2013
	HUF million	HUF million
Cash-flow hedges		
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	-	864
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15)	19,867	3,396
Total cash-flow hedges	**19,867**	**4,260**
Financial instruments at fair value through profit or loss		
Derivatives designated as hedges		
Receivable from currency risk hedging derivatives as fair-value hedge	-	206
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	1,754	94
Net receivables from commodity price transactions designated as fair value hedge (see Note 32)	-	-
Derivatives not designated as hedges		
Fair value of OTP-MOL share swap (see Note 17)	-	-
Net receivables from commodity price transactions (see Note 32)	-	251
Securities	222,467	6,604
Total financial instruments at fair value through profit or loss	**224,221**	**7,155**
Financial instruments at fair value through profit or loss, net of current portion (see Note 12)	-	114
Current portion of financial instruments at fair value through profit or loss (see Note 15)	1,754	437
Securities	222,467	6,604
Loans and receivables		
Loans given, net of current portion (see Note 12)	12,159	10,937
Current portion of loans given (see Note 15)	1,410	83,123
Long-term bank deposit (see Note 12)	31,489	-
Total loans and receivables	**45,058**	**94,060**
Available for sale investments (see Note 11)		
Quoted equity shares – Jadranski Naftovod d.d.	17,021	10,520
Unquoted equity shares	3,775	4,116
Total available for sale investments	**20,796**	**14,636**
Total financial assets	**309,942**	**120,111**
Total non-current	**64,444**	**26,551**
Total current	**245,498**	**93,560**

	2014	2013
	HUF million	HUF million
Cash-flow hedges		
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 21)	1,710	-
Payables from commodity hedging derivatives as cash-flow hedge (see Note 22)	18,054	2,057
Total cash-flow hedges	**19,764**	**2,057**
Financial liabilities at fair value through profit or loss		
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	2,431	3,032
Derivatives designated as hedges		
Fair value of firm commitments as hedged item under commodity price transactions	33	-
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	1,990	334
Payables from currency risk hedging derivatives as fair value hedge	577	719
Derivatives not designated as hedges		
Fair value of the option on MOL shares transferred to CEZ (see Note 17)	-	-
Fair value of MOL-OTP share swap (see Note 17)	1,401	979
Net payables from commodity price transactions (see Note 32)	1,491	-
Payables from foreign exchange forward transactions (see Note 32)	-	2
Total financial liabilities at fair value through profit or loss	**7,923**	**5,066**
Financial liabilities at fair value through profit or loss, net of current portion (see note 21)	2,639	3,472
Current portion of financial liabilities at fair value through profit or loss (see note 22)	5,284	1,594
Financial liabilities at amortized cost		
Non-current interest bearing loans and borrowings	778,480	767,824
Current interest bearing loans and borrowings	180,448	211,223
Transferred "A" shares with put and call options attached (see Note 22 and 32)	171,049	177,512
Non-interest bearing long-term liabilities	3,228	3,598
Total financial liabilities at amortized cost	**1,133,205**	**1,160,157**
Total financial liabilities	**1,160,892**	**1,167,280**
Total non-current	**786,057**	**774,894**
Total current	**374,835**	**392,386**

Carrying amounts and fair values of the financial instruments are the following:

	CARRYING AMOUNT		FAIR VALUE	
	2014	2013	2014	2013
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Net receivable from currency risk hedging derivatives (see Note 12)	-	864	-	864
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15 and 32)	19,867	3,396	19,867	3,396
Available-for-sale investments (see Note 11)	20,796	14,636	20,796	14,636
Securities	222,467	6,604	221,646	6,604
Loans given (see Note 12 and 15)	13,569	94,060	13,569	94,060
Trade receivables (see Note 14)	450,985	512,584	450,985	512,584
Long-term bank deposit (see Note 12)	31,489	-	31,489	-
Receivable from currency risk hedging derivatives as fair-value hedge (see Note 32)	-	206	-	206
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	1,754	94	1,754	94
Net receivables from commodity price transactions designated as fair value hedge (see Note 32)	-	-	-	-
Net receivables from commodity price transactions (see Note 32)	-	251	-	251
Fair value of MOL-OTP share swap (see Note 17)	-	-	-	-
Other current assets (excluding derivatives, Loans given and prepaid and recoverable taxes, see Note 15)	63,940	57,504	63,940	57,504
Cash and cash equivalents (see Note 16)	203,743	564,170	203,743	564,170

	CARRYING AMOUNT		FAIR VALUE	
	2014	2013	2014	2013
	HUF million	HUF million	HUF million	HUF million
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under financial leases	3,239	3,860	3,239	3,860
Floating rate long-term bank loans	162,088	189,865	162,088	189,865
Floating rate other long-term loans	-	-	-	-
Floating rate short-term bank loans	180,001	210,943	180,001	210,943
Floating-rate other short-term loans	447	280	447	280
Fixed rate bonds	613,152	574,099	628,997	586,731
Non-interest bearing long-term liabilities	3,228	3,598	3,228	3,598
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 21)	1,710	-	1,710	-
Payables from commodity hedging derivatives as cash-flow hedge (see Note 22 and 32)	18,054	2,057	18,054	2,057
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	2,431	3,032	2,431	3,032
Transferred "A" shares with put and call options attached (see Note 22)	171,049	177,512	171,049	177,512
Fair value of the option on MOL shares transferred to CEZ (see Note 17)	-	-	-	-
Fair value of MOL-OTP share swap (see Note 17)	1,401	979	1,401	979
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	577	719	577	719
Fair value of firm commitments as hedged item under commodity price transactions	33	-	33	-
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	1,990	334	1,990	334
Payables from foreign exchange forward transactions (see Note 32)	-	2	-	2
Net payables from commodity price transactions (see Note 32)	1,491	-	1,491	-
Trade and other payables (excluding derivatives, Transferred "A" shares with put and call options attached and taxes and contributions, see Note 22)	552,138	646,377	552,138	646,377

The fair value of the financial instruments is measured at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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. The value of the equity share in JANAF d.d. was determined by reference to the market value of the shares as quoted on the Zagreb Stock Exchange as of 31 December 2014
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly commodity price transactions. For commodity derivative contracts the most frequently applied valuation techniques include forward pricing and swap- and option models and are based use on mark- to- market calculations. For valuing share option transactions and share swaps various option pricing techniques are used (binomial option pricing model, Monte Carlo simulation). The fair value of the euro dominated sovereign securities is evaluated by discounting the expected future cash flows.
- 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 2014 are categorised as follows:

	31 DEC 2014	LEVEL 1	LEVEL 2	LEVEL 3
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Securities	221,646	-	221,646	-
Available for sale investment in JANAF d.d. (see Note 11)	17,021	17,021	-	
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15 and 32)	19,867	-	19,867	-
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	-	-	-	-
Receivables from currency risk hedging derivatives (see Note 32)	-	-	-	-
Net receivables from commodity price transactions (see Note 32)	-	-	-	-
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	1,754	-	1,754	-
Financial liabilities				
Fair value of MOL-OTP share swap (see Note 17)	1,401	-	1,401	-
Net payable from currency risk hedging derivatives as cash-flow hedge (see Note 21)	1,710	-	1,710	-
Payables from commodity hedging derivatives as cash flow hedge (see Note 22)	18,054	-	18,054	-
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	2,431	-	2,431	-
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	577	-	577	-
Net payables from commodity price transactions designated as fair value hedge (see Note 32)	1,990	-	1,990	-
Payables from foreign exchange forward transactions (see Note 32)	-	-	-	-
Net payables from commodity price transactions (see Note 32)	1,491	-	1,491	-
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	33	-	33	-

	31 DEC 2013	LEVEL 1	LEVEL 2	LEVEL 3
	HUF million	HUF million	HUF million	HUF million
Financial assets				
Securities	6,604	-	6,604	-
Available for sale investment in JANAF d.d. (see Note 11)	10,520	10,520	-	-
Receivables from commodity hedging derivatives as cash-flow hedge (see Note 15)	3,396	-	3,396	-
Net receivable from currency risk hedging derivatives as cash-flow hedge (see Note 12)	864	-	864	-
Receivables from currency risk hedging derivatives (see Note 32)	206	-	206	-
Net receivables from commodity price transactions (see Note 32)	251	-	251	-
Fair value of firm commitments as hedged item under commodity price transactions (see Note 32)	94	-	94	-
Financial liabilities				
Fair value of MOL-OTP share swap (see Note 17)	979	-	979	-
Payables from commodity hedging derivatives as cash-flow hedge (see Note 22)	2,057	-	2,057	-
Conversion option of exchangeable capital securities by Magnolia Finance Ltd (see Note 17 and Note 21)	3,032	-	3,032	-
Payables from currency risk hedging derivatives as fair value hedge (see Note 32)	719	-	719	-
Net payables from commodity price transactions designated as fair value hedge (see Note 22 and Note 32)	334	-	334	-
Payables from foreign exchange forward transactions (see Note 32)	2	-	2	-

Securities measured at fair value:

DESCRIPTION	QUANTITY	FACE VALUE (HUF MILLIONS)	FAIR VALUE AS OF 2014 YE	FAIR VALUE CHANGE RECORDED IN THE FINANCIAL P&L IN 2014 (HUF MILLIONS)
Securities	695,019,963	207,658	221,646	13,988

34. COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

The total value of guarantees undertaken to parties outside the Group is HUF 107.1 million.

Capital and Contractual Commitments

The total value of capital commitments as of 31 December 2014 is HUF 156,425 million, from which HUF 113,210 million relate to the commitments of the Group's field development plan in the North Sea area. Other significant amounts relate to the construction of the new petrochemical plants of Slovnaft and TVK (HUF 25,103 million and HUF 10,288 million, respectively). In addition to the above, HUF 475 million relates to capital and contractual commitments of INA, and HUF 6,364 million relates to MOL Plc.

Gas Purchases Obligation, Take or Pay Contract

MOL Group has concluded a long-term gas purchase contract with MET in order to ensure the continuous natural gas supply of the Group's plants. According to the agreement, contracted volumes have been set for each year for the period ending in 2015 but the volumes for the actual period are subject to annual renegotiation with the supplier. The major part of the renegotiated yearly contracted volumes is under take-or-pay commitment (200 mcm as of 31 December 2014). From the 1st October 2014 Prirodni plin d.o.o. have further concluded gas import agreement with MET International A.G. until 30th September 2015. On 31th December 2014 the value of future liabilities until the termination of the contract was HRK 23 million.

Operating leases

Operating lease liabilities are as follows:

	2014	2013
	HUF million	**HUF million**
Due not later than 1 year	6,481	5,866
Due two to five years	10,832	9,604
Due over five years	2,671	12
Total	**19,984**	**15,482**

Out of the outstanding operating lease liabilities as of 31 December 2014 HUF 3,454 million were contracted by MOL, HUF 5,455 by INA and HUF 4,963 million by Slovnaft.

Authority procedures, litigation

CREDITOR procedures

CREDITOR GAMA s.r.o. („CREDITOR GAMA") has submitted a compensation claim against MOL Plc. ("MOL") which was served to MOL by Bratislava I. Court on 12 January 2011. In its pleading CREDITOR GAMA claims compensation in connection with the acquisition of SLOVNAFT a.s. shares by MOL in the amount of cca. SKK 380 million (EUR 12.6 million) plus delay interest 14.75% p.a from 28 November 2007. CREDITOR GAMA alleges that the buying offer of MOL for the SLOVNAFT a.s. shares was in breach of the Slovak Bonds and Investment Services Act, because the lawful price per share should have been higher. MOL refuses the claim of CREDITOR GAMA with special regard to the fact that the buying offer was approved by the Slovak financial authority (Úrad pre financny trh). The first hearing was held on 20 September 2011 on which the court ordered taking of evidences. Next hearing was held on 9 December 2014. On the hearing the parties have set out their standpoints and arguments and the court has set the date of the next hearing for 13 April 2015.

In its claim submitted to the Bratislava I. Court the claimant CREDITOR BETA s.r.o. („CREDITOR BETA") alleges that the buying offer of MOL in connection with the acquisition of SLOVNAFT a.s. shares was not approved by the Slovak financial authority (Úrad pre financny trh) and therefore it was not able to receive consideration for its shares for 213 days. It claims for compensation for damages suffered in connection with this delay (cca. EUR 3 million plus delay interest 10.48% p.a from 28 June 2007). The court of first instance accepted the claimant's arguments and awarded the claim. MOL 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 ordered for appointing an expert. The expert delivered its opinion to the court. As MOL considers the conclusions of the expert opinion provided by the court as incorrect, a counter opinion was provided by MOL, which was delivered to the court together with its statement. On its hearing held on 31 March 2014 the court delivered an interim judgement on the legal basis of the case. The procedure continues with the question of amount, while MOL has filed an appeal against the interim decision with the appellate court.

Paraffin cartel infringement

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.

Upon the possibility above, several former paraffin customers claimed their private damages before an English (2010) and a Dutch (2012) court. In these procedures the above-mentioned buyers claim for all damages suffered by them as a consequence of the practice which was considered as cartel infringement according to the decision of the European Commission since they were able to purchase the product only on an increased price. After long discussions made through the English procedure between the claimants and the cartelists, the cartelists have decided that they collectively intend to make a settlement offer of a single lump sum to each claimant in full and final settlement of any and all claims that it has against the cartelists collectively or individually arising out of or in relation to the damages claims. As a result, in 2013 MOL procured payment of the settlement sum. The procedure is closed. The Dutch procedure is still on-going.

ICSID arbitration (MOL vs. Croatia)

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

On 12 May 2014, the GoC filed preliminary jurisdictional objections and also a request, that the Tribunal should stay the proceedings in the arbitration as a provisional measure. On the first hearing on 11 September 2014 the Tribunal has concluded that the GoC objections and the alternative request application must be rejected which for MOL opens the possibility of submitting its detailed Statement of Claim.

UNCITRAL arbitration (Croatia vs. MOL)

On 17 January 2014, the Government of Croatia (the "GoC") commenced this arbitration by serving a Notice of Arbitration, the GoC alleged that the MOL had bribed Croatia's former Prime Minister Mr. Ivo Sanader to gain management control over INA through amending the Shareholders Agreement and signing other agreements relating to INA's operations. The GoC requests that the Tribunal issue a binding declaration nullifying the First Amendment to the Shareholders Agreement and the Gas Master Agreement and order that MOL pays damages caused by its conduct. On 14 May 2014, the MOL filed its Response to the Notice of Arbitration in which it denied all claims put forward by the GoC and requested that the Tribunal dismiss all Claimant's claims.

On 30 June 2014, the GoC filed in an Application for Interim Protective Measures and Temporary Restraining Order (the "Interim Measures Request"). The GoC alleged that MOL has plans to dispose of its shares in INA, as well as, among other alleged steps, to dispose of several refineries and to dismiss INA's personnel. The hearing in this matter was held before the full Tribunal in Paris on 11 August 2014.
In its Decision of 16 August 2014 on GoC's Interim Measures Request the Tribunal ruled that its "not prepared to restrict the sale of MOL's shares in INA, nor is it prepared to prohibit the closure of refineries and the laying off of staff, both of which are quintessentially management decisions which have to be taken in the best interests of INA." The Tribunal also explained that its "reluctant to make orders that unduly interfere with the day-today running of a company, let alone a high profile public company like INA."

The GoC's representatives have submitted their detailed Statement of Claim request in this same arbitration on 29 October 2014.

Proceedings with respect to MOL Romania Petroleum Products S.R.L.

MOL Romania Petroleum Products S.R.L. ("MOL Romania") has been informed on 10 January 2012 that the Romanian Competition Council's Plenum has made a decision in relation with the alleged breach of the competition law by companies active in the fuels market. The alleged breach of antitrust regulations refers to the common withdrawal of the unleaded gasoline pre-mixed, called Eco Premium, from the Romanian fuel market, in 2008.

According to the minutes of the deliberations of the Romanian Competition Council's Plenum, based on the applicable antitrust regulations, MOL Romania has been fined with RON 80.3 million (i.e. approximately EUR 18.5 million), that is 3% of the company's turnover registered in the fiscal year 2010.

MOL Romania states that withdrawing ECO Premium from its fuels portfolio was an individual business decision and not the result of an anticompetitive agreement/concerted practice.

MOL Romania received the decision of the Romanian Competition Council. They have filed with the Bucharest Court of Appeal applications for the annulment of the decision.

On 20 June 2013, the first degree court of law rejected MOL Romania claim against RCC decision. MOL Romania filed for second appeal (recourse) at the High Court of Justice on 25 June The recourse trial is ongoing. MOL Romania has submitted an unconstitutionally exception regarding the legal provision stated in the Romanian Competition Law referring to the Courts right the ensure confidentiality of the information qualified as business secrets and to which MOL as plaintiff did not had access during the trial and therefore could not properly defend itself and based on which the first degree court decision was taken. The Constitutional Court investment request was rejected by the High Court of Justice. The next term is settled for March 20th 2015.

Since MOL Romania paid the fine, no provision was constituted for this litigation.

Court proceedings at INA Group:

LJUBLJANSKA BANKA

The claims of plaintiff LJUBLJANSKA BANKA, Ljubljana, Slovenia against INA, d.d. in amount of EUR 8 million have arisen from two contracts of 1982 on the use of short-term foreign currency loan abroad which were concluded between INA- Rafinerija nafte Rijeka and Ljubljanska banka - Osnovna banka Zagreb.

The claims of Ljubljanska banka in the concerned dispute refer to default interest debt arising from the legally binding decision of the District Economic Court (the predecessor of Commercial Court) in Zagreb which was rendered in the earlier court procedure conducted on the same, above-stated, legal grounds.

The procedure was initiated by motion for execution which was filed by Ljubljanska banka on 13 September 1995. The Commercial Court in Zagreb rendered the Decision on execution, however INA, d.d. filed an objection against the decision regarding the statute of limitations, the merits and the amount of the claims, so the procedure was continued as a civil procedure initiated by a lawsuit.

INA, d.d. objected regarding the prematurity of lawsuit, since a procedure is already being conducted on the same legal grounds for the unlawfulness of execution which has in the meantime been ended by a legally effective decision, with the plaintiff requesting for a retrial. INA is also objecting in relation to the plaintiff's capacity to sue.

The Commercial Court rendered the Decision of 24 November 2008 whereby it dismissed the lawsuit. The plaintiff lodged an appeal against the afore-stated decision, which was adopted by the High Commercial Court and returned to the court of first instance for a retrial. During the retrial, the plaintiff by its application of 3 May 2010, along with the above-stated objections, also filed a claim preclusion (res iudicata) objection with reference to the above-stated procedure finalized by a legally effective decision.

The court of first instance found that the claim preclusion is applicable and, by its Decision of 29 September 2010, again dismissed the plaintiff's lawsuit. Pursuant to the plaintiff's appeal, the High Commercial Court in Zagreb rendered Decision whereby the above-stated Decision of the Commercial Court in Zagreb of 29 September 2010 was asserted. The plaintiff has applied for a review.

The outcome of the procedure is still uncertain due to the complexity of the legal matter (claims for altered default interest), however it is now more probable that the Supreme Court will take the same standpoint as the High Commercial Court, therefore no provision has been recognized.

The Supreme Court has not decided on review to this date, so no legal actions were taken in 2014.

GWDF

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-INDUSTRIJA NAFTE d.d. and INA-NAFTAPLIN before the Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of cca EUR 8 mil incurred due to loss of rights resulting from the Joint Venture Agreement concluded with the company Saknavtobi, which allegedly occurred through defendant's conduct, i.e. due to its withdrawal from negotiations whereby it should have become a party in the joint business venture.

In the hearing held on February 08, 2011, after the parties repeated their standpoints, the court decided to request from the German Republic and the Republic of Cyprus by diplomatic ways the wording of the law relevant for decision-making in this case.

After more than three years, a hearing was held on September 11, 2014 with a new judge, but still no decision was made on relevant law. The plaintiffs were invited to respond on the legal merits of the claim and to deliver the regulations of the German Republic regulating the relationships of damages, liability and rules of conduct in civil obligations and the provisions especially concerning pre-contractual liability.

The next hearing has been scheduled for February 05, 2015.
Since pre-contractual liability for damage (culpa in contrahendo) is very differently regulated in German and Croatian law, the choice of relevant law will directly affect the outcome of the dispute. Since the witnesses have not been heard on the merits of the case, its outcome is at the moment completely uncertain.

OTF

OTF Fővállalkozó Zrt. ("OTF")is seeking actual damages and lost profit due to non-compliance with i.e. breach of the provisions of the LSTK Sulphur Recovery Unit (Claus unit) Construction Agreement for the Rijeka Refinery and due to unpaid amounts under the invoiced change orders in the amount of cca EUR 8.7 million.

OTF also deems that INA has illegally collected a bank guarantee equalling 15% of the stipulated price, so it is seeking reimbursement of that amount as well.

The outcome of the dispute is uncertain and also depends on the manner in which the court will apply substantive law, which has not been suggested in any way by the tribunal.

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o.

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o. ("SALBATRING") initiated the arbitration procedure before the London Court of International Arbitration by delivering the Request for arbitration on June 17, 2014.

In its request SALBATRING claimed damages due to non-delivery of contracted quantities of coke and breach of contractual obligations during the first contractual year, consequently Salbatring claims the amount of EUR 2,203,276.44 for loss of profit and the amount of EUR 163,205.70 for non-pecuniary damages (plus interests). INA replied to the Request for arbitration on 17 July 2014. In line with the arbitration rules on 22 October 2014 Salbatring filed its Statement of Case. Arbitration procedure is presently suspended until the beginning of 2015. In addition, on 11 December 2014 INA received Salbatring's Request for compensation for the additional three contractual years. In its request Salbatring claims EUR 6,958,357.80 plus the interest for loss of profit and EUR 556,668.73 plus the interest for non-pecuniary damages.

EKOMEDIA d.o.o.

In September 2012 INA entered into an agreement with company Ekomedia d.o.o. ("Ekomedia"), pursuant to which Ekomedia was granted the right to place exterior advertising boards on INA's gas stations and change them for advertising purposes to third parties and pay a fee to INA. The agreement was concluded for a 10-year period, with financial terms being agreed on from one year to another and if they are not agreed on, this would represent a reason to terminate the agreement.

Ekomedia failed to regularly comply with its obligations, did not pay the fee and, when the agreement was terminated, it still owed INA several hundred thousand Croatian kunas.
Consequently, INA terminated the agreement with Ekomedia at the beginning of 2014.

In response, in May 2014 Ekomedia filed a motion for interim measure to the court to prevent taking down of advertising boards from INA's gas stations. The court has still not reached a decision thereon.
On December 19, 2014 Ekomedia filed action against INA, seeking performance of agreement by INA, and secondly, if it is not successful with this claim, damages for lost profit of cca EUR 12,300,000.

Concessions

On July 29 2011 the Ministry of Economy, Labour and Entrepreneurship (hereinafter: the Ministry) rendered three Decisions depriving INA of the license to explore hydrocarbons in exploration areas "Sava", "Drava" and "North-West Croatia", due to INA's non-compliance with its obligations regarding regular informing of the Ministry on performed exploration works.

Given that the complaint against stated Decisions was not allowed, on August 29 2011, INA filed three administrative lawsuits against the Ministry's Decisions.

In its lawsuits, INA claims that the reasons why the Ministry rendered the contested Decisions are neither factually nor legally grounded, since INA had regularly performed exploration works and duly informed the Ministry thereon. For the stated reason, INA requests that the Administrative Court of the Republic of Croatia annuls the stated Decisions on the suspension of licenses for the exploration of hydrocarbons rendered by the Ministry.

On September 11, 2014 the Administrative Court adopted Judgements in two cases: "Sava" and North-West Croatia" in which it accepted INA's administrative lawsuits and annulled the Ministry's Decisions.

On November 10, 2014, the Ministry adopted new Decisions in which it again deprived INA of the license to explore hydrocarbons in exploration areas "Sava" and "North-West Croatia", with the same explanations.

On December 12, 2014, INA filed lawsuits against new Ministry Decisions with an additional request for temporary measures. Namely, INA demanded from the Administrative Court to annul the public tendering for granting concessions over Sava and NW Croatia areas, which tendering was initiated by the same Ministry. On January 8, 2015, the Administrative Court passed Resolutions in which it rejected INA's request.

In the meanwhile, the Administrative Court has also adopted a Judgement in the third case – "Drava" in which Ministry's Decision was also annulled. At the moment, we are expecting Ministry's new Decision.

General

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 effect on the financial condition, assets, results or business of the Group.

The value of litigation where members of the MOL Group act as defendant is HUF 27,932 million for which HUF 24,610 million provision has been made.

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 77,005 million for the estimated cost as at 31 December 2014 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 2014, on Group level the aggregate amount of contingent liabilities recorded on the balance sheet as environmental liabilities was HUF 37.7 billion (HUF 34.7 billion at 31 December 2013).

35. EVENTS AFTER THE REPORTING PERIOD

ENI Romania acquisition

MOL Group (MOL Romania Downstream Investment B.V. and MOL Slovakia Downstream Investment B.V., two 100% owned MOL Plc. subsidiaries) has completed the acquisition of 100% shares in ENI Romania SRL, including 42 service stations on 2 February 2015. This step will significantly contribute to further strengthening MOL Group's market share in Romania. In 2015, as a result of integrating the acquired network, MOL Group will reach a network of approximately 200 units in Romania. MOL branding elements are to be swiftly applied to the acquired network.

The carrying amounts of the assets and liabilities of ENI Romania as of 31 December 2014 are the following:

	CARRYING AMOUNT 31 DECEMBER 2014
	HUF million
Assets	
Non-current assets	7,390
Current assets	2,583
Total assets	**9,973**
Liabilities	
Non-current liabilities	(2,228)
Current liabilities	(5,171)
Total liabilities	**(7,399)**
Net assets	**2,574**

The revaluation of the net assets is in progress, the entity will be first consolidated with 2 February 2015.

MOL made a Voluntary Public Tender Offer for all TVK Shares

MOL made a Voluntary Public Tender Offer on 13th of January 2015 at HUF 4,984 for all TVK Ordinary Shares, representing voting rights, issued by Tisza Chemical Group Public Limited Company currently not owned by MOL. In case of successful bid for shares, the transaction will be recorded as a transaction with non-controlling interests. In the Voluntary Public Tender Offer UniCredit Bank Hungary Ltd is acting as Lead Manager, and Equilor Investment Ltd is acting as a Co-Lead Manager. On 2nd of February 2015, the Voluntary Public Tender Offer was approved by the Central Bank of Hungary (MNB), acting as financial supervisory authority.

Bid Price: HUF 4,984 / share
Commencement Day of the Offer Period: 4th February 2015
Final Day of the Offer Period: 5th March 2015

1,028,926 ordinary shares (82.4% of the Free Float) of TVK Plc. were validly offered to MOL under the terms of the Public Tender Offer. MOL accepts the shares offered and declares the Public Tender Offer as successful. After the transfer of the offered shares, MOL Plc's stake in TVK Plc. will increase from 94.86% to 99.10%

MOL declared exercising the right to purchase for all TVK shares not owned by MOL Plc. following the closing of the recent Tender Offer.

Long-term debt hedging

MOL has executed foreign currency derivatives in the first quarter of 2015 in order to hedge the foreign currency risk arisen on long-term debts.

Selling Treasury shares and option agreements with UniCredit Bank

The option rights regarding 4,080,496 pieces of MOL Series "A" Ordinary shares under the share option agreements, concluded between UniCredit Bank AG ("UniCredit") and MOL on 7 February 2013, and extended for one year as of the effective date of 10 February 2014, were cash settled in respect of all the Shares on 13 February 2015.

On 28 Januar 2014 MOL Investment Ltd. - a fully owned subsidiary of MOL - ("MIL"), UniCredit and MOL concluded a share purchase agreement ("SPA"), pursuant to which MIL sold 1,300,000 pieces of additional Shares ("Additional Shares") to UniCredit with the settlement date of 13 February 2015.

Simultaneously MOL and UniCredit concluded share option agreements regarding up to 5,380,496 pieces of MOL shares with the effective date of 13 February 2015. As a result of the new share option agreements, MOL acquired American call options and UniCredit acquired European put options on 13 February 2015. The maturity of both the call and the put options is 1 year, such maturity being subject to yearly extensions, up to a total tenor of 3 years. The strike price of both the call and put options is USD 43.17544 per one share.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH-FLOWS

Cash and cash equivalents comprise the following at 31 December

	2014	2013
	HUF million	HUF million
Cash and cash equivalents according to Balance Sheet	203,743	564,170
Cash and cash equivalents as part of Disposal Group	-	-
Total Cash and cash equivalents	**203,743**	**564,170**

Analysis of net cash outflow on acquisition of subsidiaries, joint ventures and non-controlling interest

	2014	2013
	HUF million	HUF million
Cash consideration	(14,850)	(399)
Cash at bank or on hand acquired	1,942	132
Net cash outflow on acquisition of subsidiaries, joint ventures and non-controlling interests	**(12,908)**	**(267)**

Issuance of long-term debt

	2014	2013
	HUF million	HUF million
Increase in long-term debts	245,432	463,372
Non cash-flow element: unrealised exchange gains / (losses)	(17,283)	861
Total issuance of long-term debt	**228,149**	**464,233**

37. RELATED PARTY TRANSACTION

TRANSACTIONS WITH ASSOCIATED COMPANIES IN THE NORMAL COURSE OF BUSINESS

	2014	2013
	HUF million	HUF million
Trade and other receivables due from related parties	9,365	7,845
Trade and other payables due to related parties	16,070	18,682
Net sales to related parties	25,362	20,416

Sourse of business

The Group purchased and sold goods and services with related parties during the ordinary course of business in 2014 and 2013. All of these transactions were conducted under market prices and conditions.

Remuneration of the members of the Board of Directors and Supervisory Board

Directors' total remuneration approximated HUF 139 million and HUF 131 million in 2014 and 2013, respectively. In addition, the directors participate in a long-term incentive scheme details of which are given below. Total remuneration of members of the Supervisory Board approximated HUF 98 million in 2014 and HUF 95 million in 2013. Directors are remunerated with the following net amounts in addition to the incentive scheme:

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

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

Number of shares held by members of the Board of Directors and Supervisory Board and the management

	2014	2013
	Number of shares	**Number of shares**
Board of Directors	232,971	262,183
Senior Management (except executive Board members)	119,508	106,508
Supervisory Board	39,588	39,588
Total	**392,067**	**408,279**

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. In 2014, Mr. Sándor Csányi indirectly acquired shares and interests representing significant influence in several Olajterv Group member entities. No transactions out of the usual conduct of business have been concluded with OTP in 2014 and 2013 and Olajterv Group in 2014. All of these transactions are on an arm's-length basis.

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 2014 and 2013 amounted to HUF 4,673 million and HUF 4,741 million respectively, carried out on usual commercial terms and market prices and purchased goods from this company in amount of HUF 33 million and HUF 42 million, respectively. Additionally, Mr. Hatina has an indirect interest of a Slovakian company Real–H.M. s.r.o. through BIATEC Group a.s. The Group has sold goods and services to this company in amount of HUF 1 million and HUF 1 million carried out on usual commercial terms and market prices during 2014 and 2013, respectively and purchased goods from this company in amount of HUF 2 million and HUF 2 million in 2014 and 2013, respectively.

Mr. Oszkár Világi, member of the Board of Directors of the Company and Slovnaft's Chief Executive Officer is a partner in legal firm Ruzicka Csekes s.r.o. The company provided legal services to the Group in the value of HUF 47 million and HUF 33 million in 2014 and 2013, respectively. Slovnaft Group has sold products and goods to Ruzicka Csekes s.r.o for HUF 1 million in 2014.

Mr. Parragh László member of the Board of Directors of MKB Bank. MOL Group and some of its subsidiaries have contractual relationship with the above mentioned entity. No transactions out of the usual conduct of business have been concluded with MKB in 2014 or 2013. All of these transactions are on an arm's-length basis. Furthermore Mr Parragh is the member of the Supervisory Boardsof Magyar Export-Import Bank Zrt. (Eximbank) and Magyar Exporthitel Biztosító Zrt (MEHIB). Loan agreements of TVK Plc in the amount of EUR 30 million are contracted based on the refinancing on Eximbank while MEHIB provides credit insurance for TVK Plc and MOL-LUB Kft. The insurance fee paid by these two companies amounted to HUF 200 million in 2014.

Key management compensation

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

	2014	2013
	HUF million	**HUF million**
Salaries and other short-term employee benefits	1,763	1,541
Termination benefits	-	-
Share-based payments	173	467
Total	**1,936**	**2,008**

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.

38. SHARE-BASED PAYMENT PLANS

The expense recognized for employee services received during the year is shown in the following table:

	2014	2013
	HUF million	**HUF million**
Expense arising from equity-settled share-based payment transactions	203	296
Expense / (reversal of expense) arising from cash-settled share-based payment transactions	(687)	(1,263)
Total expense / (reversal of expense) arising from share-based payment transactions (see Note 26)	**(484)**	**(967)**

The share-based payments are described below.

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

The Long-term managerial incentive system employs two incentive systems in parallel: the Share Option Plan (an option based incentive) and the Performance Share Plan (based on a so called Comparative Share Price methodology).

Share Option Incentive Schemes for management

The Share Option Plan was launched in 2006 and renewed in 2013.

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

1. Covers a five-year period starting annually, where periods are split into a two-year vesting period (it is not possible to exercise Share Options) and a three-year redeeming period. If unexercised, the Share Option lapses after 31th December of the redeeming period.
2. The grants are defined centrally in line with MOL job category
3. The payout is linked to individual short-term performance

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

The incentive is paid in the exercising period according to the declaration of exercising. The payout/earning is the difference between the exercise price and Strike Price for one Share Option, multiplied by the number of Share Options the manager is entitled to.

As managerial remuneration package, from 2013 the managers, who are entitled to long-term incentives are eligible for a one-time payout annually, in case the Annual General Meeting of MOL Plc. decides on dividend payment in the given year. Payment of one manager is the value equal to the dividend payment per share multiplied by the Share Option unit numbers the manager is entitled to.

Details of the share option rights granted during the year were as follows:

	NUMBER OF SHARES IN CONVERSION OPTION UNITS 2014	WEIGHTED AVERAGE EXERCISE PRICE 2014	NUMBER OF SHARES IN CONVERSION OPTION UNITS 2013	WEIGHTED AVERAGE EXERCISE PRICE 2013
	share	**HUF/share**	**share**	**HUF/share**
Outstanding at the beginning of the year	521,404	18,412	477,024	15,083
Granted during the year	119,422	14,984	134,504	17,977
Forfeited during the year	(48,685)	19,156	(27,519)	18,744
Exercised during the year	-	-	(62,571)	12,515
Expired during the year	(112,683)	18,481	(34)	12,435
Outstanding at the end of the year	**479,458**	**18,373**	**521,404**	**18,412**
Exercisable at the end of the year	236,643	20,289	250,732	19,579

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. In 2014 expenses recorded in preceding years has been reversed in a value of HUF 687 million (HUF 1,263 million reversal in 2013). Liabilities in respect of share-based payment plans amounted to HUF 105 million as at 31 December 2014 (31 December 2013: HUF 792 million), recorded in Other non-current liabilities and Other current liabilities.

Fair value as of the balance sheet date was calculated using the binomial option pricing model. The inputs to the model were as follows:

	2014	2013
Weighted average exercise price (HUF / share)	18,373	18,412
Share price as of 31 December (HUF / share)	11,545	14,426
Expected volatility based on historical data	28.57%	31.80%
Expected dividend yield	5.65%	2.82%
Estimated maturity (years)	2.48	2.54
Risk free interest rate	2.37%	4.44%

Performance Share Plan for top and senior management

Other part of the Long-term Incentive Plan for the top and senior management is the Performance Share Plan that was introduced in 2013 replacing the previous Profit Sharing Plan.

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

– Programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
– Target is the development of MOL's share price compared to relevant and acknowledged regional and industry specific indicators (the CETOP20 and Dow Jones Emerging Market Titans Oil&Gas 30 Index).
– Basis of the evaluation is the average difference in MOL's year-on-year (12 months) share price performance in comparison to the benchmark indices during three years.
– Payout rates are defined based on the over / underperformance of MOL share price.
– The rate of incentive is influenced by the individual short-term performance.

No payment is expected with respect to 2014 based on this new incentive form.

Share Incentive scheme for the members of the Board of Directors

According to resolution of the 2012 Annual General Meeting of the parent company, in case of the members of Board of Directors, the former profit sharing incentive programme had been replaced by a new, share-settled incentive scheme exclusively for the members of the Board of Directors ensuring their interest in the long-term increase of MOL share price.

The members of the Board of Directors become entitled to defined annual amount of MOL shares based on the number of days spent in the position. 100 shares per month are granted to each director, the Chairman of the Board is entitled to an additional amount of 25 shares per month. If an executive director is in charge as a Chairman of the Board then this additional amount of shares should be granted to the non-executive Deputy Chairman. The new incentive system ensures the interest of the Board of Directors in the long-term increase of the MOL share price as 2/3 of the shares vested in the year are under transferring restriction for one year.

According to IFRS 2, the incentive qualifies as an equity-settled share based scheme; therefore the fair value of the benefit should be expensed during the one year vesting period with a corresponding increase in the equity. The fair value of the benefit has been determined with reference to the average quoted price of MOL shares at the date of grant, which is the first trading day of the year. In 2014 and 2013 with respect of the share scheme programme, HUF 203 million and HUF 296 million has been recorded as an expense, respectively, parallel with the corresponding increase in the equity.

Details of the share-settled incentive scheme during the year were as follows:

	2014	2013
Number of shares vested	11,462	13,500
Share price at the date of grant (HUF / share)	14,488	17,914

HISTORICAL SUMMARY FINANCIAL INFORMATION (IFRS)

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

	2010 RESTATED	2010 RESTATED	2011 RESTATED	2011 RESTATED	2012	2012	2013	2013	2014	2014
	HUF millions	USD millions*	HUF millions	USD millions***	HUF millions	USD millions*****	HUF millions	USD millions*******	HUF millions	USD millions *********
Net revenue and other operating income	**4,324,548**	**20,781**	**5,366,485**	**26,712**	**5,536,986**	**24,565**	**5,476,113**	**24,480**	**4,866,607**	**21,082**
Total operating expenses	4,079,070	19,601	5,113,303	25,452	5,331,691	23,654	5,494,741	24,563	4,853,125	20,859
Profit from operations	245,478	1,180	253,182	1,260	205,295	911	(18,628)	(83)	40,080	223
Profit for the year attributable to equity holders of the parent	**103,958**	**500**	**153,925**	**766**	**151,484**	**672**	**21,442**	**96**	**4,078**	**47**

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER

	2010 RESTATED	2010 RESTATED	2011 RESTATED	2011 RESTATED	2012	2012	2013	2013	2014	2014
	HUF millions	USD millions**	HUF millions	USD millions****	HUF millions	USD millions******	HUF millions	USD millions********	HUF millions	USD millions**********
Non-current assets	3,153,234	15,152	3,367,070	13,989	3,170,278	14,352	2,802,642	12,993	3,247,514	12,532
Current assets	1,332,495	6,403	1,626,714	6,758	1,595,929	7,225	1,838,246	8,522	1,402,011	5,410
Total assets	**4,485,729**	**21,555**	**4,993,784**	**20,747**	**4,766,207**	**21,576**	**4,640,888**	**21,515**	**4,649,525**	**17,943**
Equity attributable to equity holders of the parent	1,435,070	6,896	1,652,438	6,865	1,699,116	7,692	1,687,739	7,824	1,749,745	6,752
Minority interest	539,407	2,592	591,203	2,456	547,205	2,477	473,517	2,195	445,993	1,721
Non-current liabilities	1,392,867	6,693	1,344,992	5,588	1,146,314	5,189	1,078,925	5,002	926,688	3,576
Current liabilities	1,118,385	5,374	1,405,151	5,838	1,373,572	6,218	1,400,707	6,494	1,527,099	5,893
Total equity and liabilities	**4,485,729**	**21,555**	**4,993,784**	**20,747**	**4,766,207**	**21,576**	**4,640,888**	**21,515**	**4,649,525**	**17,943**

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

	2010 RESTATED	2010 RESTATED	2011 RESTATED	2011 RESTATED	2012	2012	2013	2013	2014	2014
	HUF millions	USD millions*	HUF millions	USD millions***	HUF millions	USD millions*****	HUF millions	USD millions*******	HUF millions	USD millions *********
Net cash provided by operating activities	**378,886**	**1,821**	**372,950**	**1,856**	**454,033**	**2,014**	**614,685**	**2,748**	**434,528**	**1,787**
Net cash provided by / (used in) investing activities	(279,475)	(1,343)	(198,709)	(989)	(298,509)	(1,324)	(124,994)	(559)	(558,459)	(2,851)
Net cash provided by / (used in) financing activities	24,764	119	(188,903)	(940)	(148,992)	(661)	(239,251)	(1,070)	(263,670)	(1,194)
(Decrease)/increase in cash and cash equivalents	**124,175**	**597**	**(14,662)**	**(73)**	**6,532**	**29**	**250,440**	**1,120**	**(387,601)**	**(2,258)**

* 2010 average HUF/USD 208.1
** 2010 year-end HUF/USD 208.7
*** 2011 average HUF/USD 200.9
**** 2011 year-end HUF/USD 240.7
***** 2012 average HUF/USD 225.4
****** 2012 year-end HUF/USD 220.9
******* 2013 average HUF/USD 223.7
******** 2013 year-end HUF/USD 215.7
********* 2014 average HUF/USD Each month in 2014 is translated on its actual monthly average HUF/USD MNB rate
********** 2014 year-end HUF/USD 259.13

SUPPLEMENTARY AND SUSTAINABILITY INFORMATION

UPSTREAM

The tables presented below provide supplementary information for the Group upstream activities. These disclosures are not audited. These disclosures do not include information about MOL's share in equity consolidated Pearl project (in Kurdistan region of Iraq) due to the early stage of the investment.

GROSS RESERVES (ACCORDING TO SPE RULES)*

PROVED RESERVES (1P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
Hungary					
Hungary as of December 31, 2011	9,931.9	53.1	4,387.1	33.6	86.6
Hungary as of December 31, 2012	9,562.4	47.8	4,326.4	32.9	80.7
Hungary as of December 31, 2013	8,306.7	43.5	3,930.3	29.7	73.2
Revision of previous estimates	1,359.3	7.7	568.3	4.2	12.0
Extension and discoveries	258.9	1.6	26.1	0.2	1.8
Production	(1,656.4)	(9.5)	(742.8)	(5.6)	(15.1)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2014	**8,268.5**	**43.3**	**3,782.0**	**28.6**	**71.9**
Croatia					
Croatia as of December 31, 2011	19,185.7	113.0	10,996.4	82.5	195.5
Croatia as of December 31, 2012	14,385.2	93.6	10,042.4	74.8	168.4
Croatia as of December 31, 2013	12,774.9	83.2	10,163.1	75.7	158.9
Revision of previous estimates	392.2	2.3	93.9	0.7	3.0
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,325.4)	(8.3)	(535.1)	(4.0)	(12.3)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Croatia as of December 31, 2014	**11,841.7**	**77.2**	**9,721.9**	**72.3**	**149.5**
U.K. (North Sea)					
U.K. (North Sea) as of December 31, 2013	0.0	0.0	0.0	0.0	0.0
Revision of previous estimates	0.0	0.0	0.0	0.0	0.0
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(12.7)	(0.1)	(49.6)	(0.4)	(0.5)
Purchase/sale of minerals in place	126.0	0.7	1,970.3	15.9	16.6
U.K. (North Sea) as of December 31, 2014	**113.3**	**0.7**	**1,920.7**	**15.5**	**16.2**
KRI**					
KRI as of December 31, 2011	0.0	0.0	0.0	0.0	0.0
KRI as of December 31, 2012	0.0	0.0	0.0	0.0	0.0
KRI as of December 31, 2013	0.0	0.0	0.0	0.0	0.0
Revision of previous estimates	0.0	0.0	0.0	0.0	0.0
Extension and discoveries	0.0	0.0	1,895.7	12.7	12.7
Production	0.0	0.0	(104.3)	(0.7)	(0.7)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
KRI as of December 31, 2014	**0.0**	**0.0**	**1,791.4**	**12.0**	**12.0**

PROVED RESERVES (1P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
Russia as of December 31, 2011	0.0	0.0	14,548.5	102.8	102.8
Russia as of December 31, 2012	0.0	0.0	13,971.9	98.7	98.7
Russia as of December 31, 2013	0.0	0.0	11,390.4	80.0	80.0
Revision of previous estimates	0.0	0.0	673.9	4.7	4.7
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(391.5)	(2.8)	(2.8)
Purchase/sale of minerals in place	0.0	0.0	(5,206.3)	(36.4)	(36.4)
Russia as of December 31, 2014	**0.0**	**0.0**	**6,466.5**	**45.5**	**45.5**
Pakistan					
Pakistan as of December 31, 2011	1,096.7	7.2	151.6	1.3	8.5
Pakistan as of December 31, 2012	843.3	5.6	111.7	0.9	6.5
Pakistan as of December 31, 2013	647.9	4.4	281.0	2.1	6.5
Revision of previous estimates	(11.3)	(0.1)	(2.0)	0.0	-0.1
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(246.6)	(1.7)	(98.2)	(0.8)	(2.4)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Pakistan as of December 31, 2014	**390.1**	**2.6**	**180.7**	**1.4**	**4.0**
Kazakhstan					
Kazakhstan as of December 31, 2011	2,301.5	13.5	1,232.6	9.8	23.4
Kazakhstan as of December 31, 2012	2,301.5	13.5	1,232.6	9.8	23.4
Kazakhstan as of December 31, 2013	2,301.5	13.5	1,232.6	9.8	23.4
Revision of previous estimates	0.0	0.0	0.0	0.0	0.0
Extension and discoveries	2,660.5	15.7	740.6	5.9	21.6
Production	0.0	0.0	0.0	0.0	0.0
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Kazakhstan as of December 31, 2014	**4,962.0**	**29.2**	**1,973.1**	**15.7**	**44.9**
Syria, Egypt and Angola					
Syria, Egypt and Angola as of December 31, 2011	2,891.7	17.0	1,388.0	11.3	28.3
Syria, Egypt and Angola as of December 31, 2012	2,750.1	16.2	1,348.5	11.0	27.2
Syria, Egypt and Angola as of December 31, 2013	2,750.1	16.2	1,290.8	10.6	26.8
Revision of previous estimates	0.0	0.0	(11.4)	(0.1)	(0.1)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(156.1)	(1.2)	(1.2)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Syria, Egypt and Angola as of December 31, 2014	**2,750.1**	**16.2**	**1,123.3**	**9.3**	**25.5**

Consolidated Operating Performance Data

PROVED RESERVES (1P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
TOTAL MOL Group as of December 31, 2011	**35,407.4**	**203.8**	**32,704.1**	**241.3**	**445.2**
TOTAL MOL Group as of December 31, 2012	**29,842.4**	**176.7**	**31,033.5**	**228.2**	**404.9**
TOTAL MOL Group as of December 31, 2013	**26,781.0**	**160.8**	**28,288.2**	**207.9**	**368.7**
Revision of previous estimates	1,740.2	9.9	1,322.7	9.6	19.5
Extension and discoveries	2,919.4	17.3	2,662.4	18.8	36.1
Production	(3,241.0)	(19.5)	(2,077.7)	(15.4)	(34.9)
Purchase/sale of minerals in place	126.0	0.7	(3,236.0)	(20.5)	(19.8)
TOTAL MOL Group as of December 31, 2014	**28,325.5**	**169.2**	**26,959.7**	**200.4**	**369.6**
INA					
INA as of December 31, 2011	**22,077.4**	**130.0**	**12,384.3**	**93.8**	**223.8**
INA as of December 31, 2012	**17,135.2**	**109.8**	**11,390.9**	**85.8**	**195.6**
INA as of December 31, 2013	**15,524.9**	**99.4**	**11,453.9**	**86.2**	**185.6**
Revision of previous estimates	392.2	2.3	82.5	0.6	2.9
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,325.4)	(8.3)	(691.3)	(5.2)	(13.5)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
INA as of December 31, 2014	**14,591.7**	**93.4**	**10,845.2**	**81.7**	**175.1**

* The reserves include information about 100% of MMBF Ltd's reserves
** KRI - Kurdistan Region of Iraq

GROSS RESERVES (ACCORDING TO SPE RULES)*

PROVED + PROBABLE RESERVES (2P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
Hungary as of December 31, 2011	21,203.7	107.0	8,297.8	63.5	170.5
Hungary as of December 31, 2012	20,714.7	99.7	7,774.3	59.4	159.0
Hungary as of December 31, 2013	16,804.4	82.2	7,696.1	58.1	140.3
Revision of previous estimates	(1,269.8)	0.2	(598.8)	(4.5)	(4.3)
Extension and discoveries	383.2	2.3	33.6	0.3	2.5
Production	(1,656.4)	(9.5)	(742.8)	(5.6)	(15.1)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2014	**14,261.4**	**75.2**	**6,388.1**	**48.3**	**123.5**
Croatia					
Croatia as of December 31, 2011	23,472.5	138.3	12,761.8	96.0	234.3
Croatia as of December 31, 2012	19,545.8	127.7	12,621.4	93.9	221.6
Croatia as of December 31, 2013	17,666.1	115.6	12,447.8	92.5	208.1
Revision of previous estimates	(1,082.6)	(7.8)	933.9	6.9	(0.9)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,325.4)	(8.3)	(535.1)	(4.0)	(12.3)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Croatia as of December 31, 2014	**15,258.1**	**99.5**	**12,846.5**	**95.4**	**194.9**

PROVED + PROBABLE RESERVES (2P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
U.K. (North Sea) as of December 31, 2013	0.0	0.0	0.0	0.0	0.0
Revision of previous estimates	0.0	0.0	0.0	0.0	0.0
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(12.7)	(0.1)	(49.6)	(0.4)	(0.5)
Purchase/sale of minerals in place	201.6	1.2	3,652.1	29.7	30.9
U.K. (North Sea) as of December 31, 2014	**188.9**	**1.1**	**3,602.5**	**29.3**	**30.4**
KRI**					
KRI as of December 31, 2011	0.0	0.0	0.0	0.0	0.0
KRI as of December 31, 2012	0.0	0.0	0.0	0.0	0.0
KRI as of December 31, 2013	0.0	0.0	0.0	0.0	0.0
Revision of previous estimates	0.0	0.0	0.0	0.0	0.0
Extension and discoveries	0.0	0.0	2,402.9	16.1	16.1
Production	0.0	0.0	(104.3)	(0.7)	(0.7)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
KRI as of December 31, 2014	**0.0**	**0.0**	**2,298.6**	**15.4**	**15.4**
Russia					
Russia as of December 31, 2011	0.0	0.0	26,063.3	185.6	185.6
Russia as of December 31, 2012	0.0	0.0	24,776.6	176.2	176.2
Russia as of December 31, 2013	0.0	0.0	18,398.9	129.9	129.9
Revision of previous estimates	0.0	0.0	(117.7)	0.0	0.0
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(391.5)	(2.8)	(2.8)
Purchase/sale of minerals in place	0.0	0.0	(7,518.1)	(52.6)	(52.6)
Russia as of December 31, 2014	**0.0**	**0.0**	**10,371.6**	**74.5**	**74.5**
Pakistan					
Pakistan as of December 31, 2011	1,442.5	9.6	163.5	1.4	10.9
Pakistan as of December 31, 2012	1,189.1	7.9	123.7	1.0	8.9
Pakistan as of December 31, 2013	1,909.9	13.1	613.3	4.6	17.7
Revision of previous estimates	(207.6)	(1.4)	(63.6)	(0.5)	(1.9)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(246.6)	(1.7)	(98.2)	(0.8)	(2.4)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Pakistan as of December 31, 2014	**1,455.7**	**10.0**	**451.5**	**3.4**	**13.4**
Kazakhstan					
Kazakhstan as of December 31, 2011	3,667.4	21.6	1,900.8	15.1	36.7
Kazakhstan as of December 31, 2012	3,667.4	21.6	1,900.8	15.1	36.7
Kazakhstan as of December 31, 2013	3,667.4	21.6	1,900.8	15.1	36.7
Revision of previous estimates	0.0	0.0	0.0	0.0	0.0
Extension and discoveries	3,003.2	17.7	750.9	6.0	23.7
Production	0.0	0.0	0.0	0.0	0.0
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Kazakhstan as of December 31, 2014	**6,670.6**	**39.3**	**2,651.7**	**21.1**	**60.4**

PROVED + PROBABLE RESERVES (2P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED
	MCM	MMBOE	KT	MMBBL	MMBOE
Syria, Egypt and Angola as of December 31, 2011	4,499.5	26.5	2,162.1	17.7	44.2
Syria, Egypt and Angola as of December 31, 2012	4,357.9	25.7	2,337.2	19.0	44.6
Syria, Egypt and Angola as of December 31, 2013	4,357.9	25.7	2,118.3	17.3	43.0
Revision of previous estimates	0.0	0.0	80.5	0.7	0.7
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(156.1)	(1.2)	(1.2)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Syria, Egypt and Angola as of December 31, 2014	**4,357.9**	**25.7**	**2,042.6**	**16.8**	**42.5**
TOTAL MOL Group					
TOTAL MOL Group as of December 31, 2011	**54,285.7**	**302.9**	**51,349.4**	**379.3**	**682.3**
TOTAL MOL Group as of December 31, 2012	**49,475.0**	**282.5**	**49,534.0**	**364.6**	**647.0**
TOTAL MOL Group as of December 31, 2013	**44,405.7**	**258.1**	**43,175.1**	**317.6**	**575.7**
Revision of previous estimates	(2,560.0)	(9.1)	234.3	2.7	(6.4)
Extension and discoveries	3,386.4	20.0	3,187.4	22.4	42.3
Production	(3,241.0)	(19.5)	(2,077.7)	(15.4)	(34.9)
Purchase/sale of minerals in place	201.6	1.2	(3,866.0)	(23.0)	(21.8)
TOTAL MOL Group as of December 31, 2014	**42,192.6**	**250.7**	**40,653.1**	**304.3**	**554.9**
INA					
INA as of December 31, 2011	**27,972.1**	**164.7**	**14,923.9**	**113.7**	**278.4**
INA as of December 31, 2012	**23,903.7**	**153.3**	**14,958.6**	**112.9**	**266.2**
INA as of December 31, 2013	**22,024.0**	**141.2**	**14,566.0**	**109.8**	**251.1**
Revision of previous estimates	(1,082.6)	(7.8)	1,014.4	7.6	(0.2)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,325.4)	(8.3)	(691.3)	(5.2)	(13.5)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
INA as of December 31, 2014	**19,616.0**	**125.1**	**14,889.2**	**112.2**	**237.4**

* The reserves include information about 100% of MMBF Ltd's reserves
** KRI - Kurdistan Region of Iraq

HYDROCARBON PRODUCTION

DAILY HYDROCARBON PRODUCTION BY COUNTRIES (THOUSAND BOEPD)	2010	2011	2012	2013	2014
Hungary	53.6	48.8	46.2	43.2	41.6
Croatia	54.1	50.8	42.1	37.2	35.2
U.K. (North Sea)	0.0	0.0	0.0	0.0	1.3
Russia	19.7	18.7	17.5	14.3	7.7
Pakistan	4.7	5.5	5.6	5.8	6.6
Kurdistan Region of Iraq	0.0	0.1	0.5	0.2	1.9
Syria	7.9	20.3	3.1	0.0	0.0
Egypt	1.9	1.8	1.9	1.9	2.0
Angola	1.6	1.6	1.5	1.1	1.2
Total hydrocarbon	**143.5**	**147.4**	**118.5**	**103.7**	**97.5**

DAILY HYDROCARBON PRODUCTION BY PRODUCTS (THOUSAND BOEPD)	2010	2011	2012	2013	2014
crude oil	49.4	46.4	42.8	38.2	34.5
natural gas	80.5	85.6	66.7	57.8	54.9
condensate	13.7	15.4	9.0	7.6	8.1
Total hydrocarbon	**143.5**	**147.4**	**118.5**	**103.7**	**97.5**

COSTS

DIRECT PRODUCTION COSTS *	2010	2011	2012	2013	2014
Total USD/boe	6.58	6.29	7.31	8.32	8.5

* Production costs are exclusive of DD&A and indirect costs.

COSTS INCURRED (HUF mn)*

	CONSOLIDATED COMPANIES					ASSOCIATED COMPANIES	TOTAL
	CEE**	WE***	CIS****	OTHER*****	TOTAL		
For year ended 31 December 2013							
Acquisition of properties	0	0	0	1,417	1,417	0	1,417
Proved	0	0	0	1,417	1,417	0	1,417
Unproved	0	0	0	0	0	0	0
Exploration	19,404	0	11,095	45,558	76,057	0	76,057
G&G	2,109	0	892	4,827	7,827	0	7,827
Drilling	16,096	0	8,669	35,977	60,741	0	60,741
Rental fee, other	1,199	0	1,535	4,754	7,488	0	7,488
Development	41,888	0	13,448	16,755	72,091	0	72,091
Total costs incurred	**61,292**	**0**	**24,543**	**63,730**	**149,566**	**0**	**149,566**
For year ended 31 December 2014							
Acquisition of properties	1,505	119,418	0	0	120,923	0	120,923
Proved	0	79,378	0	0	79,378	0	79,378
Unproved	1,505	40,040	0	0	41,545	0	41,545
Exploration	16,685	605	9,019	60,825	87,133	0	87,133
G&G	2,545	385	2,191	11,117	16,238	0	16,238
Drilling	13,352	92	6,030	42,370	61,843	0	61,843
Rental fee, other	788	127	798	7,338	9,052	0	9,052
Development	44,622	41,569	11,582	14,479	112,252	0	112,252
Total costs incurred	**62,811**	**161,591**	**20,601**	**75,304**	**320,307**	**0**	**320,307**

* 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
** CEE: Hungary, Croatia, Romania
*** WE: United Kingdom
**** CIS: Russia, Kazakhstan
***** Other: Kurdistan Region of Iraq, Syria, Oman, Pakistan, Egypt, Angola

EARNINGS (HUF mn)*

	CONSOLIDATED COMPANIES					ASSOCIATED COMPANIES	TOTAL
	CEE**	WE***	CIS****	OTHER*****	TOTAL		
For year ended 31 December 2013							
Sales	391,199	0	26,150	39,988	457,338	0	457,338
third parties	69,943	0	26,150	39,988	136,082	0	136,082
intra-group	321,256	0	0	0	321,256	0	321,256
Production costs	(53,270)	0	(10,694)	(9,752)	(73,716)	0	(73,716)
Exploration expense	(2,229)	0	(2,590)	(9,506)	(14,325)	0	(14,325)
DD&A	(104,376)	0	(18,332)	(98,393)	(221,100)	0	(221,100)
Other income/(costs)	5,934	0	10,108	(11,562)	4,480	0	4,480
Earnings before taxation	237,258	0	4,642	(89,224)	152,676	0	152,676
Taxation	(19,464)	0	(1,613)	223	(20,854)	0	(20,854)
EARNINGS FROM OPERATION	**217,795**	**0**	**3,029**	**(89,002)**	**131,822**	**0**	**131,822**
For year ended 31 December 2014							
Sales	325,535	6,470	13,454	47,738	393,196	0	393,196
third parties	72,887	6,470	13,454	47,738	140,549	0	140,549
intra-group	252,647	0	0	0	252,647	0	252,647
Production costs	(44,489)	(3,427)	(6,462)	(11,889)	(66,267)	0	(66,267)
Exploration expense	(2,752)	-385	(2,190)	(11,130)	(16,457)	0	(16,457)
DD&A	(107,966)	(1,010)	(16,110)	(84,894)	(209,981)	0	(209,981)
Other income/(costs)	(15,010)	(1,254)	9,853	(17,141)	(23,552)	0	(23,552)
Earnings before taxation	155,317	393	(1,455)	(77,316)	76,939	0	76,939
Taxation	(14,577)	(26)	(104)	21	(14,685)	0	(14,685)
EARNINGS FROM OPERATION	**140,740**	**367**	**(1,559)**	**(77,295)**	**62,253**	**0**	**62,253**

* Earnings of Group companies from exploration and production activities exluding financing costs and related tax effects other income/cost does not include the administration cost inside MOL Plc and INA Plc
** CEE: Hungary, Croatia, Romania
*** WE: United Kingdom
**** CIS: Russia, Kazakhstan
***** Other: Kurdistan Region of Iraq, Syria, Oman, Pakistan, Egypt, Angola

EXPLORATION AND DEVELOPMENT WELLS

COUNTRY	CEE*	WE**	CIS***	OTHER****	TOTAL
For the year ended 31 December 2013					
Wells tested	**19**	**0**	**52**	**22**	**93**
o/w exploration/appraisal	**12**	**0**	**4**	**4**	**20**
oil and gas producer	1	0	4	0	5
oil producer	2	0	0	1	3
natural gas producer	3	0	0	0	3
dry/non-commercial	6	0	0	3	9
suspended	0	0	0	1	1
o/w development wells	**7**	**0**	**48**	**18**	**73**
oil producer	4	0	44	15	63
natural gas producer	2	0	0	2	4
dry/ non commercial	1	0	0	1	2
Injection	0	0	4	0	4

COUNTRY	CEE*	WE**	CIS***	OTHER****	TOTAL
For the year ended 31 December 2014					
Wells tested	**22**	**2**	**62**	**23**	**109**
o/w exploration/appraisal	**12**	**0**	**8**	**4**	**24**
oil and gas producer	0	0	1	0	1
oil producer	2	0	0	2	4
natural gas producer	5	0	0	0	5
dry/non-commercial	5	0	3	0	8
suspended	0	0	4	2	6
o/w development wells	**10**	**2**	**54**	**19**	**85**
oil producer	1	1	49	16	67
natural gas producer	6	0	0	1	7
dry/ non commercial	3	0	0	0	3
Injection	0	1	5	2	8

* CEE: Hungary, Croatia
** WE: United Kingdom
*** CIS: Russia, Kazakhstan
**** Other: Kurdistan Region of Iraq, Syria, Oman, Pakistan, Egypt, Angola

DOWNSTREAM

REFINING & MARKETING

GROUP'S PROCESSING BY REFINERIES

(THOUSAND TONNES)*	2010	2011	2012	2013	2014
Duna Refinery	8,847	8,762	8,080	8,107	8,413
Bratislava Refinery	6,572	7,085	6,309	6,828	6,146
Mantova Refinery	2,521	2,635	2,431	2,445	337
INA refineries	4,285	3,781	3,832	3,587	3,159
Total	**22,225**	**22,263**	**20,652 / 20,237***	**20,507**	**17,541**

* Data has been corrected in line with calculation method change in 2012

EXTERNAL REFINED PRODUCTS SALES (KT)

	2010	2011	2012	2013	2014
LPG	515	636	598	606	476
Naphta	45	44	46	46	0
Motor gasoline	4,151	4,211	4,036	3,987	3,614
Diesel	9,025	9,392	9,065	9,363	9,133
Heating oils	1,040	939	852	780	721
Kerosene	411	419	348	419	384
Fuel oil	943	740	332	677	554
Bitumen	1,267	1,275	1,015	1,026	629
Other products	1,608	1,355	1,489	1,188	1,216
Total refined products	**19,005**	**19,011**	**17,781**	**18,092**	**16,725**
o/w Retail segment sales	3,545	3,507	3,375	3,480	3,513
Petrochemical feedstock transfer	2,605	2,552	1,986	1,994	1,991

CRUDE OIL PRODUCT SALES (KT)*

	2010	2011	2012	2013	2014
Sales in Hungary	4,194	4,186	3,840	3,908	3,937
Gas and heating oils	2,447	2,525	2,325	2,393	2,417
Motor gasolines	1,102	1,065	983	954	927
Fuel oils	27	23	17	13	9
Bitumen	142	105	87	91	126
Lubricants	22	43	46	15	16
Other products	454	425	382	442	442
Sales in Slovakia	1,519	1,551	1,515	1,501	1,515
Gas and heating oils	926	962	972	976	1,016
Motor gasolines	407	403	393	368	356
Lubricants	5	21	21	8	9
Bitumen	69	55	20	15	30
Other products	112	110	109	134	104
Sales in Croatia	2,061	1,887	1,715	1,796	1,666
Gas and heating oils	1,194	1,093	1,068	1,133	1,090
Gasolines	507	446	424	470	405
Lubricants	9	9	9	10	9
Bitumen	67	95	71	80	65
Other products	284	244	143	103	97
Export sales	10,561	10,751	10,113	10,294	9,133
Gas and heating oils	6,692	6,844	5,552	5,641	5,332
Gasolines	2,643	2,744	2,237	2,194	1,926
Lubricants (without base oil)	31	39	40	27	28
Bitumen	1,056	1,115	837	840	408
Other products	2,200	1,896	1,447	1,592	1,439
Total crude oil product sales	**18,335**	**18,375**	**17,183**	**17,499**	**16,251**

* Without LPG sales

GROUP'S PROCESSING BY REFINERIES FEEDSTOCKS IN 2014

(THOUSAND TONNES)*	DUNA REFINERY	BRATISLAVA REFINERY	INA REFINERIES	MOL GROUP TOTAL
Own produced crude oil	539	0.0	394	933
Imported crude oil	5,968	5,227	1,880	13,198
Condensates	113	3	102	218
Other feedstock	1,793	917	784	3,192
Total refinery throughput	**8,413**	**6,146**	**3,159**	**17,541**
Purchased and sold products	961	72	446	2,167

GROUP'S REFINERY PRODUCTION (YIELD) BY PRODUCTS IN 2014

(THOUSAND TONNES)*	DUNA REFINERY	BRATISLAVA REFINERY	INA REFINERIES	MOL GROUP TOTAL
LPG	80	174	190	444
Naphtha	903	396	33	1,329
Motor gasoline	1,133	1,270	807	3,257
Diesel and heating oil	3,664	2,743	1,108	7,641
Kerosene	185	79	107	370
Fuel oil	11	348	315	721
Bitumen	470	0	3	490
Other products	1,290	577	98	1,506
Own consumption + losses	677	560	498	1,783

* Data has been corrected in line with calculation method change in 2012

RETAIL

RETAIL SALES

RETAIL SALES OF REFINED PRODUCTS (KT)*	2010	2011	2012	2013	2014
Motor gasoline	1,260	1,183	1,099	1,105	1,073
Gas and heating oils	2,187	2,231	2,186	2,289	2,347
Other products	98	93	90	86	93
Total refined product retail sales	**3,545**	**3,507**	**3,375**	**3,480**	**3,513**

* Volume sold on company owned service stations

GASOLINE AND DIESEL SALES BY COUNTRIES (KT)

	2010	2011	2012	2013	2014
Hungary	799	790	753	776	844
Slovakia	459	443	415	413	443
Croatia	1,276	1,233	1,145	1,119	1,091
Romania	430	446	464	498	492
Czech Republic	27	25	51	134	146
Other	456	477	457	454	404
Total	**3,447**	**3,414**	**3,285**	**3,394**	**3,420**

SERVICE STATIONS

NUMBER OF MOL GROUP SERVICE STATIONS *	2010	2011	2012	2013	2014
Hungary	364	364	360	366	364
Croatia	467	445	439	435	434
Italy	205	222	215	138	129
Slovakia	209	209	209	212	214
Romania	126	128	135	147	159
Bosnia and Herzegovina	109	110	110	104	102
Austria	66	61	59	75	57
Serbia	33	33	34	38	42
Czech Republic	26	25	149	149	192
Slovenia	18	37	37	38	40
Other	1	1	1	1	1
Total	**1,624**	**1,635**	**1,748**	**1,703**	**1,734**

* Filling stations held by fully consolidated subsidiaries

PETROCHEMICAL

PETROCHEMICAL PRODUCTION (KT)

	2010	2011	2012	2013	2014
Ethylene	794	786	623	684	656
Propylene	398	403	321	348	327
Other products	747	712	534	623	555
Total olefin	**1,939**	**1,901**	**1,478**	**1,655**	**1,538**
LDPE	216	244	164	158	151
HDPE	417	388	322	351	349
PP	510	537	447	472	443
Total polymers	**1,143**	**1,170**	**933**	**981**	**943**
TOTAL Petchem production	**3,081**	**3,070**	**2,411**	**2,636**	**2,480**

PETROCHEMICAL SALES BY REGION (KT)

	2010	2011	2012	2013	2014
Hungary	462	515	451	444	390
Slovakia	82	79	65	60	75
Other markets	871	910	714	798	661
Total petrochemical product sales	**1,415**	**1,504**	**1,230**	**1,302**	**1,126**

CONSOLIDATED SUSTAINABILITY PERFORMANCE DATA (GRI G4)

Definitions of the indicators used below can be found on our website.

SUSTAINABILITY DATA

INDICATOR	NOTE	UNIT	2012	2013	2014	CHANGE 2013-2014 (%)	GRI G4 CODE
Climate Change							
Greenhouse Gas Emissions							
Carbon Dioxide (CO_2)	1.2	mn t	6.31	6.19	5.79	-6%	G4-EN15
Carbon Dioxide based on equity share approach (CO_2)(1)	1.2	mn t	5.72	5.66	5.16	-9%	G4-EN15
Carbon Dioxide (CO_2) under ETS	1.2	mn t	4.35	5.42	5.12	-6%	G4-EN15
Methane (CH_4)	1.2	t	707	2,057	690	-66%	G4-EN15
Total Direct GHG (scope-1)	1.2	mn t CO_2 eq	6.44	6.23	5.81	-7%	G4-EN15
Total Indirect GHG (scope-2)	1.2	mn t CO_2 eq	1.46	1.47	1.24	-16%	G4-EN16
Total GHG emission of Upstream (Scope-1 + Scope-2)	1.2	mn t CO_2 eq	0.96	0.95	0.92	-3%	G4-EN15 G4-EN16
Total GHG emission of Refining (Scope-1 + Scope-2)	1.2	mn t CO_2 eq	5.09	5.11	5.56	9%	G4-EN15 G4-EN16
Total Indirect GHG from product use, business trips and crude oil supply (Scope-3)	1.2	mn t CO_2 eq	59.56	59.03	55.70	-6%	G4-EN16
CO_2 emission from flaring in Upstream activities	1.2	mn t CO_2 eq	0.06	0.05	0.07	27%	G4-EN21
Energy Consumption							
Natural Gas	1.2	GJ	26,836,459	24,313,457	21,024,637	-14%	G4-EN3
Other hydrocarbon (fuel, gas, etc.)	1.2	GJ	66,039,103	65,639,326	59,089,080	-10%	G4-EN3
Total primary energy consumption	1.2	GJ	92,875,562	89,952,783	80,113,717	-11%	G4-EN3
Electricity	1.2	GJ	9,715,345	9,849,031	9,084,171	-8%	G4-EN3
Other indirect energy (steam, heat, etc.)	1.2	GJ	9,789,871	9,035,525	8,168,338	-10%	G4-EN3
Total indirect energy consumption	1.2	GJ	19,505,216	18,884,557	17,252,509	-9%	G4-EN3
Total energy consumption of Upstream (direct + indirect)	1.2	GJ	10,273,947	9,083,351	7,826,090	-14%	G4-EN3
Total energy consumption of Refining (direct + indirect)	1.2	GJ	69,239,312	67,149,450	59,017,293	-12%	G4-EN3
Total energy consumption	1.2	GJ	112,380,778	108,837,340	97,366,226	-11%	G4-EN3
Environment							
Air Emissions							
Sulphur Dioxide (SO_2)	2.1	t	7,886	5,776	5,368	-7%	G4-EN21
Nitrogen Oxides (NO_x)	2.1	t	6,842	6,057	4,715	-22%	G4-EN21
Volatile Organic Compounds (VOC)	2.1	t	4,501	5,643	5,251	-7%	G4-EN21
Carbon Monoxide (CO)	2.1	t	2,890	4,248	2,275	-46%	G4-EN21
Particulate Matter (PM)	2.1	t	460	552	367	-34%	G4-EN21

INDICATOR	NOTE	UNIT	2012	2013	2014	CHANGE 2013-2014 (%)	GRI G4 CODE
Water							
Total Water Withdrawals	2.2	th m^3	96,762	94,518	94,130	0%	G4-EN8
Total Water Discharge	2.2	th m^3	102,209	100,700	103,795	3%	G4-EN22
Total Petroleum Hydrocarbons (TPH)	2.2	t	73	63	95	49%	G4-EN22
Chemical Oxygen Demand (COD)	2.2	t	1,743	1,712	1,647	-4%	G4-EN22
Biological Oxygen Demand (BOD)	2.2	t	419	417	471	13%	G4-EN22
Solid Substances (SS)	2.2	t	688	609	873	43%	G4-EN22
Waste							
Hazardous Waste	2.3	t	82,290	60,528	80,866	34%	G4-EN23
Non-hazardous Waste	2.3	t	80,754	185,528	170,970	-8%	G4-EN23
Waste Disposed / Landfilled	2.3	t	76,690	86,574	102,413	18%	G4-EN23
Waste Reused / Recycled / Recovered	2.3	t	86,354	159,482	149,423	-6%	G4-EN23
Waste reused or recycled ratio	2.3	%	53.0	64.8	59.3	-8%	
Spills and Discharges(2)							
Number of Spills (>1m³)	2.3	pcs	21	18	5	-72%	G4-EN24
Volume of Spills (HC content)	2.3	m^3	321	133	194	45%	G4-EN24
Other							
HSE Related Penalties	2.4	mn HUF	34	341	18	-95%	G4-EN29
HSE investments(3)		mn HUF	5,982	6,114	12,550	105%	G4-EN31
HSE operating costs		mn HUF	16,509	14,776	12,477	-16%	G4-EN31
Spending on waste (operating cost)(4)		mn HUF	2,641	2,604	2,371	-9%	G4-EN31
Spending on emissions (operating cost)(4)		mn HUF	1,212	1,620	1,030	-36%	G4-EN31
Spending on remediation (investment + operating cost)(4)		mn HUF	3,038	2,727	1,919	-30%	G4-EN31
Spending on environmental management and prevention (operating cost)(4)		mn HUF	326	619	296	-52%	G4-EN31
ISO 14001 certifications in proportion to revenue		%	65	68	66	-2%	

('N.A.') indicates where no data is available.
(1) GHG emissions according to the share of equity in the operation. Non-operated E&P Joint Ventures (INA offshore, Egypt, Angola, UK, Shaikan block in KRI) are excluded. The following Joint Ventures are included: TVK Erőmű Kft, MOL-CEZ European Power Hungary Kft and Slovnaft Power Plant
(2) Spills excluding spills from road accidents from 2014
(3) Total MOL Group without INA Group in 2012 and 2013
(4) In 2012, excluding INA

Consolidated Sustainability Performance Data (GRI G4)

INDICATOR	NOTE	UNIT	2012	2013	2014	CHANGE 2013-2014 (%)	GRI G4 CODE
Health and Safety							
Safety Indicators							
Lost Time Injury (LTI)	3.1	pcs	92	82	66	-20%	G4-LA6
Lost Time Injury Frequency (LTIF) - employees	3.1		1.62	1.50	1.02	-32%	G4-LA6
Lost Time Injury Frequency (LTIF) - contractors(1)	3.1		N.A	0.50	0.92	84%	G4-LA6
Total Recordable Injury Rate (TRIR) - employees(2)	3.1		N.A	N.A	1.52	-	G4-LA6
Total Reportable Occupational Illnesses Frequency (TROIF)	3.1		0.0	0.0	0.0	-	G4-LA6
Lost day rate (LDR)	3.1	%	0.16	0.23	0.20	-13%	G4-LA6
Absentee Rate (AR)	3.1	%	3.30	3.07	2.83	-8%	G4-LA6
Number of fatalities – employees	3.1		1	0	0	-	G4-LA6
Number of fatalities – contractors - onsite	3.1		3	0	1	-	G4-LA6
Number of fatalities – contractors - offsite	3.1		0	2	4	100%	G4-LA6
Number of fatalities – 3rd parties	3.1		4	1	2	100%	G4-LA6
Lost Time Injury (LTI) for contractors	3.1	pcs	39	18	39	117%	G4-LA6
Process safety events (Tier1+Tier2)(3)	3.1	pcs	38	45	33	-27%	OG13
Human Capital							
Employees							
Total workforce	4.4	pple	29,592	28,769	27,499	-4%	G4-10
Number of part-time employees	4.4	pple	293	263	282	7%	G4-10
Number of full-time employees	4.4	pple	29,299	28,506	27,217	-5%	G4-10
Leavers	4.4	pple	2,791	1,932	2,383	23%	G4-10
Number of new hires	4.4	pple	2,155	2,068	1,764	-15%	G4-LA1
Employee turnover rate	4.4	%	9.4	6.7	8.7	29%	G4-LA1
Employees represented by trade unions	4.4	%	94.8	96.0	94.4	-2%	G4-11
Employees covered by collective bargaining agreement	4.4	%	91.7	90.1	88.7	-2%	G4-11
Diversity							
Proportion of women in total workforce	4.4	%	22.3	21.9	21.4	-2%	G4-LA12
Proportion of women in non-managerial positions	4.4	%	21.9	22.0	21.5	-2%	G4-LA12
Proportion of women in managerial positions	4.4	%	18.8	20.4	19.4	-5%	G4-LA12

INDICATOR	NOTE	UNIT	2012	2013	2014	CHANGE 2013-2014 (%)	GRI G4 CODE
Trainings							
Average hours of training per employee	4.3	hours	18	22	24	9%	G4-LA9
Avg. training cost per employee	4.3	th HUF	54	57	76	33%	G4-LA9
Total training cost	4.3	mn HUF	1,487	1,652	2,089	26%	
Communities							
Social Indicators							
Donations	5.2	mn HUF	5,622	6,618	3,005	-55%	G4-EC7
In-kind giving (products and services)	5.2	mn HUF	74	138	96	-31%	G4-EC7
Corporate volunteering	5.2	hours	4,014	4,032	6,291	56%	G4-EC7

('N.A.') indicates where no data is available.
(1) First reported in 2013. Single service companies of MOL Group are incorporated in the LTIF-employees indicator. In part due to this reason the contractor LTIF is significantly lower.
(2) First reported in 2014.
(3) In 2012 data only includes Refining division.

INDICATOR	NOTE	UNIT	2012	2013	2014	CHANGE 2013-2014 (%)	GRI G4 CODE
Economic Sustainability							
Economic Data(1)							
Revenues	6.4	bn HUF	5,588	5,506	4,929	-10%	G4-EC1
Financial assistance received from government	6.4	bn HUF	0.8	1.5	1.2	-20%	G4-EC4
Operating costs	6.4	bn HUF	4,525	4,558	4,095	-10%	G4-EC1
Company cash	6.4	bn HUF	1,064	947	834	-12%	G4-EC1
Employee wages and benefits	6.4	bn HUF	265	260	260	0%	G4-EC1
Capital investors	6.4	bn HUF	98	121	175	45%	G4-EC1
Payments to governments	6.4	bn HUF	256	170	161	-6%	G4-EC1
Economic value retained	6.4	bn HUF	445	397	238	-40%	G4-EC1
Research & Development spendings	6.4	mn HUF	2,343	2,114	1,592	-25%	
Customer Satisfaction(2)							
Wholesale customer satisfaction (MOL)	6.1	%	85	85	86	1%	G4-PR5
Lubricant customer satisfaction	6.1	%	86	84	89	6%	G4-PR5
Ethics							
Ethical notifications	6.3	cases	49	81	88	9%	
Ethical investigations	6.3	cases	34	45	61	36%	
Ethical misconducts(3)	6.3	cases	13	26	16	-38%	
Total investigations Performed by Corporate Security	6.3	cases	1,039	1,437	877	-39%	
Total number of misconducts unfolded by Corporate Security	6.3	cases	681	526	427	-19%	

('N.A.') indicates where no data is available.
(1) Data is calculated according to GRI definitions; see details on MOL Group's website
(2) Customer satisfaction measurement varies by business. Further details can be found on our website.
(3) 19 cases were still open on December 31, 2014

NOTES TO THE SUSTAINABILITY PERFORMANCE

1. CLIMATE CHANGE

General aim: Manage risks and opportunities related to climate change

ACHIEVEMENTS:

- **A geothermal concession contract for the Jászberény area was signed by MOL Group Joint Venture CEGE (65% MOL share) in 2014. Project plans include starting a 2 year exploration program that will establish and test a system composed of one pair of wells.**
- **Analysis of the most important 50 energy efficiency projects, many of them from the New Downstream Program, shows that compared to the baseline year 2011, the emission of 320 thousand tonnes of CO_2 was avoided by Exploration and Production and Downstream production operations. These projects alone resulted in an annual financial savings of almost HUF 13bn in 2014.**
- **47% of total direct CO_2 emissions in the Exploration and Production division is related to the venting of the CO_2 that is produced together with hydrocarbons and released to the atmosphere. This was significantly reduced from 419 thousand tonnes in 2013 to 361 thousand tonnes in 2014 as a result of the Enhanced Oil Recovery (EOR) program at INA which came into operation at the end of 2014.**

CHALLENGES:

- **Decreasing number of potential energy efficiency programs with short return on investment.**

Climate change is one of the most important megatrends to impact the business environment of the company. MOL Group's efforts are primarily focused on managing risks and exploiting the potential opportunities associated with Climate Change. The overall approach is described in the Climate Change Statement of MOL Group which is publicly available on the website.

1.1. FUTURE PRODUCT PORTFOLIO

Related objectives:

- *"Maximize the share of low-carbon products and services"*
- *"Start implementation of first geothermal project in Upstream"*

MOL Group is committed to increasing the share of low-carbon products and services it offers. MOL Group has launched and continues to work on a series of R&D projects which are designed to reduce the life-cycle emissions of its products. Aside from optimizing the standard product portfolio, MOL Group puts special focus on developing and using technologies that use non-edible or waste-based feedstocks to produce advanced renewable fuels and refinery streams. Integrating renewable energy into our operations is considered to be a promising option. Moreover, MOL Group is continuously monitoring the ongoing development of different emerging technologies which may have huge potential to reduce the carbon footprints of the products in the future.

Non-food based renewable fuels

Over the last year, major R&D efforts were put into three early stage projects for converting cellulosic feedstock into liquid fuels or fuel components, with special focus on advanced pyrolysis approaches and further product upgrading. The work will continue in the next year, supported by external research partners and academia.
For short-term compliance with renewable energy targets considering future indirect land use change (ILUC), the viability of technological alternatives for processing GHG-efficient waste fats and oils (namely, renewable diesel blending and production using hydrotreatment) were investigated. A decision about their implementation is expected to be made in 2015 following completion of the detailed technical and economical assessment.
Some pre-existing renewable energy research projects that concern the use of edible or waste feedstocks (such as algae to oil, waste plastic-based fuel and biogas production) were discontinued, mainly due to the currently unfavourable economic situation. Nevertheless, the related R&D field is being continuously monitored and the situation will be reconsidered if major advances in technology occur to improve the economics of these processes, or if existing legislative burdens are reduced.
Thinking ahead, MOL Group has also commenced exploring future energy carriers by evaluating project ideas for storing renewable energy and converting it to transportation energy.

MOL Truck Diesel

This high quality, CO_2-efficient product was introduced to market in 2013. In the course of 2014, the formula of truck diesel was further developed to improve the product's GHG-efficiency.

Chemically stabilized rubber bitumen

After the introduction of this product to market in 2013 MOL Group gained a substantial achievement in this field in 2014 when the product received ECO-label certification. Moreover, sales of the product increased to 250% of the preceding year, allowing MOL Group to re-use 25,000 waste-tyres for the production of this outstanding quality product. A significant step forward was also made in terms of the application of the product: for the first time in road construction history of Hungary, rubber bitumen was applied to all three road-layers to the full satisfaction of the road construction company (Villány, Hungary).

Biofuels

MOL Group is not directly involved in the production of biofuels. However, both MOL Plc. and Slovnaft have minority shares in joint ventures involved in the production of biodiesel. These companies operate independently from MOL Group and are considered as financial investments.
In 2014 MOL and Slovnaft purchased approximately 450 million litres of biocomponents (a similar quantity to 2013), including biodiesel and bioethanol, from the aforementioned joint ventures and third parties. The biodiesel includes both first generation biofuels and biofuels produced using waste feedstock.
The biofuel purchased in 2014 is in compliance with the sustainability criteria defined in the ISCC certification system. This independent and globally-applicable certification system ensures that emissions of greenhouse gases are reduced. Attainment of ISCC certification indicates that the biofuel complies with the requirements of the EU Renewable Energy Directive (RED).

Geothermal developments (E&P)

MOL Group considers geothermal energy to be an investment opportunity in the field of renewable energy. The geological and engineering knowledge and technological similarities between certain phases of hydrocarbon extraction and the geothermal energy projects may create an advantage for oil and gas companies in this field, and in Central Eastern Europe there is clear potential for the development of geothermal infrastructure from a geological perspective.
Following successful bidding in 2013, a concession contract for the Jászberény area was signed by MOL Group Joint Venture CEGE (65% MOL share) in 2014. Project plans include the commencement of a 2 year exploration program that will establish and test a system composed of one pair of wells. Energy production capacity and opportunities will be defined on condition of successful testing.
Renewable energy production at MOL Group is otherwise only related to supplying own operations on a minor scale, e.g. by generating solar power at remote E&P locations.

1.2. ENERGY EFFICIENCY AND GHG EMISSIONS

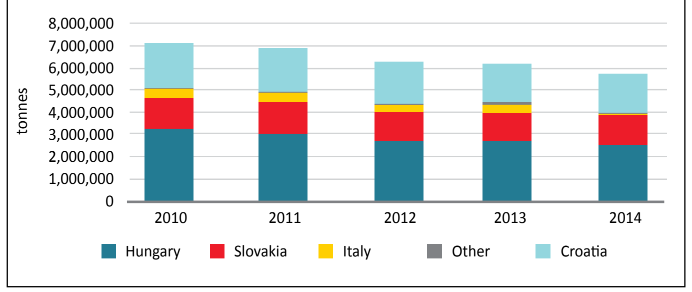
GHG emissions

Related objective:

- *"Ensure all sites move up one decile in their sectoral CO_2 benchmarks from current positions in Downstream".*
- *"Reduce CO_2 intensity of operations by 20% by end of 2017 (in tCO_2/toe) in Upstream."*

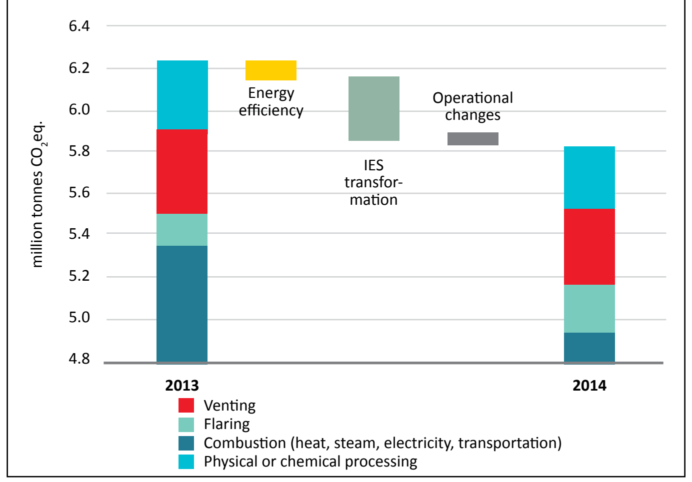
Total direct GHG emissions from MOL Group activities amounted to 5.81 million tonnes of CO_2 equivalent in 2014, which is 7% lower than in 2013 when 6.23 million tonnes of CO_2 equivalent were emitted and 20% lower compared with the 2010 baseline year (7.14 million tonnes). The single largest component in GHG emissions is carbon-dioxide (CO_2) the emission of which is shown in the chart below in country breakdown.

CO_2 emissions by country



This overall decrease is a result of both lower production volumes and energy efficiency measures, as shown in the chart below. The single most important reason for the decrease in emissions in 2014 was the transformation of the IES refinery into a logistics hub, resulting in a reduction of 284 thousand tonnes of emissions.

Changes in GHG emissions between 2013 and 2014



The primary sources of the GHG emissions of MOL Group are refining and petrochemical operations. To better monitor performance, in 2010 MOL Group introduced the CONCAWE – Solomon CO_2 intensity indicator (CWT – Complexity Weighted Tonnes).This indicator is production-based but can be modified according to the complexity of the refinery. The results presented below indicate a slight improvement in carbon intensity (3%) for the refining sector when compared with 2011. With regard to petrochemical sites, the tracking of CO_2 intensity is done through monitoring the production of high value chemicals (HVC) while for the exploration and production facilities, the company tracks CO_2 intensity using OGP standard kg CO_2/toe.

CO_2 intensity (production-weighted average) of refineries and petrochemical sites of MOL Group [GRI EN16]

YEAR	2010	2011	2012	2013	2014	CHANGE 2011-2014 (%)
Refining (t CO_2/kt of CWT)	N.A.	36.64	36.43	35.59*	35.54	(3.00)
Petchem (t CO_2/t HVC)	1.011	1.032	1.031	1.020	1.020	0.89

*2013 data has been restated here due to re-calculation of the CWT indicator in Rijeka

Change in CO_2 intensity by refinery (t CO_2/kt of CWT) and by petrochemical site (t CO_2/t HVC) [GRI EN16]*

SITE	REFINING					PETROCHEMICAL	
	DUNA REFINERY (MOL)	SLOVNAFT (SLOVNAFT)	MANTOVA (IES)	SISAK (INA)	RIJEKA (INA)	TVK	SPC
Change (%) 2014/2010	(1.48)	(3.00)	3.96	32.45	(37.64)	(1.0)	16

A significant factor in direct GHG emissions is the venting of CO_2 from Exploration and Production operations in Croatia. 47% of total direct CO_2 emissions in Exploration and Production division are related to the venting of CO_2 that is not a direct product of combustion or flaring but is produced together with hydrocarbons and released to the atmosphere. The total volume of vented CO_2 decreased significantly from 419 thousand tonnes in 2013 to 361 thousand tonnes in 2014. The decrease is a result of the Enhanced Oil Recovery (EOR) program at INA, one of the most important MOL Group investment projects in Croatia which went online in October, 2014. This project involves applying one of the so-called tertiary methods of enhanced oil recovery to increase the quantity of recoverable oil and to permanently dispose some of the CO_2 that is produced. In 2014, over 51,386 tonnes of CO_2 were re-injected.

Scope 3 GHG emissions (from product use, crude supply and business travel)

Scope 3 GHG emissions by origin (t CO_2) [GRI EN17]

EMITTED BY	SOURCE OF EMISSION	2012	2013	2014
Customers	Use of purchased refinery products (t CO_2)	50,305,352	51,060,438	48,486,612
Customers	Use of purchased natural gas (own production) (t CO_2)	7,528,676	6,566,103	6,025,497
MOL Group	Business trips (t CO_2)	3,943	4,414	2,984
Suppliers	Production of crude oil (purchased from external sources) (t CO_2)	1,722,810	1,399,445	1,179,981
Total		**59,560,780**	**59,030,400**	**55,695,074**

The calculation of CO_2 emissions related to product use and services (Scope 3) was further developed in 2014. Now the data cover not only sold products and business travel but also crude oil deliveries that are purchased. Due to relatively unchanged refined product sales, as well as the decrease in natural gas production, scope 3 emission amounted to almost 55.7 million tonnes of CO_2 (a decrease compared to last year's emissions of 59.0 million tonnes).
Although accounting for a small share of total MOL Group emissions, business trip-related CO_2 emissions are also tracked and reported. These business travel-related emissions accounted for 2,984 tonnes of CO_2 equivalent in 2014.

Energy Efficiency

Related objective: "Decrease Downstream production energy consumption by 5% by end of 2014"

Oil and gas production is an energy intensive industry. Exploration and production, refining and petrochemicals all consume large amounts of energy. As a result, increasing the efficiency of energy consumption is a key factor in business success. Even though making financial savings is the main priority of such projects, their GHG emission-reducing impact is also significant. MOL Group continuously improves the monitoring of its achievements to reduce CO_2 emissions. The target of reducing energy consumption in Dowstream production business by 5% until the end of 2014 (compared to 2011 baseline) was achieved, the overall decrease in energy consumption was 18.6% in the period. Total decrease is a result of several factors, such as changes in production or portfolio and also energy efficiency measures.
Analysis of the 50 most important energy efficiency-improving projects shows that, compared to the baseline year 2011, an estimated 320 thousand tonnes of CO_2 emissions were avoided in Exploration and Production and Downstream production operations. Energy efficiency projects alone resulted in financial savings of almost HUF 13bn. The one-off emission reduction in 2014 (compared to previous years) is 85 thousand tonnes of CO_2 with related financial savings of approximately HUF 3bn.
Exploration and Production activities are responsible for less than 10% of overall Group-level consumption. However, with decreasing production levels in Central Eastern Europe, efficiency measures are still necessary to maintain intensity levels and the efficiency of production. In 2014, further projects were implemented which included replacing old and inefficient pieces of equipment and utilizing the benefits of process-optimization measures. Significant achievements were also made with the utilization of associated petroleum gas in Russia (detailed information about this project is provided in the chapter of this report about Gas Leakages).
The Refining and Petrochemicals activities of MOL Group are the largest consumers of energy in the operations, accounting for almost 90% of Group-level energy consumption (including both direct and indirect energy), while energy bills are the single largest operational cost items for Downstream business. Accordingly, energy efficiency has been in the focus of the Group-level New Downstream Program that was designed to significantly reduce energy use in the period 2011-2014 and will continue to be the focus of efforts. Energy efficiency-related activities which made the greatest energy consumption and emission reductions were usually related to improvements in energy-intensive technologies (e.g. replacement of a de-ethanizer reboiler, optimization of a distillation column influx), improvements in energy production and transfer (boiler efficiency improvements, reductions in losses from the steam network) and reductions in flaring.
In line with MOL Group's ongoing efforts to further improve the efficiency of its assets and reduce GHG emissions, planning of the implementation of an Energy Management System (based on the ISO 50001 standard) has started at TVK Plc. and MOL Plc. in 2014, with certifications expected for 2015. Besides meeting legal obligations, implementation of the Energy Management System will increase energy awareness and facilitate energy efficiency improvements by creating a common framework for the companies' energy management activities and by facilitating the incorporation of energy management principles into everyday organizational practices. Similar energy audit systems are already in place in Slovakian operations and are being planned by the Croatian INA Group.
Additional to the most important business related activities, minor improvements are continuously being made at our other assets such as MOL's filling station network, office buildings and warehouses. One good example is the future service station concept of MOL Group. The first service station to use energy efficient and renewable technologies was built in Budapest in 2011 and received the Energy Globe National Award for its architectural concept in 2014. Similar stations are planned for Croatia and Slovakia as well (as a part of the "Energy for the Future" project, INA in Croatia plans to rebuild one filling station in Zagreb and one in Split according to this concept).
MOL Group also continues to mitigate CO_2 emissions related to use of products and services (scope 3) through efficiency measures such as reducing the number of short and long haul flights which are taken by using E-Systems (e.g. audio & video-conferencing) and car-sharing schemes.

Gas leakages

Gas leakages or losses in the oil and gas industry include those that result from the flaring and venting of hydrocarbons.
Flaring refers to the controlled burning of unused hydrocarbon for technical or safety reasons. The gas flared in Exploration and Production is 'associated petroleum gas' (APG) while in Downstream some of the gas generated during the refining process is flared for safety reasons. Oil and gas leakages are considered to be losses of valuable material that represent operational inefficiency.
Flared gas represents only a small fraction of the total amount produced and processed by MOL Group, but it is not insignificant in terms of quantity. As a result, projects have been carried out to reduce emissions to the environment and minimize losses.
CO_2 generated from flaring accounts for around 3% of the total direct GHG emissions of MOL Group. The amount of gas flared during MOL Group's activities is shown in the tables below:

Flaring in E&P activities in 2014 (where MOL Group is operator) [GRI OG6]

	MOL E&P	INA E&P	PAKISTAN	RUSSIA	KURDISTAN REGION OF IRAQ	TOTAL
Flared hydrocarbon volume (m^3)	4,559,085	17,650,653	2,500,661	2,916,490	832,368	28,459,257
CO_2 (tonnes)	11,413	32,846	15,004	8,633	2,414	67,896

BaiTex (Russia) commissioned a gas turbine (of 1.8 MW capacity) in 2014 in order to increase APG utilization to 95% and to facilitate the use of excess gas for power generation. The project reduced CO_2 by 572 tonnes in 2014.
At Matyushkinskaya Vertical (Russia) gas engines were installed to utilize associated gas to both produce electricity and reduce MOL Group's environmental impact. Their utilization level has reached more than 80%.
In the Kurdistan region of Iraq, controlled flaring of H_2S is still continuing, at least until the appropriate solution (re-injection or other) is finally made technically feasible and is approved. For this reason an H_2S system audit was conducted at the production and drilling & well operations services to detect high risk activities and to eliminate any potential emergency situations that may arise.

Flaring in Downstream activities in 2014 [GRI OG6]

	MOL	SLOVNAFT (REFINING + PETRO-CHEMICALS)	IES	INA (RIJEKA+SISAK REFINERIES)	TVK	TOTAL
Flared hydrocarbon volume (tonnes)	6,210	8,403	1,946	20,751	6,955	44,265
CO_2 (tonnes)	11,709	25,239	5,897	65,889	21,485	130,219

Total CO_2 emissions from flaring increased considerably at our Downstream business in 2014 to 130,219 tonnes (up from 106,806 tonnes in 2013). This increase is primarily due to turnarounds and to the increased number of shut-downs and start-ups at some of the sites. Nevertheless, activities to reduce flaring from our normal operating processes continued. Some examples are listed below.
Despite the overall increase, major projects were undertaken to reduce flaring at Downstream. In our Hungarian Petrochemical plant TVK, one project designed to decrease flaring resulted in a reduction of 1,159 tonnes of CO_2 emissions. In July 2014 at the Danube Refinery a flare gas recovery system was implemented for the FCC and GOK-3 flares. The flare gas recovery system reduced CO_2 emissions by 3,174 tonnes. Moreover, at the Rijeka and Sisak refineries flare top replacement projects were also carried out to reduce flaring.

2. ENVIRONMENT

General aim: Reduce environmental footprint

ACHIEVEMENTS:

- **Since 2010 SO_2 emissions dropped by 60%, and NO_x emissions decreased by 40%**
- **In the Kurdistan Region of Iraq, comprehensive research into the water situation was undertaken for Akri-Bijell K10 Block. Although the study concluded that the Block was not affecting any water-stressed areas, all existing and potential operational locations and activities were analysed and the most relevant activities that could be taken to protect water sources have been incorporated into an operational plan.**
- **MOL Group undertook a group-wide assessment process to identify sensitive areas rich in biodiversity. Out of 162 sites surveyed, only 8 sites are located in biodiversity critical areas (6 Upstream and 2 Downstream), while 35 of our Exploration and Production operations are close to, or in, Natura 2000 sites. Furthermore, a Biodiversity Action Plan that covers the period 2014-2016 has been developed for our Pakistani operations.**

CHALLENGES:

- **To meet all the requirements defined in integrated environmental permits (IPPC) INA will have to implement a significant number of projects by 2018.**

2.1. AIR EMISSIONS

Related objective: "Decrease VOC emissions by implementing LDAR methodology"

In 2010, MOL Group defined the specific objective of measuring and reducing fugitive volatile organic compound (VOC) emissions. This is because MOL Group operates a wide range of oil and gas technologies and equipment, and the industry itself, is considered to be a significant source of such emissions. Correspondingly, in 2014 MOL Group continued to run and extend its LDAR (leak detection and repair) program.
The program has made significant improvements for several years to Slovnaft, IES and MOL refineries and petrochemical sites (TVK), so in 2014 efforts were made to extend the program to INA refineries and also extend the scope of the program to other operational areas.
Accordingly, during a pilot project at the Hungarian logistics operation MOL started to create a comprehensive VOC emission sources inventory, taking into account all the emissions from tanks and fugitive emissions from leaks. VOC emissions were calculated and in the coming years the model will be extended to all of our logistics operations. Additionally, in 2014 across the entire MOL Group retail network vapour recovery units (VRU) were verified, checked and maintained (as required) in order to prevent air pollution.
Although at the units covered by the LDAR programme VOC emissions have significantly decreased, overall MOL Group emissions increased in 2014 by 25% when compared with 2010. MOL Group continues to extend the scope of VOC measurements across the group, as explained above.
The industry is also a source of SO_2, NO_x, CO and PM emissions and preventive measures have been taken to reduce the quantity of these as well. As result of the investments at the production units, compared to the 2010 baseline emission year SO_2 emissions were reduced by 59% and NO_x emissions by 40% in 2014.
The quantity of PM emissions in 2014 was similar to that of 2010, but a significant reduction on 2013 was made (66%). The same applies to CO emissions which were reduced in 2014 by 46% compared with 2013, but an increase was registered (42%) compared to 2010. These variations are the result of the incorporation of air emission related data for Russian operations into Group reporting in 2011, and air protection measures introduced at the same operations from 2012-2013.

Total air emissions (excl. GHG) by type (tonnes) [GRI EN21]

YEAR	2010	2011	2012	2013	2014	CHANGE 2010-2014 (%)*
SO_2	13,142	10,625	7,878	5,776	5,368	(59)
NOx (Nitrogen Oxides)	7,874	7,531	6,839	6,057	4,715	(40)
VOC (Volatile Organic Compound)	4,211	4,901	4,501	5,643	5,251	25
CO (Carbon Monoxide)	1,599	3,295	2,889	4,248	2,275	42
PM (Particulate Matter)	361	492	460	552	367	2
TOTAL	27,187	26,844	22,567	22,276	17,976	(34)

*Y2014 data are compared to the baseline year for our strategy: 2010

MOL Group continued its efforts to reduce emissions from stationary sources in 2014. At the Zala Refinery in Hungary, as well as the Rijeka Refinery in Croatia, fuel switching projects have been implemented (natural gas replaced fuel oil). For example at the Rijeka Refinery total SO_2 emissions decreased in 2014 by 2.6% compared to 2013.
At the Slovnaft Refinery, the air emission measurement visualization software was upgraded and as a result real-time interventions can be made in the case that air emissions exceed the desired levels. The project to reconstruct one of the AVD (Atmospheric Vacuum Distillation) units reduced SO_2 emissions with an estimated 60 tonnes/year.
We constantly monitor air emissions at all our exploration and production facilities situated outside the European Union with a view to reducing our environmental impact and protecting local communities. At our Russian operations a new associated gas (APG) turbine has been put into operation. 95% of the associated gas is now utilized for electricity production. At the same time, greener alternatives have been planned, for example, for well testing operations at Kalegran B.V. By using special burning equipment the hydrocarbons and other components that are produced are burnt at a higher temperature with greater efficiency, resulting in less emissions of methane (CH4), heavier components and H_2S to the environment. Additionally, the visual impact of well testing activities is reduced (a reduction in fumes) and less particulate matter is emitted.

2.2. WATER MANAGEMENT

Related objective:
- *"Reduce total water withdrawals by 5%"*
- *"Improve water management techniques in water-stressed areas"*

Water withdrawals

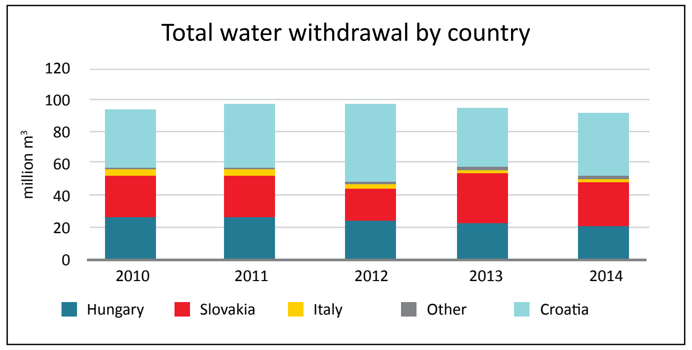
A variety of types of water sources are used by MOL Group for its operational activities: surface and groundwater, sea water, the municipal water supply system and wastewater that comes from production activities or other organizations. Improving water efficiency not only reduces our environmental footprint but often leads to reductions in operating costs.

Total water withdrawals, by source (thousand m³) [GRI G4-EN8]

YEAR	2010	2011	2012	2013	2014	CHANGE 2010-2014 (%)*
Municipal Water Supplies or Other Water Utilities	3,523	3,478	2,839	2,682	2,177	(38)
Surface Water Withdrawals	68,512	72,795	77,744	79,967	80,919	18
Ground Water Withdrawals	12,571	12,785	13,887	11,869	10,755	(14)
Rainwater Collected and Stored	565	487	16	0	188	(67)
Wastewater from Other Organizations	6,794	6,383	2,274	0	91	(99)
Total water withdrawals	**91,967**	**95,930**	**96,762**	**94,518**	**94,130**	**2**

*Y2014 data are compared to the baseline year for our strategy: 2010

Total water withdrawals (million m^3) by country



In 2014, MOL Group's total water withdrawal was 94.13 million m^3 which represents a slight increase of 2% as compared to 2010 (91.97 million m^3).

We continue to implement a variety of initiatives in order to keep the Group on track to achieve its water withdrawal-related targets:

- Finalization of the closed cooling system at Hajdúszoboszló site (Hungarian E&P) in the first half of 2014 has reduced the site's water withdrawal by 66% (from 3,121,632 m^3 to 1,069,234 m^3) compared to 2013. Moreover, with this new system annual cost savings of ca. HUF 40mn can be made.
- The quantity of drinking water used at Sisak Refinery was reduced in 2014 by 23.8% compared to the previous year as a result of repairs to the municipal water network.

Efforts to reduce water consumption are ongoing in our Retail segment as well. For example, in Slovenia modern water and chemical-efficient car washing systems have been installed at filling stations. Due to this initiative and other water-saving measures water consumption decreased by 900 m^3 in 2014 compared to 2013, although the number of customers increased by 15% and two new filling stations were added to the network.

Water discharges

To protect surface water bodies, no untreated water is discharged by MOL Group.

In 2014, compared with 2010, the total amount of contaminants in discharged water was reduced.

Amount of contaminants (tonnes) [GRI G4-EN22]

YEAR	2010	2011	2012	2013	2014	CHANGE 2010-2014 (%)*
Total Petroleum Hydrocarbons (TPH)	75	57	73	63	95	27
Chemical Oxygen Demand (COD)	2,376	2,094	1,743	1,712	1,647	(31)
Biological Oxygen Demand (BOD)	582	568	419	417	471	(19)
Solid Substances (SS)	1,055	1,038	688	609	873	(17)

* Y2014 data are compared to the baseline year for our strategy: 2010

Reduced discharges are partly a result of the shutdown of some operations (for example, the IES refinery) and the following activities:

- The revamping of one of the AVD units at our Slovakian operations included the building of a new sewage system as well as installation of a better cleaning system for chemical waste water.
- At Rijeka Refinery, passive sea protection measures have been improved (through installation and maintenance of protective booms and underwater installations).

The increase in TPH may be explained by the increased production volumes at our Pakistani operations, as well as technological issues at the Sisak Refinery in Croatia.

Produced water

Significant amounts of produced water have to be managed at our exploration and production facilities. During 2014, over 11 million m^3 of water was produced (9.7 million m^3 in EU countries and 1.7 million m^3 in non-EU countries). In order to minimize MOL Group's impact, the company aims to re-inject, whenever feasible, the produced water.

Compared to 2013, the amount of produced water at our EU operations has decreased due to the impact of efficiency projects, while in non-EU countries it has increased due to greater volumes of production. In order to address this issue, a pilot-project for injecting produced water was introduced in Pakistan in October 2014.(so far, the total volume of water that has been injected is approx. 5,595 m^3). The system's injection capacity is 3,000 bbl (approx. 480 m^3) of produced water per day. Before re-injection, the produced water must be treated to reduce the concentration of TDS to below 500ppm. For this purpose, a produced water treatment plant that uses a reverse osmosis method has been constructed.

Quantity of produced water from Exploration & Production activities in 2014 (m^3) [GRI OG5]

	EU OPERATIONS	NON EU OPERATIONS	TOTAL MOL GROUP
Amount of produced water	9,777,819	1,753,526	11,531,345
Total amount of re-injected produced water	10,837,128	1,315,734	12,152,862

Water-stressed areas

MOL Group considers water scarcity to be a serious issue, and as such has been taking measures to decrease the water demand of its operations.

Started in 2013, a comprehensive piece of research into water resources was finalized in 2014 for one of the operational blocks in Pakistan considered to be located in a water scarce area. The study covered TAL block and assessed available (groundwater and surface) water sources that might be affected by MOL Group's future water-intensive drilling operations. It also covered main water basin recharge and discharge patterns to ensure a sustainable supply of water throughout the TAL block. The main recommendations of the study have been already included in MOL Pakistan operational plans for 2015.

During 2014, in the Kurdistan Region of Iraq, a comprehensive water study was undertaken for Akri-Bijell K10 Block (operated by Kalegran B.V.). The study concluded that the Block does not affect any water-stressed areas and no such areas are situated in the immediate vicinity of the block. However, all existing and potential operational locations and activities were analysed during the study and the most relevant activities for protecting water sources were incorporated into an operational plan. It is also supported by the new Social Investment Strategy was developed in 2014 for Kalegran B.V. in which water is identified as a key areas for development.

None of our CEE exploration and production facilities are situated in water-stressed areas.

Unconventional Exploration and Production

Unconventional exploration techniques such as fracking have revolutionised the energy industry but prompted environmental and community concern. The first concern is that fracking uses huge amounts of water that must be transported to the fracking site, at significant environmental cost. The second worry is that potentially carcinogenic chemicals may escape and contaminate groundwater around the fracking site. There are also worries that the fracking process can cause small earth tremors.

MOL Group is not specifically involved in unconventional exploration, but, realizing the sensitivity of the issue, has defined a set of environmental standards for responsibly undertaking limited fracking activities for enhancing the production of conventional fields. These requirements encompass stakeholder concerns, water / land use and protection, well integrity, the use of chemicals and other risks which may be anticipated from specific risk studies. MOL and its subsidiary INA have successfully undertaken fracking on a few pre-existing wells during which all risks were managed during the entire life cycle of the activity, from contracting to completion of the wells for production.

2.3. WASTE MANAGEMENT, SPILLS AND SITE REMEDIATION

Waste management

Related objective: "Increase the proportion of recovered waste (remediation waste excl.) by 5% by the end of 2015"

MOL Group is a vertically-integrated oil and gas company which means the types of waste it generates are very diverse as well. The company's daily operations produce a wide range of solid and liquid wastes (including oily sludge, waste chemicals and spent catalysts, etc.). The total amount of waste generated in 2014 increased compared to 2010 (by 48%). The increase can be explained by reference to the following projects:

- A construction project started in 2013 at our Slovakian operation which continued throughout 2014. It generated more than 52,000 tonnes of non-hazardous waste, while hazardous waste at the same facility was generated through maintenance and tank-cleaning activities and soil remediation projects at the logistic depots.
- The conversion process of the IES refinery into a logistics depot also increased the amount of hazardous waste generated at this site by more than 1,800 tonnes, and non-hazardous waste by more than 1,700 tonnes.
- At our Croatian Exploration and Production operations, hazardous waste increased by more than 12,000 tonnes compared with 2013 due to remediation activities related to two significant oil spills to the environment (see the chapter on Spills for more details), as well as the final disposal of old chemical inventory.

Despite the overall increase, at the MOL Group level the waste recovery rate improved in 2014 compared with 2010 by 6%.

*Waste generation and treatment (tonnes) [GRI G4-EN23]**

YEAR	2010	2011	2012	2013	2014	CHANGE 2010-2014 (%)**
Hazardous Waste	92,918	89,895	82,331	60,528	80,866	(13)
Non-hazardous Waste	77,604	68,783	80,891	185,528	170,970	120
Total Waste	**170,522**	**158,678**	**163,222**	**246,056**	**251,836**	**48**
Waste Disposed/Landfilled	80,202	74,656	76,867	86,574	102,413	28
Waste Reused/Recycled	90,320	84,023	86,355	159,482	149,423	65
Total Waste	**170,522**	**158,679**	**163,222**	**246,056**	**251,836**	**48**
Ratio of reused/recycled Waste	53%	53%	53%	65%	59%	12

*Data for waste included above include operational, remediation and construction waste.
**Y2014 data are compared to the baseline year for our strategy: 2010

Several initiatives have impacted MOL Group's waste generation and waste recycling figures. They include the following:

- At the Hungarian Exploration and Production operation MOL has started to use the crushed concrete which is created from demolition projects to build remediation storage boxes or for repairing roads which lead to wells.
- There was a significant increase in the quantity of hazardous waste produced at exploration and production facilities in Croatia, partially due to two significant spills to environment, as described in the respective chapter of this report.
- At the Slovakian operation, more than 30 tons of catalysts were sent to metal recovery, precious metal parts will be used during manufacturing of new catalysts while silver was sold making ca. EUR 10,000 revenue.
- The company continue to recover the used oil that is produced by the lubricant units in accordance with the principle of product stewardship. The proportion of used oil that was returned in 2014 was 16.5% (compared to 14.5% in 2013 and 22.5% in 2012).
- MOL's campaign for the collection of used cooking oil from households (using the retail network in three countries – Slovakia, Hungary and Romania) continued in 2014. 390 tonnes of used cooking oil were collected and recycled in 2014 (an increase of about 30% compared with the 228 tonnes collected in 2013).
- At MOL Pakistan a small incinerator was installed and 383 tonnes of waste was incinerated during 2014. The advantages of the incinerator include the ability to better control emissions and hygienically treat waste.

The Group's environmental standards define its policy related to managing drilling mud and include regulations about mud selection, waste minimisation, recycling and responsible disposal. Relevant data about this topic are presented below.

Drilling mud produced in 2014 (tonnes) [GRI OG7]

	EU OPERATIONS	NON EU OPERATIONS	TOTAL MOL GROUP
Hazardous waste from aqueous (water-based) drilling mud and cuttings	559	0	559
Hazardous waste from non-aqueous drilling mud and cuttings	0	3,260	3,260
Non-hazardous waste from aqueous drilling mud and cuttings	25,594	30,472	56,066

Drilling mud treatment in 2014 (tonnes) [GRI OG7]

	EU OPERATIONS	NON EU OPERATIONS	TOTAL MOL GROUP
Aqueous (water-based) drilling mud and cuttings – waste for deep well injection, onshore disposal	5,111	24,018	29,129
Aqueous (water-based) drilling mud and cuttings – recovered, recycled	21,042	1,260	22,302
Aqueous (water-based)drilling mud and cuttings – offshore disposal	0	0	0
Non-aqueous drilling mud and cuttings – waste for deep well injection, onshore disposal	0	0	0
Non-aqueous drilling mud and cuttings – recovered, recycled	0	3,260	3,260
Non-aqueous drilling mud and cuttings – offshore disposal	0	0	0

Spills

Protecting communities as well as the natural and built environment from accidental pollution in areas in which MOL Group operates is one of the top priorities for the company. Accordingly, regular maintenance and inspection campaigns are conducted and emergency response plans are in place and constantly updated for each of our sites. Spill prevention measures are considered to be a priority when we design and operate our facilities. In the case that we detect any spills, all the measures necessary to restore the pre-spill status of the affected areas are immediately taken.
In 2014, a total of 5 spills to environment (of above 1 m^3) with a total hydrocarbon volume of 193.5 m^3 were recorded across the MOL Group; a decrease in the number of spills on last year. The two largest spills were recorded at our Croatian operations. The first one, a spill of 70 m^3 of hydrocarbons, was due to human error and polluted over 1000 m^2 of soil and water. The second one, caused by an attempt at theft through making an illegal connection, involved 100m^3 of hydrocarbons, polluted 2000 m^2 of soil and 7 km of water course. In both cases, immediate remediation activities commenced and the soil and water were fully cleaned up.
In addition, 12 other spills to environment occurred as a result of off-site road accidents (11 in Pakistan and 1 in Hungary). In all cases the contaminated soil was remediated. (Information about the corrective measures we have taken to improve hazardous material road transportation can be found in the chapter of this report on Road Safety.)
Although MOL Group does not operate any off-shore installations it ensures that measures are in place to protect marine ecosystems in the vicinity of operations that are located near the coast (e.g. Croatia, Rijeka Refinery).

Remediation

In 2014 MOL Group continued to implement a group-wide remediation programme that is designed to eliminate historical pollution.
At our Hungarian operations, approximately HUF 959 million (USD 4.2 million) was spent on the management of environmental damage at 202 sites. In 2014, 15 remediation sites were closed, and as compared with 2010, the environmental liabilities have been reduced with 32.2%.
At Slovnaft the remediation programme continued at 8 logistic and 5 retail sites. Remediation work, including post-monitoring activities, was successfully concluded at 1 logistics site (Bratislava-Rača) and 2 filling stations. Total spending on the remediation programme in 2014 was HUF 732 million (2.48 million EUR) compared with HUF 1.1 billion (USD 4.9 million) in 2013. At the Rijeka Refinery, remediation activities that are designed to protect the sea and coastal area have been carried out continuously since 1993. During 2014, 514 m^3 of hydrocarbons were pumped out from under the ground. Remediation projects continue to be implemented at Italian operations too. In 2014 a total of 1.2 million EUR (HUF 354 million) was spent on remediation activities and the capability of the supernatant recovery system was increased in the Belleli area with the addition of 6 piezometers equipped with dedicated automatic oil-skimmers.
Concerning international exploration and production sites, in Russia, 4.8 ha of mud pits were eliminated and 21.5 ha of land was restored to its original state at the Matyushkinskaya Vertical fields. In Baitex, almost 38 ha of land were also restored to their original status. In Pakistan, a total of 3,628 tonnes of oil-based mud was treated through a bioremediation process. Treated mud is re-used as a filling material for road construction.
Remediation and environmental liabilities are of particular importance when operational sites are abandoned. MOL Group focuses on optimizing its operations that affects our assets as well. In 2014 no major site was abandoned. The largest site affected by operational changes is IES in Italy where refining activity has now been stopped. This site will however continue to operate as a logistics depot. In international exploration and production areas drilling sites (but no operational sites) have been opened and closed. A case study about site restoration in Oman can be found here.

2.4. BIODIVERSITY

Related objective: "Implement Biodiversity Action Plans for all critical operation sites"

Due to the nature of the activities of the oil and gas industry, they have both direct and indirect impacts on biodiversity. Direct impacts are in general easier to control, which is why in 2014 the focus continued to be on taking action locally. MOL Group operates in diverse environments around the world, in some cases in sensitive areas that may host protected or endangered species, contain ecosystems of biological or geographical value, or in landscape-protected areas. In 2014 a group-wide assessment was conducted to identify potentially sensitive areas which should be the focus of the future. In total, 162 sites were surveyed.
Most affected by their protected status are Upstream sites. Only 8 sites are in biodiversity-critical areas (6 Upstream and 2 Downstream), while 35 Upstream operations are located close to or within Natura 2000 sites (European nature conservation area category). Two of the Upstream operations are situated in water-stressed areas (see chapter on Water) while one can be found in a water-protected landscape.

	E&P/NOT E&P	CROATIA	HUNGARY	SLOVAKIA	ITALY	INTERNATIONAL E&P
Number of sites	E&P	50	23	not relevant	not relevant	13
	Downstream	32	28	13	3	not relevant
Acreage of sites km²	E&P	4,432	24,234*	not relevant	not relevant	33,527*
	Downstream	6.2	18.45	9.53	0.52	not relevant
Number of sites - Natura2000 risk	E&P	17	18	not relevant	not relevant	0
	Downstream	0	0	0	1	0
Number of sites - biodiversity critical	E&P	5	1	not relevant	not relevant	3
	Downstream	0	2	0	0	not relevant
Acreage of biodiversity critical area	E&P	71	14	not relevant	not relevant	6,617
	Downstream	0	0	0	0	not relevant

*Includes area of concession.

The Hungarian exploration and production facilities often happen to be in or near protected areas. To reduce their impact, MOL is working in close cooperation with the National Parks Administration in order to carefully plan drilling or decommissioning activities. In 2014 a new wells inventory was made in order to identify which sites are operating in or near Natura 2000 sites and three new Natura2000 datasheets were developed in 2014. The goal of this initiative was to integrate the provisions of the management of Natura 2000 sites into day-to-day activity at the respective sites. MOL Group works to protect biodiversity not only around its production sites but also within them by creating and improving conditions for protected species.
Initiatives involving stakeholders include at Slovnaft the cooperation with BirdLife Slovakia to protect the Martin (Delichon Urbicum) which continued in 2014 when 50 new artificial nests were created or the Hungarian Ornithological and Nature Conservation Society's participation in protecting the Peregrine Falcon that is nesting around the Algyő Gas facility.
MOL Group pays special attention to its operations outside the EU. MOL Group standard practice is to ensure that exploration and production sites go through an environmental and social impact assessment process before they are allowed to start operating, even when this is not a legal requirement. In Pakistan, a Biodiversity Action Plan that covers the period 2014-2016 has been developed and more than 2000 trees have been planted around the gas-processing facilities. Afforestation projects continued in 2014 at our Russian operation too, resulting in the creation of more than 37 ha of softwoods and conifers.

2.5. HSE PENALTIES

In 2014 MOL Group paid penalties for Health, Safety and Environment-related breaches of rules in 24 cases, resulting in a total of HUF 18 million.
The largest single penalty (HUF 8.9mn) was given to TVK Plc. in Hungary. The penalty resulted from an increase in water pollution (the level of adsorbable organic halogens (AOX) in effluent exceeded the permitted limit due to leakage of an Olefin-2 heat exchanger). As a consequence, operations were suspended leading to a more significant financial impact than the penalty itself. A project has already been implemented which with the aim of addressing the root cause of the problem.
Other penalties represent minor costs and are in most cases related to administrative issues such as incorrect site documentation.

3. HEALTH AND SAFETY

General aim: Ensure operational HSE excellence

ACHIEVEMENTS:

- **The number of personal injuries among employees and contractors reached its lowest level ever in 2014. The own staff LTIF is now 1.0 which is a significant decrease compared to 2013 when it was 1.5.**
- **Improved level of compliance in process safety (77% compliance with PS standards according to internal cross audits) due to ongoing, robust PSM program with top management oversight.**
- **MOL Group participated for the first time in the Global Corporate Challenge, an international health promotion initiative involving over 800 employees from more than 10 countries.**

CHALLENGES:

- **One contractor employee at one of our sites suffered fatal injuries during the disassembly of a crane during maintenance activity.**
- **Transportation of hydrocarbons in Pakistan (mainly by road) represents a high risk and requires dedicated risk-reduction programs. Unfortunately, three serious contractor road accidents occurred during the transportation of hydrocarbons in 2014.**

3.1. PERSONAL SAFETY

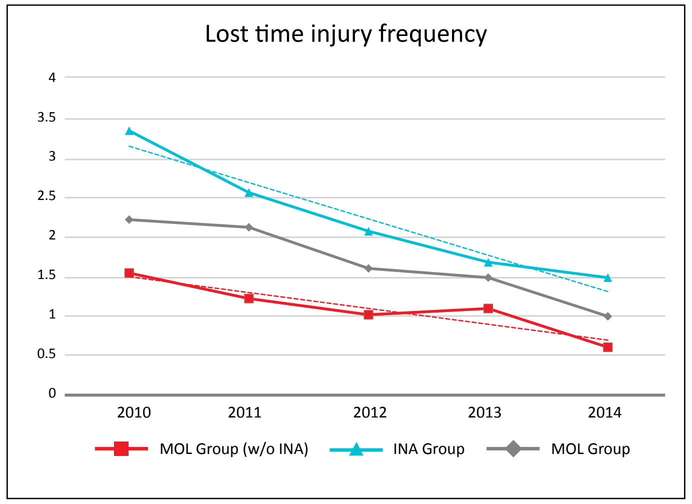
Workforce Safety

Related objective: "Implement programs that aim for zero incidents"

The number of personal injuries among our employees and contractors reached its lowest level ever in 2014. It was also the first year when MOL Group used total reportable injury rate (TRIR) as the key leading indicator instead of lost time injury frequency (LTIF). The reason for this is that the company is committed to focusing not only on accidents that result in days away from work, but on any workplace injury that requires medical attention. We regret to report the sad loss of a contractor employee at one site who suffered fatal injuries during the disassembly of a crane during maintenance activity. Controlling off-site activities that are carried out by contractors is a far larger challenge; this was proven when four contractor employees lost their lives in road accidents related to the transportation of hydrocarbons in Pakistan and Hungary.

Own staff Injury frequency rates [GRI G4-LA6]

STAFF LTIF	2010	2011	2012	2013	2014	CHANGE 2013-2014 (%)
MOL Group w/o INA	1.6	1.2	1.0	1.1	0.6	(83)
INA Group	3.4	2.6	2.1	1.7	1.5	(13)
Total MOL Group	2.3	2.2	1.6	1.5	1.0	(50)



The Life Saving Rules, an industry-standard program focusing on the most important safety rules whose violation is likely to result in serious injury or fatality went fully live in 2014 across all operations. This resulted in a decrease in the identification of safety violations during regular site inspections of our staff and contractors. To make compliance with the Life Saving Rules easier, we have launched various related safety programs.

- The multi-year 'Fall Protection' program aims to review workplaces at all operational sites, define needs (such as installation of hardware and purchase of fall arresting systems), prioritise them based on a risk assessment (how often work is carried out, the extent of the hazard), design and install hardware and train affected employees about the use of various fall-protection equipment.
- The 'Lockout/Tagout' program, still in its pilot phase at most facilities, is focused on preventing accidents by applying an industry-standard procedure that ensures that plant or equipment is free from hazardous energy sources before work commences, and that these sources are clearly marked and physically disabled from accidentally starting up. The process is an integral part of the Permit to Work system.
- We have launched an obligatory program to ensure that those who usually wear glasses to improve their eyesight wear protective types of eyewear.

Significant safety achievements at MOL Group's operational sites include the following:
The largest of the highly hazardous sites, Danube Refinery, celebrated its 3rd consecutive year without an own employee LTI in November 2014. Important milestones were also reached at our Pakistan operations: 1,588 safe work-days were completed by company staff; this marks the 4th consecutive year without an LTI. Moreover, 7 million LTI free man-hours were completed at the country's major investment project, the construction of the Makori gas-processing facility. In the Kurdistan Region of Iraq, Kalegran B.V. has now operated for over 998 days and contractors have completed 645 days without LTI. Construction work at the LDPE-4 unit at Slovnaft also successfully reached a first 1 million working hours milestone without any LTI, successfully tackling the challenge represented by simultaneous work phases and the presence of a high number of contractor employees. The conversion of facilities at IES in Italy represented a significant challenge from a safety point of view, but as a result of the strong focus on safety and close cooperation with contractors, no LTIs occurred either for IES staff or contractors.
Besides Group-level unified programs, subsidiaries also operate several local programs which have delivered excellent results. For example, a new system for reporting 'near miss', 'unsafe conditions' and 'unsafe acts' was launched at Slovnaft and has significantly improved near miss reporting (more than 320 records in 9 months).
In July, Crosco (Croatian drilling service company) set-up a STOP Work Policy and implemented it across all the Crosco worksites. As a part of this program, every employee who identifies an unsafe condition or act has the right to STOP Work. The program is being rolled out at other operations as well.

Road Safety

Road transportation is still one of the highest safety risks of our operations considering the high mileage driven by own and contractor employees, often under challenging road conditions and different local driving cultures.
Unfortunately, three serious contractor road accidents occurred during transportation of hydrocarbons in 2014. In Hungary, a road tanker rolled over on a highway, causing a major fire and killing the driver, while in Pakistan two road tanker collision accidents resulted in the deaths of three contractor employees. In response we have started drawing up a comprehensive road safety program. The program covers best practices such as journey management, GPS tracking (including monitoring of driving behaviour), practical and theoretical training, fleet standards and Road Transportation Life Saving Rules and stringent contractor management.
In Hungary, MOL prepared its first Highway Code training and mandatory exam for employees who drive company cars or their own cars for company purposes. The aim of the new online training program is to keep MOL employees updated about current regulations and safe driving practices. INA's Road Safety Program continued in 2014 with a focus on training personnel and extending the program to other INA subsidiaries. A total of 188 INA employees were trained in practical safe driving. A safety inspection system for vehicles was introduced at Kalegran B.V. and road safety was further improved with the launch of an e-learning system with 6 modules for relevant employees about compliance with dangerous goods/materials transportation.
In Pakistan, where the most serious accidents happened, on top of the training new HSE pre-screening and HSE pre-qualification criteria were introduced for contractors involved in road transportation. This also includes the re-evaluation of existing contractors.

Contractor Safety

Related objective: "Improve contractor HSE management program"

In 2014 the focus of contractor safety management was on the implementation of the revised group Contractor Safety regulatory framework. In addition to supporting and controlling local implementation, several corporate-recommended practices were elaborated to facilitate smooth rollout of penalty management, post-evaluation of Contractors and Single Service Companies and the carrying out of on-site audits and inspections. As an update to contractor pre-and post-evaluation, the basis of a new bonus-malus system was created.

Number of safety supplier pre-qualification audits by major MOL Group companies in 2014 [GRI G4-LA14]

COMPANY	HUNGARY (MOL, TVK)	SLOVAKIA	CROATIA	ITALY	E&P UPSTREAM	TOTAL
Number of safety supplier pre-qualification audits	265	45	42	21	33	406

Throughout MOL Group several initiatives are ongoing to improve contractor safety management. Out of the almost 700 new contracts considered high risk from an HSE point of view, 400 were covered by pre-qualification audits performed by MOL Group's experts at our contractors' facilities. The proportion of pre-qualified contractors will be further increased with the launch of the Supplier Qualification System (SQS) that will introduce an industry best-practice platform.
Besides pre-qualification, post-evaluation and consequence management is also important. In 2014, 2 contracts were cancelled due to the breaches of HSE norms.
As a new initiative, MOL Plc. dedicated its "Contractor HSE award" to two different contractors for the first time in 2014. This award is a newly-launched incentive program designed to acknowledge the efforts of contractors with the best HSE performance and awareness of relevant HSE procedures.
Other achievements by MOL Group companies in 2014 include the following:

- At CROSCO all contractor employees working on the project "Class Renewal Labin 2014" successfully completed an HSE induction course prior to the start of activities.
- At MOL Pakistan, 100% PPE compliance was enforced for all drilling, civil & mechanical contractors.
- The Russian operation at BaiTex implemented Contractor HSE management elements into daily operations (tendering, selection and control); HSE Pre-qualification bidding and pre-qualification audits were conducted for all high and medium HSE risk contractors.
- Slovnaft established a new PPE rental system for contractors and visitors with the aim of ensuring that the correct, certified personal protective equipments (PPE) are worn by all parties during operations.

3.2. HEALTH PROTECTION AND PROMOTION

Occupational Health

Related objective: "Implement programs to ensure healthy workplace"

Similarly to previous years, no occupational illnesses were recorded in 2014. A comprehensive health protection and promotion gap analysis was conducted across operations which included an industrial hygiene risk assessment, fitness-for-duty medical evaluations and an examination of medical emergency processes, ergonomics, and rehabilitation practices in order to facilitate the identification of shortcomings and the drawing up of action plans for their elimination.
MOL Group became a signatory of the WASH at the Workplace Pledge in 2014. The World Business Council on Sustainable Development (WBCSD) founded the Pledge for Access to Safe Water, Sanitation and Hygiene (WASH) at the Workplace in order to address the issue of ensuring the vital human right of access to safe drinking water and sanitation. The initiative is designed to ensure appropriate access to safe WASH for all employees in all premises that are under direct company control.
Following the previous year's practice, and based on psycho-social risk assessments, tailor-made workplace stress reduction training sessions were provided for dedicated groups of employees.
The cytogenetic program – the leading monitoring program used by the oil industry – was also continued: a total of 110 employees were examined in Hungary (MOL). The company intensified its efforts to introduce measures to completely eliminate even the possibility of staff being exposed to carcinogenic chemicals.
Stress management is a highlighted area of occupational health, and several local programs are designed in MOL Group and its subsidiaries to reduce the stress levels of employees. Slovnaft won 2nd place for Efficient Management of Psychological Risks in the Good Practice Awards organized in cooperation with EU-OSHA and the Slovak National Labour Inspectorate. The aim of this award is to reward best practices in stress management and reducing psychological risks. MOL Plc. in Hungary continued offering its tailor-made workplace stress reduction training to dedicated groups of employees. At the same time, our 'Less Stress' campaign was run at INA to raise awareness about stress and to teach employees how to manage stress in their private lives, at the (single, local) workplace level, as well as at the corporate level.
The implementation of a Company Health Care Plan for 2014 in Kalegran resulted in an improvement in the absence rate locally.

Workplace Health Promotion

MOL Group participated for the first time in the 'Global Corporate Challenge', an international health promotion initiative with over 800 employees from more than 10 countries. Our employees finished above the industry average, having walked a daily average 14,705 steps and having burnt off 192 thousand MJ energy in total.
Over 10,000 employees participated in a wide range of Workplace Health Promotion programs in 2014 across our operations. These covered topics such as cardiovascular health, food intolerances, rheumatological health, musculoskeletal and cancer screenings, movement-based activities and vaccinations. These areas of focus have become standard with the increased emphasis on raising employee health awareness over the past years. Additional efforts include the rollout of healthy menus at several catering units (developed with dietary specialists), family health days and office stress-reduction programs.

3.3. PROCESS SAFETY AND EMERGENCY PREPAREDNESS

Process Safety Management

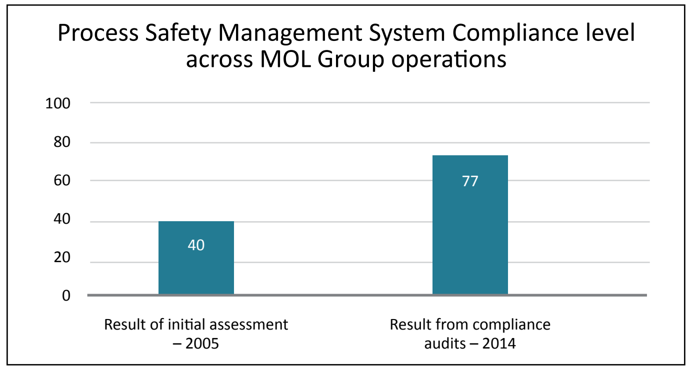
Related objectives: "Strengthen facility safety, improve rating in benchmarks"

Process Safety Events (PSE) at major MOL Group companies in 2014 [GRI OG13]

TYPE OF EVENT	MOL GROUP	HUNGARY (MOL, TVK)	SLOVAKIA	CROATIA	ITALY	E&P INTERNATIONAL
PSE TIER 1	13	6	1	5	0	0
PSE TIER 2	21	10	5	5	0	1
PSE TIER 1+2	33	16	6	10	0	1

The main goal of process safety management (PSM) is the establishment and operation of an efficient management system which prevents technology-related process incidents and protects people, assets and environment against harm. MOL Group started implementing its PSM system back in 2006. MOL Group's PSM-related aspiration is to continuously decrease the number and severity of process incidents and be in the top 25% of CONCAWE and OGP benchmarks according to company performance. Process Safety Management is a recognised issue of importance for top executives as well, as was demonstrated by the fact that MOL Group CEO personally participated in 6 site audits where achievements and future challenges were discussed with local staff.
In 2014 there were 33 Process Safety Events (PSEs) in MOL Group, which is 12 fewer events than 2013 when the total number of TIER 1+2 events was 45.

Evaluation and assessment of the local level implementation of PSM system is done via PSM Cross Audits (Compliance audits) that are performed by internal MOL Group experts and specialists who are independent from the audited site. In 2014 there were 17 cross audits (which included remote operations in MOL Pakistan, Russia, etc.). Overall PSM implementation level is continually improving.
In 2014 an external assessment of process safety-related practices and technical solutions was undertaken at the Duna Refinery (Hungary). This assessment is done annually at different locations based on an approved plan that was drawn up by MOL Group and its insurer. The results, which show that the company risk rating is continuously improving, contributed (among other factors) to a nominal 15% decrease in Group level insurance premium costs.



Several measures have been taken to improve PSM performance:

- To support local businesses to implement Group-level requirements, 8 new recommended practices about different PSM elements were issued.
- To enhance knowledge-sharing, a Best Practice Workshop was held in 2014. External experts from international companies, including peers and competitors, also presented examples of good practice and experience; this cooperative event demonstrates that making improvements in safety is not a field of competition but a common goal of the industry.
- The most important achievements at local operations included Alarm Management improvement (a long-term project) and the improvement of the integrity of safety-critical process equipment (maintenance) by implementing new, internationally-recognized and accepted practices, especially at MOL Plc. and Slovnaft.

Emergency preparedness and response

In 2014, MOL Group continued its efforts to improve emergency preparedness by ensuring that a sufficient amount of technical and human resources are dedicated to the task, proportionate to the size of the potential risk.
The most significant improvement in emergency preparedness was achieved by Slovnaft where investments totalling EUR 3.2 million CAPEX were made. The scope of the investment included the purchase of new firefighting trucks – including combined fire-extinguishing vehicles, tank truck fire engines, high quality PPEs for firefighters, etc. After the implementation of this project, the currently-available technical resources now meet the highest level expectations of the oil and gas industry.
One of the most interesting emergency response drills was carried out at the INA storage depot at Solin, where the emergency scenario was based on a gasoline spillage and fire during tanker ship loading. The emergency response drill was performed in cooperation with external stakeholders (municipal fire brigades, etc.)
To continuously improve emergency preparedness and response, all high-risk incidents are evaluated and an assessment is made of whether the emergency response was appropriate for minimizing the potential consequences.
In 2014 there were no serious or significant problems identified during HSE - related emergency response/interventions.

4. HUMAN CAPITAL

General aim: "Capitalise on human resources"

ACHIEVEMENTS:

- **MOL Group has been recognised numerous times at an international level for its HR programs. Commendations include the United States-based ERE Recruiting Excellence Award for Freshhh and Growww talent acquisition programs, the Asia Employer Branding Institute's Training & Development Excellence Award, and the Leadership 500 Award by HR.com for MOL's 'LEAD' leadership development program.**
- **MOL Group launched an integrated IT platform for performance management, career and succession planning and development planning as part of its Annual People Cycle The state-of-art cloud solution enables improved talent management across MOL Group and contributes to the achievement of the company's goals.**
- **A new international Exploration and Production talent acquisition program (UPPP) was launched in 2014. A total of 972 teams entered the program from various countries, including Pakistan, the Kurdistan Region of Iraq, the UK, Hungary and Croatia. The new, three-phase program is designed to make sure that MOL benefits from the talent pipeline in a very technical field where there has been a global shortage of professionals.**
- **To address Exploration and Production-specific challenges, a comprehensive program has been initiated. The HR workstream relies on technical job families with the ultimate objective of shortening Time-to-Autonomy and accelerating the delivery of Group E&P strategic objectives.**

CHALLENGES:

- **Attracting professionals with a geoscience and/or engineering background to secure a steady supply of talent for sustained growth.**
- **MOL Group recognizes that the professional development of the petroleum-related workforce is crucial to its future success in the oil & gas industry.**

4.1. ATTRACTING TALENT

Related objectives:

- *"Talent acquisition approach tailored to attract young professionals with geosciences and engineering background hence secure talent pipeline for Exploration & Production"*
- *"Implement programs to ensure early engagement of the young generation pursuing paths into the Oil & Gas industry"*

The aim of MOL Group's employer branding strategy is to promote the company as the employer of choice to the defined and desired target groups. Employer branding is designed to address the talents who the company needs and wants to recruit and retain. Through talent acquisition and retention, the main purpose of employer branding is to stimulate business growth and achieve strategic goals. A segmented approach is followed according to the different target group (e.g. E&P professionals, engineers, IT professionals, etc) under a common overall employer branding framework.

To create both a credible and desirable brand position, MOL Group conducts vigorous communication campaigns via various channels to present the company as an employer of choice. For example, talent acquisition programs are promoted through multitouch point campaigns which involve all the relevant social media and PR tools. MOL Group has redesigned and re-launched all of its pre-existing key communication platforms (Website, Intranet portal, corporate newsletter and magazine, etc.) to articulate to employees its value proposition (EVP) and to promote its achievements and positive practices, in line with brand strategy. As social media is becoming an increasingly important tool in modern recruiting practices, MOL Group has enhanced its efforts with this form of media, using LinkedIn as a primary social media channel, while Facebook, Twitter and Youtube are also used to reach the relevant target population.

Further to the above-mentioned efforts, our current employees are considered to be the best brand ambassadors. MOL Group encourages and trains its employees to build and update their personal LinkedIn profiles. Employees are empowered to communicate on behalf of the company and to promote and share its news as this type of communication can effectively reach out to prospective candidates in a way that formal, orchestrated messaging might struggle to achieve.

MOL Group's achievements with employer branding are recognized globally. The company won the ERE Recruiting Excellence Award for its talent acquisition programs Freshhh and Growww, judged to be the Best College Recruiting Programs globally in 2014.

Educational partnerships

The oil and gas industry is facing an increasing skills gap due to the large number of experienced professionals who are retiring and the lack of natural science experts on the global labour market. As an independent industry player, MOL Group is responding to the shortage of talents by initiating several talent acquisition programs that target students from secondary schools and universities.

- Secondary school concept: To start engaging young talents at an early stage, MOL Group maintains close and regular contact with secondary schools to promote natural sciences and build a long-term relationship that will strengthen the talent pipeline. in major locations where MOL Group operates. In 2014 'MyMentor' program continued hence 16 professors were selected out of more than 1200 nominations in the countries of Hungary, Croatia and Slovakia. Junior Freshhh was launched for the first time in Croatia. Altogether almost 1500 teams registered throughout the 3 countries of Hungary, Croatia and Slovakia.
- University concept and partnerships: MOL Group is committed to supporting education in STEM areas (science, technology, engineering and mathematics) and boosting the number of graduates in these fields. For this reason, MOL Group continued its strategic partnerships with universities and faculties from relevant fields, and its sponsoring of student associations.

Existing talent acquisition programs

Freshhh: this is MOL's innovative online student competition that targets university students across the globe who are potential future employees of MOL Group. The most talented students have the opportunity to secure direct entry into MOL Group's Growww graduate selection process. Since the competition started in 2007, more than 15,000 students have participated. In 2014, a record number (1570) of three-member teams have applied to enter the competition. The winners of Freshhh 2014 were the team 'Amcord' from Serbia who then entered Growww 2014 to start their careers at MOL Group.

Number of participants in MOL's Freshhh competition

	2010	2011	2012	2013	2014
Number of teams	580	596	694	887	1570
Number of countries	25	62	58	60	76
Number of universities	117	217	251	253	258

Growww: a one year long graduate program which is designed to secure sufficient talent to accommodate MOL Group's business needs. Retention of Growwwers has remained above 80% since the program started in 2007; a figure that demonstrates that outstanding performance is a crucial part of the concept. Growww also promotes diversity: the proportion of female participants is set at a minimum of 40% at a group-level. 2014 was the eighth consecutive year of the program and a record number of 24 MOL Group companies participated in Growww.

PIMS Academy: This is MOL Group's post-graduate course which is run in co-operation with the Hungarian University of Pannonia, Faculty of Information Technology. It is designed to educate specialists to deal with the complex challenges of the global O&G supply chain. In 2014 seven international candidates completed the course and now all of them are employed by MOL Group companies.

New talent acquisition programs in 2014:

UPPP is MOL Group's new Exploration & Production dedicated talent acquisition program which was launched in October 2014. UPPP's target group consists of university students from the fields of geosciences and petrotechnical studies from selected universities. Even in its first year UPPP achieved impressive results regarding talent attraction with 972 registered three-member teams from 14 countries and 27 specifically-targeted, prestigeous universities.

After the online competition component of the program, the best-performing students are offered careers at MOL Group. The 18 month UPPP Technical Placement Program provides a unique start to the careers of top talents by offering them business and technical development opportunities, HQ exposure and on-site experience with Exploration and Production operations. The aim of the Technical Placement Program is not only to ensure that graduates will join Exploration and Production operations with a thorough knowledge of their field but also to increase their motivation to engage with their future job with MOL Group.

4.2. RETAINING AND REWARDING EMPLOYEES

Related objective:

- *"Boost pay for performance culture of MOL Group by providing a competitive and motivational reward scheme, that encourages outstanding business results."*
- *"Integrated Annual People Cycle incorporates performance and career management resulting in a structured approach to development and succession planning"*

MOL Group acknowledges that talent market is especially scarce in the industry, and while setting measures to increase its talent attraction capability, also focuses on retain talent pool and its competitive edge. At the same time headcount efficiency has been gradually improved in recent years. 2014 headcount trends (decreased from 28,769 to 27,499) followed MOL Group strategic directions.

Key measures among other took place in INA and subsidiaries that resulted in headcount decrease. Further to that IES in Italy went through a major organizational redesign in line with the transformation of the refinery into a logistics hub. Retail service station operating model change resulted in outsourcing employees in Serbia and Slovenia.

Competitive compensation

MOL Group compensation schemes are designed to reinforce a merit-based culture by clearly setting apart great results from average and poor outcomes with the goal of motivating personnel to continuously raise the performance bar

In the frame of the above, MOL Group implemented a Total Remuneration approach in 2014. This international principle helps structure major compensation elements, including the Annual Base Salary, Short- and Long Term Incentives and Benefits that together represent MOL Group's compensation strategy.

The major cornerstone of the compensation and benefits architecture is the use of HAY methodology, the most widely-recognized job evaluation method, applied worldwide by over 10 000 companies. Using the HAY method enables the company to create and manage a single, transparent and consistent system that builds a sense of fairness and promotes the accountability-based rewarding of employees.

MOL Group in 2014 issued single, transparent, group-level job evaluation methodology and grading guidelines for the purpose of harmonizing job grades and compensation outcomes. In 2014 HAY coverage reached almost 90%.

MOL Group adopted a ´dragging´ compensation policy in 2013. The policy implements the principle that compensation (which is based on HAY grades and the outcomes of performance appraisals) should exceed the local market average, while taking into consideration the local company's available financial resources and other limitations.

Ratio of corporate minimum wage to local minimum wage at significant (more than 100 employees) operating locations (%) [GRI G4-EC5]*

COUNTRY (MAIN COMPANY)	2014
Austria (Roth Heizöle GmbH)	100%
Bosnia Herzegovina (Energopetrol d.d.)	101%
Croatia (INA d.d.)	135%
Hungary (MOL Plc.)	144%
Italy (IES S.p.A.)	100%
Romania (MOL Romania PP s.r.l.)	162%
Pakistan (MOL Pakistan Ltd.)	460%
Russia (BaiTex LLC)	220%
Serbia (MOL Serbia d.o.o.)	100%
Slovakia (Slovnaft a.s.)	105%
Slovenia (MOL Slovenija d.o.o.)	100%

*MOL Kalegran B.V. (Kurdistan region of Iraq) has a headcount over 100 but since there is no official local minimum wage in the country it is excluded from the table.

MOL Group has a strict guideline that all employees are entitled to equal compensation regardless of gender, age and nationality. Group-level compensation policies are made transparent and published in Group and local regulations that are made accessible to all employees. Company-level rules are also defined by Collective Agreements (CA).

Short and long term incentives

In order to achieve superior performance, both employee and management compensation is closely tied to performance.
The short-term incentive system differentiates between employee and managerial performance incentives, both of which are connected to the annual target-setting of individual and company goals and annual payouts.
The recently-redesigned Long-Term Incentive Plan (LTI), in line with global best practice, directly links senior and top managerial gains to the long-term strategic interests of shareholders through its two main pillars: Stock Options and Performance Share Plan. The Stock Option program enhances share price increases in absolute terms, while the Performance Share Plan links MOL Group's relative share performance with regional and sector benchmark indices over a 3 year time horizon.

Benefits

Wellbeing is perceived as being of the highest value to employees and is maintained across the Group by increasing Total Remuneration value with competitive benefit schemes. Local legislation, the tax environment and competitiveness on local markets are considered together with overall Group-level consistency when basic benefit elements are defined. The most important elements are the following:

- In most of MOL group's operational areas, social and pension funds exist and employees are covered by them. Such schemes are usually state-controlled but partially private systems also exist. 96% of MOL Group employees are covered by pension contributions which are either paid by the employer or employee – the amounts paid differ by country, based on local legislation. In certain areas of operation employees may choose to contribute to a voluntary pension fund and are allowed by law to use a part or the whole of their fringe benefits (provided by the company) for this purpose.
- Life and accident insurance is available to employees in more than 50 companies, providing one-off payments to employees in the case of 'term life' and accidental events, with 24 hour worldwide coverage.
- MOL Group provides travel insurance for employees who travel on business trips to cover any medical expenses related to accidents and sicknesses that may occur during business trips, with auxiliary assistance service. This benefit is considered to be a basic care component for business-related assignments.

Annual People Cycle

At MOL Group, performance management establishes a culture of high performance in which each employee and each organization takes responsibility for continuously improving business processes and their own skills. Individual targets should be aligned with organizational targets and ensure that employees uphold corporate core values.
The Annual People Cycle (APC) is MOL Group's performance management framework which integrates all the annually recurring standardized HR processes. It ensures that performance management, career and development planning is done in a fair, consistent and transparent way and that employees are working with the right objectives in mind.
In 2014 MOL Group implemented a state-of-the-art technological process as a supporting application for APC: a SuccessFactors product which has been proven to be user-friendly and easy to maintain. Its current implementation facilitates a beneficial compromise between corporate HR processes and user-focused visual technology. A clean, updated employee database on the source side and processes that use this data contained within Success Factors are flawlessly united in a web of connective sub modules. The first phase of the APC project incorporates Employee Profile, Performance Management, Calibration, Goal Management, Succession and the Compensation modules.
Elements of the Annual People Cycle are described hereafter.
The Managerial Performance Management System (MPMS) consists of three target elements and their evaluation: corporate, divisional, and individual targets. Besides the key financial indicators, sustainable development, health, safety, environment and HR-related targets are also considered among the targets which are consistently cascaded down the organization from the top management team to lower managerial levels. Meeting SD&HSE and HR targets is mandatory for all MOL Group managers. HR targets focus on APC completion and employee engagement.
The Employee Performance Management System (EPMS) ties corporate objectives to individual performance through a differentiated employee bonus payout, in line with the outcomes of performance evaluation. MOL Group is working to extend EPMS, with the aim of covering all of the companies within the Group. An EPMS system was implemented to INA in 2014 involving approx. 5000 employees.

Employees covered by a predefined and standardized performance appraisal process (%) [GRI G4-LA11]

EMPLOYEE CATEGORY	COVERAGE OF EMPLOYEES BY PERFORMANCE APPRAISAL PER YEAR				
	2010	2011	2012	2013	2014
Executive/ Top Management	100%	100%	100%	100%	100%
Middle/ General Management	100%	100%	100%	100%	100%
First Line Management/ Supervisor	100%	85%	85%	100%	100%
Specialist groups	78%	48%	64%	64%	70%
Employees (below HAY 18)	73%	40%	41%	42%	51%

Career Management System (CMS) & Development processes enable the organization to identify and retain talent. At the same time, managerial succession plans can be drawn up and employee development activities bought in line with MOL Group business strategy. MOL Group's talent pool is reviewed annually in the course of People Review Meetings, where managers of respective areas define their plans for increasing bench strength and identifying development opportunities for talents.

Number of participants in career management system and development processes [GRI G4-LA11]

APC PROCESS	NR. OF PARTICIPANTS PER YEAR			
	2011	2012	2013	2014
CMS & Development	1,320	1,535	2,000	2,100

Employee engagement

Engagement refers to a state of emotional and intellectual involvement and commitment that leads people to do their best work. Employee engagement at MOL Group goes beyond how much people like being part of their organization, which is represented by their satisfaction. One of the principal tools used at MOL Group to measure employee engagement is the Roundtable Survey. At MOL Group engagement is measured biannually and considered to be an important business indicator. Throughout the process MOL Group promotes the safe reporting of views. The most recent survey was conducted in 2012/2013.
Based on the results of the last employee engagement survey we defined actions for improvement (over 1400 individual actions globally). Throughout 2014 we monitored and measured the completion of these activities on a regular basis and celebrated successes as they occurred. By the end of 2014 the majority of activities had been completed.
Also, in the last quarter of 2014 MOL Group conducted a Pulse Check with several focus groups in order to evaluate the overall success of the action plans and to define additional opportunities for improvement.

Employee engagement survey results (%)

EMPLOYEE ENGAGEMENT RESULTS	2008*	2010	2012/13
Coverage	90	90	96
Response rate	50	64	62
Engagement level	67	70	47*

* The engagement methodology changed in 2012 due to the engagement of a new service provider. As a result, the Engagement level data in the table do not show the trend in engagement from 2010 to 2012 since the basis of calculation is different. Compared to 2010 results, the difference is a 2% point decrease.

4.3. DEVELOPMENT OF HUMAN CAPITAL

Related objectives:

- *"Build Leadership capabilities, fill technical competency development gaps and have a global leadership competency framework"*
- *"Develop MOL Group's human capital through creating environment in which employees adhere to highest performance standards, learn and apply innovative ideas, competencies, skills and co-operate for collective business success."*

MOL Group's strategic transformation, the increasing speed of change and the need for efficiency improvements in Downstream and capability upgrades in Exploration and Production require new skills and capabilities. As a result, the development of human capital is considered to be a fundamental pillar of MOL Group's success.

Training and development data for MOL Group [GRI G4-LA9]

	2011	2012	2013	2014
Average training time per employee (hours)	21	18	22	24
Average cost of training per employee (th HUF)	51	54	57	76
Average hours of training per employee group (hours)				
Executive/Top management	56	38	19	52
Middle/General management	47	31	34	53
First line management/Supervisor	44	29	40	52
Specialist groups	33	28	37	38
Other employees	19	16	20	21
Average training cost per employee group (th HUF)				
Executive/Top management	688	571	464	1,107
Middle/General management	265	325	287	854
First line management/Supervisor	165	220	207	368
Specialist groups	122	138	127	200
Other employees	37	37	42	61

Learning and development objectives

MOL Group values, promotes and facilitates employee skills development as a key driver for meeting its strategic goals. In 2013-2014 MOL Group started to build a completely new global learning program portfolio and launched mission-critical global people development programs to support the strategic transformation of MOL Group. These learning interventions focused on two subjects:

1. Strengthening technical capabilities. To meet the oil and gas challenges of the 21st century, professionals at all levels need to acquire fresh skill sets.
2. Building Leadership capabilities. Leadership choices and the quality of these choices have a tremendous impact on safety and productivity at both the individual and organizational level. Besides equipping present leaders with the necessary new skill-sets, MOL Group is building its next generation of global leaders via its unique talent programs

Technical capability building

MOL Group recognizes that the development of petroleum professionals' skills is crucial to future success. The global outlook confirms that oil and gas industry is about to enter into a new era when a very different demographic situation will be experienced, while new technologies and scales will demand the acquisition of more skills. Knowledge intensity is increasing, along with business complexity. MOL Group must therefore work to promote innovation and the acquisition of new technical skills with reduced time-to-autonomy in technical job roles to ensure it is successful in tomorrow's oil and gas industry environment. Whereas skills are strategic enablers, without people with right skills operational excellence cannot be achieved, and, what is worse, operations may entail a high level of HSE risk that is unacceptable to MOL Group.

To ensure that employees acquire the right skills, as well as achieve functional and technical excellence so they are able to do their jobs according to the standards and meet business needs, MOL Group introduced a Technical Competency Model and related development process 5 years ago. Access to training is driven by the need identified through Technical Competency Development processes, and structured and well-planned training modules are available to our expert pool based on their technical competency requirements and gap analysis, while progress is tracked against learning objectives.

The methodology behind the system is provided by PetroSkills, the leading oil and gas industry training company. Adoption of PetroSkills' Technical Competency System has significantly speeded up the implementation process and enabled adjustment to conform to industry benchmarks. In 2014 the program was rolled-out to Downstream Logistics and the entire pool of HSE experts.

Employees enrolled in Technical Competency Measurement (number of people)

	2010	2011	2012	2013	2014
Exploration & Production	380	630	650	750	850
Downstream	0	230	500	750	950
HSE	0	0	30	30	300
Total	380	860	1,180	1,530	2,100

Leadership development

MOL Group maintains its focus on its leadership population in order to equip them with the knowledge and skills they need to achieve the Group's business objectives and secure its future, even in extreme market conditions.

To ensure constant flow through its leadership pipeline, MOL Group launched LEAD - its leadership education program for the Group's top talents - in 2013, partnering with the well-acknowledged regional Cotrugli School of Business (Croatia) and the globally-renowned Thunderbird Global School of Management (USA). LEAD is organized around three nested leadership talent pools.

While still ongoing, in 2014 LEAD proved to be of great assistance in strengthening the Group's management. 30% of all participants had been promoted by the end of 2014. Further, the quality of the program design has been verified by external benchmarks. In 2014 LEAD won the Leadership 500 Excellence Award and Asia's Training & Development Excellence Award for Best Leadership Development Program in two categories: Middle and Top Management.

To provide learning opportunities to all of MOL Group's managers and to define Group-wide common leadership practices, MOL Group launched Intensity, its modular leadership development program, in co-operation with Management Centre Europe (MCE), the largest provider of talent development programs in Europe and the Middle East.

Intensity provides a selection of courses that are organized into a matrix based on the level of leadership (from Individual Contributors awaiting a management role through Senior Leaders) and key leadership competencies. Managers can pick the right course based on their actual development needs which are identified by the outcomes of the annual performance management cycle. Intensity is designed to efficiently integrate knowledge into the workplace by offering pre and post-course activities and a blended learning solution.

Local specific needs may be addressed by locally initiated programs, in line with the group level direction. An example is the Hungarian Downstream operation where leadership succession program has been running for 2 years now. There have been 17 participants who not only completed courses but have been leading projects as well. The estimated and expected financial benefit of these projects in total is almost HUF 3bn.

Division-specific development programs

MOL Group Exploration and Production has defined the strategic objective of expanding its Exploration and Production portfolio internationally, increasing production significantly and becoming a sizeable and reputable international player. The Global oil and gas outlook confirms that without strong people fundaments basics and new technical skills, business growth is will be at risk. A holistic HR program that efficiently addresses each component of the people challenge was launched in 2014. Finalization of the design and implementation of the program activities is planned for 2015. Program elements will include identification of future resource needs, building a Technical Career Ladder as an alternative to a managerial path, development of a uniform E&P Technical Learning Curriculum, boosting innovation and knowledge sharing across organizations using Communities of Technical Excellence and strengthening leadership capabilities.

ADvancE is a 4-month-long internal training program for Downstream which increases the understanding of selected DS experts of the entire MOL Group DS supply chain by supplying them with comprehensive knowledge about each area using a 'connect the dots' approach. In 2014, MOL Group developed the content and organized the program. Participants have already been selected by Group Downstream top management. The first ADvancE program will run in H1 2015.

Another important program in Downstream business is our Production Rotation Program. Selected participants (appointed by managers) spend 1-2 months at a site that is different from their current workplace. The main aim of this Program is to ensure that professional refining-related knowledge and expertise is shared throughout the Group, as well as to create a strong and efficient social network among Group Downstream Production sites. MOL Group launched its DS Production Rotation Program in 2011 and since then more than 90 people have participated from all 4 refineries. In 2014, 28 refinery experts were invited to join this Program.

4.4. COMMITMENT TO FAIR EMPLOYMENT

Related objective: "Enhance responsible employer practices to ensure the engagement and diversity of the workforce"

Employee relations

The freedom of association and collective bargaining is considered to be of fundamental importance to MOL Group.

Trade unions and collective bargaining agreements (%) [GRI G4-11]

	2010	2011	2012	2013	2014
Employees represented by trade unions	94.5	94.8	94.8	96.0	94.4
Employees covered by collective bargaining agreements	94.5	95.0	91.7	90.1	88.7

The European Works Council (EWC) ensures the representation of employees at a MOL Group level and keeps them informed on an ongoing basis about decisions taken in different countries which are within its competence. On MOL's supervisory board, employee representatives (one third of all members) are delegated by the EWC. The European Works Council contains members from all major subsidiaries that operate in Europe, but it also has contact points in Russia and Pakistan. The EWC has one general meeting a year, and holds one meeting at least once a year together with MOL Plc.'s Hungarian Works Council.

At MOL Plc. (Hungary) employee representatives are invited to Collective Agreement (CA) negotiations, professional discussions about CA-related issues, a commenting process related to the activities of the Employer and works councils meetings (on a monthly basis). In 2014 a total of 53 sessions took place with the objective of promoting the sharing of information. Further to that, 30 meetings took place which involved discussions and/or negotiation about specific topics.

The Works Council of INA (Croatia) was established in 2011 and has 25 member trade unions with which the Employer maintains a regular dialogue. One assembly organized by the Works Council was held in 2014, while 22 regular meetings were held with social partners and 6 meetings were held with trade unions (which resulted in agreement about 3 social clauses for workers). Approximately 35 negotiation-focused meetings were held in 2014, including the involvement of managers of certain business segments.

In Slovnaft (Slovakia), the fundamental agreement between employer and employees takes the form of a Collective Agreement. 36 meetings took place between employer representatives and trade unions in 2014.

In October 2013, MOL Group announced its intention to transform IES Mantua refinery into a logistics hub. Beginning in 2014, IES negotiated and reached agreements with Trade Unions and external parties (including the Ministry of Economic Development, Lombardy Region, Mantova Municipality) about the transformation and re-industrialization of company activities. Meetings at which trade unions and external stakeholders participated were regularly held throughout 2014 in order to ensure that the activities so far implemented by the company that concern employment levels, reindustrialization processes and environmental issues continue to be monitored.

The Health and Safety of employees is an integral part of agreements and discussions with trade unions. At MOL Plc. a works safety update is a standard agenda item for Works Council meetings, while 38 employee representatives work in four safety-at-work committees or independently. Safety-at-work representatives have the responsibility to review that labour conditions are safe, they participate in the investigation of incidents, in risk assessments and in the elaboration of work orders. In Slovnaft, employee interests concerning health and safety are represented by more than 100 employee representatives from separate departments who are appointed based on the proposals of trade unions. At INA in 2014 there existed a total of 29 safety-at-work committees and subcommittees, while 79 safety-at-work commissioners are also active.

Diversity and inclusion

MOL Group promotes a culture of diversity, creating an environment that allows our global workforce of diverse backgrounds, experiences and perspectives to contribute to achieving results without boundaries. Accordingly, the company continues to internationalize organizations, advocate high-quality knowledge transfer between different generations and to embrace the diversity that promotes creativity and innovation. By doing so, MOL Group attracts, engages and retains top talents that create greater value for our business. MOL Group is committed to ensuring equal opportunities in recruitment, career development, promotion, training and reward processes for all employees.

Internationalization is clearly evident at MOL Group's HQ, where 14% of all employees, representing 23 nationalities, are non-Hungarian. Moreover, more than 360 of our colleagues are working on international assignments. Meanwhile, the proportion of female Growww program participants is at around 36% (an increase of 16% compared to 2013). A women's leadership network, a new forum for supporting knowledge and skills transfer and networking, has been established at MOL Group. The first formal meetings have already been held in 2014.

In Hungary, MOL introduced flexible working arrangements for its employees in 2014 as a pilot project at a few units. These arrangements support flexitime and working from home. This program fosters diversity and supports a better employee work-life balance, hence increasing employee commitment and entrepreneurship.

Part-time employment at MOL Group

	2010	2011	2012	2013	2014
Part-time employees (number of people)	191	261	293	263	282
Proportion of part-time employees to total workforce	0.59%	0.83%	0.99%	0.91%	1.03%

Employee representation organizations and the Company – as employer – have signed MOL Plc.'s II. Equal Opportunity Plan for the next 2 years (2013 – 2015) which covers Hungarian operations.

The plan covers all the employees of MOL Plc. and pays special attention to upholding the rights of employees on maternity leave, single parents, parents with two or more children under age ten, employees with any kind of disability or who are over the age of 50, and those who belong to a national or ethnic minority. The main purpose of the plan is to improve the working and employment conditions of these employee groups and to focus on meeting their special needs. As a result, a new initiative was launched: the "Layette benefit" contribution. MOL Plc. not only keeps contact with employees who are on maternity leave but after their return to work, as far as possible, MOL Plc. offers them flexible working arrangements and the opportunity to occasionally work from home.

In terms of rehabilitation procedures, MOL Group pays special attention to employees whose ability to work has changed and those with disabilities. If any of MOL's employees become disabled, then the Company will always investigate further employement options. The Company operates a rehabilitation committee to support this process.

The Company has assessed the positions at MOL Plc. that can be filled by employees whose ability to work has changed. Additionally, new recruitment channels for employees with disabilities have been identified and can now be used. In 2014, 15 employees with changed working ability were employed by MOL Plc, which also resulted in savings of 11,766,900 HUF in rehabilitation contributions.

Some other great achievements that support our Diversity & Inclusion strategy include the buddy and mentor program for Growww participants. At INA we collected local applications for scholarships for children, for Homeland War veterans and other planned scholarships and work life balance initiatives.

One of our most significant achievements in the field of diversity is the fact that a first group of female employees at MOL Pakistan (7 newly-hired female trainee engineers) were put through the Growww Program in 2013 and continued to work for MOL Group in 2014.

5. COMMUNITIES

General aim: enhance trust and credibility among stakeholders

ACHIEVEMENTS:

- **In the Kurdistan Region of Iraq, MOL Kalegran has completed the identification of high priority social issues, stakeholder concerns and the social impacts related to its operations. The outcome of the process is a Stakeholder Engagement & Social Investment Strategy that forges a renewed social compact between the Company and its host community.**
- **MOL Group Volunteers' Club - a platform for Corporate Volunteering - was launched by MOL Group headquarters as a long-term initiative to give back to society in the regions where the company operates.**

CHALLENGES:

- **New internal regulations that are designed to standardise the principles and processes of stakeholder engagement have been drawn up. The implementation of this Group Practice in 2015 is expected to improve understanding and the management of stakeholder issues and perceptions.**

5.1. COMMUNITY RELATIONSHIPS

Related objectives:

- *"Develop a group level social engagement plan by 2012"*
- *"All countries have an annually updated social engagement plan implementing key pillars of engagement"*

Community engagement

MOL Group has been improving its community engagement practices gradually in the last year, in line with the continuous expansion of its international operations. Since 2013, Annual Corporate Communications Plans have been created for all countries where the company operates, and at the end of 2014 MOL Group issued its Social Engagement Group Practice guidelines that must be implemented by all member companies and all relevant sites/operations. They provide guidance about the principles and practices of social engagement and help companies to identify and involve stakeholders. They also contain guidance about interacting with local community stakeholders, including opinion leaders, municipalities, associations, non-profit organisations and foundations when carrying out normal business operations. In 2015, individual company/site/operation-level Social Engagement strategies and action plans will be prepared according to this group level guidance document.

The nature of the community engagement strategies of MOL Group and its member companies are highly dependent on the location of the business operations. The most common activities we engage in are maintaining site-level relationships, holding public hearings and implementing initiatives in common with stakeholders.

One of the crucial topics in community engagement processes is the environmental impact our sites have on communities. MOL Group has to manage both the real impacts of its operations and community perceptions about them. In 2014, sites received 114 complaints related to environmental issues (49% of the complaints concerned European sites while the others were related to our international Exploration and Production operations). Such grievances are taken seriously and have been or are being resolved.

European operations

MOL Group's European sites were typically put into operation decades ago and therefore already have established relationships with local communities and stakeholders. They are widely-accepted and our communication activity relates to routine engagement activities and concrete issues such as the nature of new investments.

Moreover, during general engagement practices that concern European operations the emphasis is also on engaging communities and the broader society in ways that shape people's attitudes and ways of thinking about how sustainability can be promoted. One example of this is our used cooking oil collection campaign which now operates across 3 countries. This campaign helps the general public to dispose of their hazardous household waste in an environmentally-friendly way at one of our filling stations. The campaign has now been running for 3 years at 230 filling stations. The program has generated since its start a financial return in the range of EUR 300,000 – all of which is returned to the promotional campaign to increase environmental benefits.

MOL Plc., with its focus on actively involving communities in 2014, became the main sponsor of Budapest's first bike-sharing system ('MOL Bubi'). The support we provide means the program has significantly greater ability to reach its target audience and the main company stakeholders than any other conventional communications tool.

Moreover, MOL Plc. continued its program of 'Management Roadshows' in which top managers visit all the major sites in Hungary twice

a year to meet with local authorities, municipalities and communities in order to strengthen trust and discuss current issues. To improve our capability to react better to any community concerns that arise, a social media monitoring system has also been introduced.
Slovnaft's focus has been on increasing awareness of the company among local stakeholders as a socially responsible business. As part of its commitment to transparent operations, our "Responsible Neighbour" campaign continues to provide local communities with information about MOL's activities. We share information about flares, water treatment, smoke, smells and noise – the most important issues that affect the lives of those who live in proximity to the Refinery.
INA systematically continues to make an effort to recognise the specific needs of local communities, while communication is centred on the public debates that are regularly held in the process of environmental impact assessment and obtaining environmental permits.

Non-European operations

In International Upstream countries MOL Group has "carte blanche" to develop its image. Accordingly, to build strong relationships with local communities the basic needs (education, infrastructure, drinking water supply and healthcare) of the general public must be considered. MOL Group has various methods in place for surveying and understanding the needs of these local communities and ensuring that the company continues to receive support for its operations. These methods include contracted Community Relations Officers who can be contacted by locals at any time.
MOL Kalegran B.V. operates close to a settled area and interacts with the local community on a regular basis. The issues and topics in which the local community is interested are diverse, but the chief concern is livelihoods of locals. To identify key areas and to address all relevant issues a Social Impact Assessment and Stakeholder Engagement & Social Investment Strategy has been developed, based on a comprehensive study carried out by external experts. In the Kurdistan region of Iraq, drilling & well operations and production can potentially have significant negative impacts on local communities due to the high hydrogen-sulfide (H2S) content of the associated gas. To mitigate this risk and avoid any hazardous situations that may occur, special measures were taken during site selection, equipment design and the preparation of operational emergency response plans, as well as off-site emergency response plans for critical sites which involve nearby local communities. MOL Kalegran's community relations officers have regular meetings with the local community, local authorities and Mukhtars (village heads), prior to the start-up of any significant operations such as well tests, production or flaring.

5.2. SOCIAL INVESTMENTS

Related objectives: "Develop a comprehensive and effective social investment management system, including local social investment plans, with measurable targets in each country of operation"

Through donations and social investment MOL Group aims to create value for stakeholders and be responsible to future generations. Accordingly, MOL Group has supported educational programs and talented young people, health and environment initiatives using 0.32%[1] of its EBITDA.

European operations

MOL Group aims to strengthen its social investment portfolio and to cooperate better with its partners to measure business and community benefits. To this end, a best-in-class tool - which uses London Benchmarking Group (LBG) methodology - has been adopted in MOL, Slovnaft, INA, TVK and MOL Romania to manage and report about social investment. MOL Group plans to further extend the use of this tool in 2015 to international Upstream companies.
In Central Europe MOL Group members are well-established brands and companies carry out annual corporate giving awareness surveys to understand the needs of society. In 2014 the survey was conducted with the involvement of more than 8000 stakeholders. According to the survey results, health care and health promotion were top of the public's 'wish list': 87% of stakeholders would donate to promote healthy lifestyles and help prevent disease. Second on the list was education (78%) and third, environment protection (74%). Identifying and supporting talents was also in the top 5 (49%).
MOL Group's corporate giving budget is aligned with its business activities and public expectations. Results of MOL Group's internal data collection processes show that 42% of the donations tracked in the LBG data collection toolkit focus on supporting education and young people, while 10.3% are spent on improving health. 25.8% of the total corporate giving budget is aligned with MOL's business interests; e.g. supporting cooperation with the most important customers, initiating projects where Exploration and Production activities are undertaken and cooperating with professional organizations accounted for.
The social investments of MOL Group companies in Central Europe are carried out through foundations which support talented young people in arts and sports, as well as those which support health care and provide special therapy for chronically ill children. The majority of social investment (86% in Hungary, 50% in Slovakia, 100% in Romania and 60% in Croatia) is made through such organizations.
In Hungary, Slovakia, Romania and Croatia MOL Group also supports local environmental initiatives through Green belt programs.

Non-European operations

In international exploration and production operations MOL Group always strives to understand local community needs and create tailor-made social investment action plans for each area. E&P community relationship officers survey and identify the needs of local communities and select between local community requests on the basis of our central objectives and by consulting with governmental stakeholders.
MOL Pakistan continued its social investment program in 2014 with a focus on healthcare and education. Another Free Eye Camp was held at Saradhana village in the Haripur District, where 825 patients were treated, and refurbishment of the Federal Government Girls College Thanda Pani in District Islamabad is now complete. Furthermore, several water network and irrigation projects were supported to improve the living conditions of communities who live around our operations. They include the following:

- Construction of a check dam at Ahmadi Banda in Karak District - started in 2014, will be completed in 2015.
- Extension of Minor-1 from Sanda Fateh Khan Dam (Irrigation Project) at Hoti Banda in Kohat District - completed in 2014.
- Drinking Water Supply Scheme at Bakha Banda in Karak District.

In the Kurdistan Region of Iraq, donations and social investment projects in 2014 included the building of a new (6-year) school, a youth center and the construction of a community hall and water project.
Moreover, a Stakeholder Engagement & Social Investment strategy has been prepared to ensure the most efficient and targeted use of donations in the future. In the proposed Social Investment Strategy the main areas identified are water development initiatives, agriculture (including livestock farming), education, youth empowerment and tourism. Project planning has already started; implementation will follow in the coming years.
Additionally, in the Kurdistan Region of Iraq - in order to help refugees fleeing from ISIS - a humanitarian aid package was developed and distributed by MOL Group through local suppliers with the support of the Ministry of Natural Resources and local authorities. It was specifically targeted at refugees located in the operational block Akri-Bijell.
In Russia, according to the conditions of the license agreement Matyushkinskaya Vertical donated HUF 14.2mn (RUB 2mn) for the social and economic improvement of the Aleksandrovsky area.

Volunteering

The current volunteering platform of MOL Group is rich in activity but somewhat fragmented. Many similar, well-functioning initiatives exist. The total number of volunteering hours undertaken by employees increased considerably due to the launch of the MOL Group Volunteers' Club - a group-wide platform of Corporate Volunteering – in May, 2014. Volunteers will regularly organize events in the future to express their responsibility towards local communities and strengthen employee engagement at the same time. Harmonization of the concept is ongoing and roll-out of the methodology to countries of operation is in progress.
The target for 2015 is to renew this concept and develop a common corporate volunteering platform for all employees.

In 2014 259 members the INA Volunteer Club took part in 19 initiatives. The focus was on ecological and humanitarian projects and projects for children and youth. Volunteers use their own Facebook application whereby fans and visitors can suggest or vote for volunteering projects. Currently, the Club has approximately 350 members and this number is increasing every day. The INA Volunteer Club received a "Recognition for contribution of the business sector to the development of volunteering" award.
There are numerous other voluntary initiatives within MOL Group such as Greenbelt volunteering in Hungary, employee blood donations in many countries, the "Our city" program and the "Collection of Goods for Socially Disadvantaged Families" in Bratislava, and a joint program with the Dévai "Szent Ferenc" Foundation in Romania for renewal-related activities.

Corporate giving in main countries and regions [GRI EC8]

	HUNGARY	SLOVAKIA	CROATIA	ROMANIA	INTERNATIONAL UPSTREAM	ITALY	TOTAL
Donations in cash (million HUF)	809.8	129.7	133.2	198.5	163.3	0.0	1,434.4
In-kind giving (product/services) (million HUF)	0.0	5.1	19.7	0.0	71.0	0.0	95.8
Leverage (million HUF)	1,570.1	-	-	-	-	-	1,570.1

Leverage: according to LBG methodology donations given in accordance with Corporate Tax Optimization shall be accounted for as leverage

Corporate volunteering by employees

	HUNGARY	SLOVAKIA	CROATIA	ROMANIA	INTERNATIONAL UPSTREAM	ITALY	TOTAL
Employee volunteering (hours)	1,672	270	3,752	368	0	0	6,291

1 Without corporate tax optimization; clean CCS-based EBITDA without Gas Midstream was used in calculations because FGSZ data is not included in social investment data

6. ECONOMIC SUSTAINABILITY

General aim: Focus on responsible operations and long-term economic development

ACHIEVEMENTS:

- The Business Partner Code of Ethics is now a component of 99% of supplier contracts.
- The value of contracts with locally-owned suppliers in our international Exploration and Production activities amounted to HUF 85bn in 2014.
- Security training material for all employees was rolled out across MOL Group in 2014. In Pakistan, Russia and the Kurdistan Region of Iraq the training material includes principles related to the protection of human rights. Training materials were shared with private security contractors (who reported a 100% compliance level), and also with public contractors as recommended training material.

CHALLENGES:

- Implementation and improvement of the new supplier qualification system in 2015.
- In 2014, steps were taken by MOL Group to implement a new and improved process for the pre-qualification of contractors during the procurement process. As part of this process, the procurement of a Supplier Qualification System started with implementation and roll-out planned for 2015.

6.1. CUSTOMERS

Customer satisfaction

Related objective

- *"Achieve and maintain a high level of customer satisfaction"*
- *"Engage with customers in SD-related issues"*

MOL Group focuses on building and maintaining a good relationship with both wholesale and retail customers in the regions in which it operates. Wholesale customers purchase about 75% of MOL Group products, while approximately 25% of fuels are sold through the retail network of the company, together with non-fuel products. Based on the results of the 2013 Customer satisfaction survey MOL Group Downstream updated its strategic viewpoint and redefined its vision in 2014 as follows: MOL Group Downstream should be the first choice for customers, fuelling growth while delivering value for people and shareholders. The new strategic direction, called "Customer first", focuses on markets and customers as the key growth areas. The new approach puts more focus on better satisfying customers than in the past and on ensuring that they stay with the company as clients in the long run. MOL Group would like to enlarge its share of loyal customers by providing them with a unique combination of price, quality and service.
In 2014, MOL Group maintained wholesale customer satisfaction level of 86%. The main drivers of this success were fuel (including fuel cards) and lubricant customers. At INA wholesale customer satisfaction did not change significantly although considerable progress was made with reducing the number of complaints by wholesale customers. Almost 4 times less complaints were made in 2014 than in 2013.
At Retail, the main channel of communication is personal contact through the network of filling stations themselves, while customer loyalty is also encouraged in the form of a two loyalty card system. A centralized customer service is also in place which is responsible for handling any claims and complaints related to or generated at filling stations through personal contact or via phone.
MOL Group considers legitimate complaints and customer feedback to be useful inputs for improving processes and practices. In 2014 there were 55 million retail transactions in Hungary alone, from which we received 2,423 justified complaints. In Croatia 10,822 calls were received on the free customer line in 2014, 2.19% less than in the previous year.
In Retail operations, customers are locally engaged in sustainability-related initiatives. In 2014 the implementation of preexisting programs continued. They included Cycle Pit Stop (bicycle stands at filling stations), health days (at 5 filling stations in Hungary) the eye-testing program in Croatia (480 tests), and the organizing of fruit markets at which local producers can sell their products.

6.2. SUPPLIERS

Related objective: "Introduce comprehensive supplier risk assessment and have prequalification for at least 80% of the critical suppliers in each subsidiary"

Local suppliers

Employing local people where we operate, as well as hiring local contractors when it is possible, is beneficial to the local economy as the income it generates increases the purchasing power of these communities.
MOL Group understands that hiring local suppliers has multiple benefits and can also be a way of establishing a positive relationship with local communities. As a result, MOL Group contracts with such suppliers whenever it is beneficial, taking into consideration the expectations of local governments also.
In Central Europe local suppliers comprise the absolute majority of all suppliers, with the highest number in Croatia where 93% of suppliers are locally-registered. This makes MOL Group a key component of the economies of these countries. However, in some countries the proportion of local spending has decreased significantly. This is because some large scale investments are being carried out by foreign contractors.

Number of local suppliers [GRI G4-EC9]

CEE / SEE REGION, TOTAL VALUE OF CONTRACTS*	LOCAL SUPPLIERS	TOTAL	RATIO OF LOCAL SUPPLIERS	
COUNTRY	NO.	NO.	NO.	VALUE
Hungary (MOL Plc.)	13,284	14,202	94%	80%
Hungary (TVK Plc.)	1,303	1,657	79%	65%
Slovakia (SLOVNAFT A.S.)	1,864	2,339	80%	65%
Croatia (INA d.d.)	1,081	1,310	83%	93%
CEE / SEE REGION Total	**17,532**	**19,508**	**90%**	**81%**
UPSTREAM INTERNATIONAL Total	**1,333**	**1,889**	**71%**	**57%**
Group total	**18,865**	**21,397**	**88%**	**72%**

*Locally-registered suppliers

In the countries where we have International Upstream operations, local procurement is especially important because operational sites are very often situated in areas populated by low-income communities. Hiring local contractors and employees therefore strengthens the relationships MOL Group has with all the stakeholders, including local governments and communities. Contracting local suppliers can also be advantageous due to their knowledge of the market.
In countries where MOL Group is only involved in exploration activities the opportunities for hiring local suppliers can be limited due to the special knowledge and technology we require. However, where MOL Group undertakes production activity as well, the proportion of local suppliers is high, especially in the Russian region where the involvement of local enterprises is 100%.

Number of local suppliers in E&P International countries [GRI G4-EC9]

	PAKISTAN	OMAN	KAZAKHSTAN	RUSSIA	KURDISTAN REGION OF IRAQ
Proportion of local suppliers* (to total number)	68%	50%	90%	100%	52%

*Locally-registered suppliers

Having a local supply chain creates the greatest benefits to society and to the local economy when locally-owned small businesses are hired as contractors. The total value of contracts signed between MOL Group and locally-owned (not only locally registered) businesses in 2014 was HUF 85bn (EUR 289mn) in Upstream international countries (Pakistan, Oman, the Kurdistan Region of Iraq, Russia and Kazakhstan).

Supplier management

In 2014 steps were taken by MOL Group to implement a new and improved process for the pre-qualification of contractors as part of the procurement process. As a part of this process, the procurement of a Supplier Qualification System has started with implementation and roll-out planned for 2015.
Moreover, MOL Plc. has started a new sustainability-focused supplier auditing process. This process is designed to review and potentially improve the sustainability-related practices of key strategic suppliers.

6.3. ETHICS AND COMPLIANCE

Related objective: "Implement key pillars of ethics management system (code of ethics, e-learning, managerial presentation, and business partner code of ethics) in all companies and reach 100% coverage"

Within the ethics management system, MOL Group places special emphasis on communicating the Code of Ethics and ethics training. The internal auditing of the system continued in 2014.

- The Code of Ethics has been translated into Ukrainian and is now available to employees and external stakeholders in 13 languages (English, Bosnian, Croatian, Polish, Hungarian, German, Italian, Russian, Romanian, Serbian, Slovakian, Slovenian and Ukrainian).
- The Business Partner Code of Ethics is a component of 99% of supplier contracts.
- An ethics awareness-raising poster campaign against harassment, discrimination and corruption was launched at all MOL Group companies.
- Ethics eLearning courses – addressing topics such as human rights and corruption – were successfully completed by employees with Intranet access at INA Group, MOL-Russ, Slovnaft Czech Republic spol. s r. o., SLOVNAFT Polska S. A., MOL Romania, Geoinform Ltd., Petrolszolg Ltd., and Tifon d.o.o.
- 94% of our employees have attended an annual ethics presentation that is delivered by managers. Level 1-4 managers have published an ethics statement via the Intranet to make it publicly available and to increase transparency.
- In order to raise awareness of ethics-related issues in the supply chain, special ethics-focused training was conducted for filling station operators and attendants in the Czech Republic, Bosnia and Herzegovina, Croatia, Hungary, Romania, Serbia, Slovakia and Slovenia.
- Based on our estimates, eLearning and ethics presentations delivered by managers and filling station training events totalled 26,490 hours.

- In addition to ethics investigations and an assessment of ethics-related measures and country and company risk, internal ethics auditing continued this year at 10 subsidiaries and organizational units.

Ethical cases

The Ethics Council is responsible for ensuring that all MOL Group employees comply with the Code, thus the Council, among its other responsibilities, replies to questions that are raised and conducts internal investigations. This year the Council primarily assisted in resolving ethics-compliance issues associated with harassment/inappropriate communication, theft/fraud and discrimination.

Compared to the 81 ethics-related complaints/reports reported in 2013, a higher number, 88 were reported to MOL Group and the INA Group Ethics Council in 2014. The higher number of potential ethical breaches indicates an improvement in the ethical awareness of employees at an increasing number of MOL Group companies. The same trend can be observed with external stakeholders.

- Ethics reports were received from 8 countries, including Iraq and Pakistan, which is a sign of the effective group-level rollout of the ethics management system
- 58% of the reports were received from internal stakeholders and 42% were filed by external stakeholders (this represents an increase of external reports of 11% year-on-year).
- External reports were primarily submitted by customers (27%), former employees (24%), and local communities/citizens (22%). 19% were filed by suppliers/business partners and 1% were received from shareholders.

Topics of ethics-related reports in 2014

TOPICS	SHARE OF TOTAL NUMBER OF REPORTS
Harassment/inappropriate communication	34%
Discrimination	8%
Theft/fraud	11%
Misuse of digital system	2%
Corruption/bribery	5%
Conflict of interest	2%
Breach of HSE norms	3%
Unethical supplier	5%
Other	30%

88 reports were received in total, from which 61 were investigated by the Ethics Council in 2014. Out of the 61 investigations, ethical misconduct was substantiated in 16 cases and 19 investigations are in progress. In addition, the Ethics Council initiated 3 investigations in 2013 that were completed in 2014. Of these cases, ethical misconduct was substantiated in two cases concerning bribery and making false entries in statements.

Consequences for the ethical misconduct revealed by the Ethics Council include the following: termination of employment in 3 cases, written disciplinary notices were issued in 9 cases and verbal disciplinary notices given in 4 more while cash penalties were awarded to filling station operating partners in 2 cases. Transfer to another workplace was suggested in 2 cases. Customer reimbursement, termination of partner contract and an apology were requested in 1 case each. In the bribery case all the business associations and subcontractors associated with the shareholders and/or senior managers of the company have been blacklisted and excluded from future MOL Group tenders for a period of 99 years. In the remaining cases, the Ethics Council recommended that the awareness of ethical norms should be raised. The Ethics Council regularly reports about ethics related cases to the Executive Board and Supervisory Board and takes the necessary measures to raise awareness of ethical norms.

In 2014, the most common types of cases involved inappropriate communication. The style of some managers was found to be offensive and insulting by a number of our colleagues and a manager failed to involve their direct manager in a performance evaluation and to provide the daily, up-to-date information required to perform their duties: this conduct was considered malicious behaviour. There were some cases of inappropriate and disturbing e-mail communication between employees, harassing phone calls on official cell phones, verbal attacks, threats and cursing. A filling station attendant talked to a customer impolitely. Due to the lack of formal communication with a supplier the company became convinced from information derived from hearsay and rumours that it had fallen out of favour. A manager forwarded an e-mail to a supplier without authorisation.

A number of cases of misconduct associated with low value fraud and impropriety by filling station attendants were detected (such as misuse of the loyalty card of a customer, the addition of the price of unpurchased newspapers to the cost of a purchased motorway vignette, borrowing of money from the cash registry and being caught stealing on a video surveillance system). A guarantee fund was not released on time to a former filling station employee. The amount that should have been released was incorrectly calculated.

Cases of falsification included when a project leader and an employee reported a piece of work to be unfinished. The settlement documentation for the supplementary work was missing. An employee failed to report changes in the data that constitute the basis of expense reimbursement settlements, therefore HR failed to cancel an expense reimbursement payment for commuting to work.

Violations of HSE standards were identified when a manager failed to report a 'near-miss' HSE incident. Other cases of ethical misconduct included the violation of personal rights which occurred when a manager placed a video recording tool in a unisex changing room without the approval of colleagues. A MOL Group supplier placed a significant amount of money in a greetings card envelope which was to be given to a professional buyer during a year-end courtesy visit. The IT system (e-mail) was used for private purposes (i.e. a civil initiative).

In 2012 we extended the scope of data supply related to ethics cases to the breaches of ethical norms identified by MOL Group Corporate Security.

In 2014, of the total of 877 investigations, MOL Group Security identified 427 cases of misconduct (48.6%). 67.2% of the cases concerned misconduct at filling stations, 27.4% were thefts and frauds from MOL Group companies, 3% involved misuse of corporate property or breaches of security rules, 1.87% were conflicts of interest and 0.5% were security risks that concerned business partners. As result of the disclosed conflicts of interest the managers who exercised the employer's rights were informed so that consequences could be determined for individuals.

At the MOL Group filling station network, financial penalties for distributors, the termination of contracts to operate and the termination of the employment contracts of station attendants took place. When criminal offences were committed against MOL Group companies, charges were pressed against the perpetrators.

Human Rights

MOL Group respects the fundamental human rights which are described in our Group Code of Ethics. Furthermore, it can be stated that MOL Group is not engaged in activities which affect indigenous people. Nevertheless, MOL's modus operandi ensures the safeguarding of the rights of tribal populations.

As part of the continuous improvement of our ethical governance, all country chairmen – as part of their annual ethics-related duties – have to report on the human rights-related risks of the given country they are working in and draw up relevant mitigation plans. In 2014 MOL Group continued to adapt the UN Guiding Principles on Business and Human Rights ('Ruggie framework').

In 2013 MOL Group put in place a new health, safety and environment management system (HSE MS) which includes a new element for managing social impacts more effectively, with a special focus on our international Exploration and Production operations.

Social impact management covers all the potential resettlement issues which may appear at our exploration and production sites. Accordingly, we will gain free prior and informed consent in the event that indigenous people should be relocated from their land. So far there have not been any resettlements at any of our operational international locations.

One specific area of human rights concerns the interaction of external parties with security personnel. During MOL's operations, the security guards that are present are not MOL employees but the staff of the security service provider. MOL's contracts with security services contain the MOL Group Code of Ethics as a binding appendix that the supplier is obliged to accept. It is the supplier's obligation to enforce the provisions of the Code of Ethics and ensure employees abide by them; inter alia, to respect human rights. Since 2013, in the countries with international Upstream operations (Pakistan and the Kurdistan Region of Iraq), security supplier contracts have stipulated that the employees of the security service provider must be educated about human rights. In 2013, MOL Group started developing mandatory security training material for all employees which was rolled out across the company in 2014. In Pakistan, Russia and the Kurdistan Region of Iraq the training material contained principles related to the protection of human rights. Training materials were shared with private security contractors (who reported a compliance level of 100%) and also with public contractors as recommended training material.

Transparency

The most important annual sustainability related disclosure for MOL Group is the integrated Annual Report. However, in addition to this report MOL issues several other types of communication both at a Group and local level to inform external and internal stakeholders about its sustainability performance.

Besides the Annual Report, sustainability summaries have been incorporated into the "Quarterly Flash reports" of MOL Group for more than 1.5 years. The short summaries provide shareholders with information about the key performance indicators and key activities in the field of sustainability.

Some of the major subsidiaries of MOL Group disclose information on their sustainability performance individually. INA Group once again issued a Sustainability Report in 2014. The report has been prepared according to GRI G3.1 guidelines and the Oil & Gas Sector Supplement and is externally verified by two independent parties. The Hungarian petrochemical company TVK integrates sustainability information into its Annual Report.

The transparency initiatives and performance of MOL Group and its member companies received external recognition in 2014. MOL Group's Annual report was shortlisted for the Corporate Register's Corporate Reporting Award in the 'Best integrated report' category for the third time in a row.

In order to ensure that we receive feedback from stakeholders in a systematic way, MOL Group has continued implementing its stakeholder dialogue program about its SD performance in 2013. This program included the following events:

- the executive management of the European Workers' Council (EWC) analysed the workforce-related information published in the MOL Group Annual Report and web pages at the preparation stage of the report;
- In 2014, the second INA Green Forum was organized in Molve. The Forum gathered experts from the field of Exploration and Production, sustainable development, and representatives of the local and academic community in order to disseminate knowledge about sustainable development and to foster the better understanding of EOR processes.
- a 'green day' was organised at Slovnaft for the third time where Slovnaft's experts presented information about environmental and safety issues and CSR topics to NGOs and local authorities.

6.4. ECONOMIC IMPACTS

Direct Economic Impact

The most important economic impacts of MOL Group are related to the distribution of its revenues to its investors, employees and suppliers and through taxes and royalties paid in the countries in which it operates. The data presented in the key sustainability data table of this report is sourced from financial reports, but compiled and calculated according to GRI G4 indicator definitions. The data is therefore not directly comparable with that contained in MOL's financial statements.

MOL Group revenues decreased in 2014 (by 10.5%) compared to the previous year, primarily reflecting the lower Upstream sales volumes (due to a natural decline in mature fields and due to Russian divestitures - ZMB in Q3 2013 and 49% of Baitex in Q1 2014), lower average hydrocarbon prices (due to unfavourable changes in oil and gas prices) and the reduction of the regulated gas price.

The lower transmission revenue at FGSZ due to the negative effect of cuts in public utility charges and lower volumes also reduced Group-level revenue.

Total Downstream revenue was lower, mainly due to 1.2 million tonnes lower own product sales. This negative impact, however, was partly compensated for by the 0.4 million tonnes higher sales of goods. Revenues were also negatively influenced by the decrease in sales prices which followed the steep decline of crude prices in the second half of the year.
Operating costs decreased in 2014 (by 10.2%) compared to 2013. The decrease in material costs was mainly driven by the lower crude price and crude processing related to the turnaround at the Bratislava refinery in Slovakia, the new 'on-demand' operation mode of INA refineries in Croatia and the transformation of the IES refinery in Italy. Lower processing volumes coupled with a fall in energy prices resulted in lower energy costs: the latter's impact was driven by the decrease in average crude price, albeit with couple of months' delay. These cost decreases were offset by the rise in the cost of goods due mainly to the higher volume of third party sales. The accelerated international work programs resulted in higher US exploration costs.
Company cash added value decreased by 12.0%.
Employee wages and benefits increased by 0.2 %. Even though there was a drop in total headcount (from 28,769 people in 2013 to 27,499 by the end of 2014), its impact was offset by salary increases, excess costs and provisions made for headcount reduction.
Payments to capital investors went up, driven by the higher foreign exchange loss on borrowings, cash and cash equivalents, receivables and payables, alongside the higher dividends paid to shareholders.
Payments to governments consist of taxes, with more than half going on mining royalties. The total amount of payments to governments was less than the base level due to a decrease in group-level corporate income tax and in export duties. The slightly higher-than-base-level mining royalties are a consequence of unfavorable changes in royalty regulations in the CEE region (Hungary and Croatia) and Russian divestitures, partly offset by a decline in production and a lower regulated gas price.
In the countries where MOL Group only has Exploration and Production operations, the energy industry (through royalties or production-sharing agreements) may contribute a significant proportion of the revenue of a government. As a result, MOL Group considers it fundamentally important to observe the Extractive Industries Transparency Initiative (EITI) principles and criteria for financial reporting. MOL Group started to support EITI at an international level in 2013 and has been cooperating with EITI in the countries that are implementing the EITI system.
MOL Group has operations or non-operated assets in EITI compliant countries: the Kurdistan Region of Iraq, Cameroon and Kazakhstan.

Indirect Economic Impact

In the main countries where MOL Group has Upstream and midstream operations, the most significant indirect impact of MOL Group on the economies of these countries is through the energy it supplies.
Another area where the company can make a significant positive impact on the societies of host countries is by improving access to infrastructure and energy as a result of our operations.
MOL Pakistan provided financial aid for the construction of a new bridge, thereby improving (and making safer) the connection between the two main provinces of Khyber Pakhtunkhwa and Punjab in Pakistan. The project was not only advantageous for local communities but also allowed MOL to optimize its logistics, making possible the use of larger capacity tankers and thereby reducing diesel consumption (by app. 1,400 tonnes/ year) and consequently CO_2 emissions (app. 4,300 tonnes of CO_2/year). The project was finalized in Q1, 2014.
Another example from previous years is that in 2013 MOL Pakistan managed to meet the needs of domestic households and improve their livelihoods by increasing production of LPG in its newly-constructed gas processing facility (Makori GPF).
A more recent example is the construction of a check dam at Ahmadi Banda in the Karak District which was undertaken in 2014 and is due to be completed in 2015. Keeping in mind the scarcity of water in the area, MOL Pakistan has started construction of Water Harvesting Structures to harness rain water and help recharge ground water. Ten water structures including 2 check dams have already been constructed in Karak District in collaboration with the Soil and Water Conservation Department and handed over to local community.

7. ABOUT THE SUSTAINABILITY REPORTING

7.1. OUR APPROACH TO REPORTING

In 2008, as a demonstration of MOL Group's resolve to integrate a sustainability approach into everyday business operations, management decided to merge our Annual and Sustainable Development Reports and move towards an "integrated" reporting approach. Consequently, the company now follows the Triple Bottom Line approach and presents the economic, social and environmental performance of MOL Group in one comprehensive report. From H1 2013 MOL Group also decided to integrate sustainability information into our quarterly management reports.
The sustainability section section of the Annual Report contains information about the key achievements, challenges and data from the given year concerning the most relevant sustainability topics for MOL. In addition to this report, one can find a general presentation of MOL's policies, management approaches and other regularly-maintained and updated SD-related information on our website: 'http://molgroup.info/en/sustainability'. While the audience of the Annual Report is presumed to be our shareholders, investors and sustainability analysts, our webpage is tailored to supplying the information needs of all of our stakeholders.
The sustainability performance data contained within this report were reviewed by Ernst and Young. The assurance process was planned and performed in accordance with the International Federation of Accountants' ISAE3000 standard. For the first time, the audit was also carried out according to AA1000AS standards to strengthen the review of our materiality process.
MOL Group follows the widely-recognised Global Reporting Initiative framework in its sustainability reporting. GRI published the last iteration of its guidelines in 2013. MOL Group has prepared its integrated Annual Report's sustainability content in line with GRI G4 guidelines for the first time this year. The report also takes note of the GRI G4 Oil and Gas Sector Disclosures.
MOL Group's 2014 Annual Report's GRI G4 in accordance level is 'comprehensive'.
The IPIECA-API 'Oil and Gas Industry Guidance on Voluntary Sustainability Reporting' protocol is also considered when MOL selects and defines its indicators and the content of the report.
The GRI compliance table for MOL Group and a detailed analysis of our compliance with IPIECA and UN Global Principles can be found at this section of our website.

7.1. SCOPE AND BOUNDARY

MOL applies the 'control' approach to consolidating information.
The company accounts for almost 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.
With HSE data we consider only those operations which might have a significant impact on health, safety and the environment. In 2014, compared to 2013 data there were no significant changes in the scope of the companies covered. HSE-relevant subsidiaries are included in the data collection processes and no major changes occurred with our portfolio. HSE data coverage is 97%, proportional to revenue.
MOL's human resources organisation uses a SAP system to collect – amongst other things – sustainability-related HR data from MOL Group companies. The scope of HR data collection covers subsidiaries with a headcount of greater than 20. In 2014 the HR data collection processes covered 96.4% of operations, in proportion to revenue.
Social investment data is collected from operations and subsidiaries with implemented corporate giving plans. Such plans are established to coordinate social investment spending considering also local community needs and business interest. Data reported covers for 74.6% of operations, in proportion to revenue but includes almost all donations given by MOL Group since not every subsidiaries have donation activity.
The supply chain is not considered to be a material topic for MOL Group. Accordingly, suppliers are not considered in our performance data, with the following exceptions:

- GHG: Scope 2 and 3 emissions
- Contractor fatalities, lost time injuries and frequencies
- Spending on local suppliers

7.2. REPORTING ON JOINT VENTURES

Operated joint ventures by definition fall within the scope of data reporting.
In the case of joint ventures where MOL Group does not act as operator, we do not report sustainability data based on equity share. The only exceptions are for GHG emissions and HSE penalties where in performance tables equity-share-based emissions are reported from MOL Group-related joint venture companies as well.
Concerning non-operated joint ventures, the report and performance data included herein does not include quantified information since MOL Group does not have operational control over these ventures (except for the inclusion of headcount data in the case of financially-consolidated companies). However, MOL Group hereby declares that it presents any information related to the 2014 sustainability performance of these companies that is found to be material.

Downstream and Midstream Joint Ventures:

- Hungary (Duna Steam Boiler, TVK Power Plant, FGSZ): one employee of FGSZ (100% ownership and financial control, but not operated due to unbundling) suffered a fatal work-related road accident in 2014. This is disclosed separately and is not included in the overall MOL results for the year. Duna Steam Boiler (previously 50% owned by MOL Group) became a 100%-owned subsidiary of MOL Group from the end of 2014 therefore it is foreseen that it will be included in reporting from 2015 onwards.
- Slovakia (Thermal Power Plant): the operator (CMEPS) of the power plant modified its treatment process of two major waste streams creating both environmental and financial benefits. Recovery of precious metals from ashes collected in electrostatic precipitators has now started, while the company has also started to supply the gypsum generated as a by-product of flue gas desulphurization to cement producers instead of landfilling it.

Upstream Joint Ventures:

- Europe (UK): Projects include Broom & Scott/Telford/Rochelle (production phase), Scolty/Crathes (early production phase) and Cladhan and Catcher (development phase). Management systems are in place in these operations to control safety risks related to off-shore exploration and production activities.
- FSU (Kazakhstan): In 2014 H1 the first phase of the exploration program commenced in the Fedorovsky block and operatorship was taken over by a project company (UOG) from MOL. Since then no significant sustainability-related activity has been performed.
- Middle East (Kurdistan Region of Iraq, Pakistan): in Pakistan, MOL has non-operated interests in two blocks (Karak, Ghuri). There are no specific challenges from a sustainability point of view and in both cases the partner companies operate HSE management systems and social engagement schemes. In the Kurdistan Region of Iraq, Gulf Keystone (GKP) is the operator of the Shaikan field. Here, the main challenges are to eliminate gas flaring through reinjection, increase the proportion of the local workforce (currently 76%) and manage local communities. GKP has received an award for its community engagement program.

7.3. MATERIALITY ASSESSMENT

As a basic principle our procedure for the materiality assessment does is not designed to exclude any relevant topics from our reporting. The assessment is designed to ensure that the most material topics are described in more detail, providing our readers with a deeper insight into our sustainability performance. The materiality assessment concept and materiality matrix is summarized in the Management Discussion and Analysis chapter of this report. A short summary of our most material impacts, namely GHG and energy efficiency, prevention and clean-up of spills, ethics and transparency and also occupational and process safety management is also included in the MD&A chapter.
The least material topics in our assessment are suppliers, customers, human rights and biodiversity. We consider the aspects that belong

to these topics as non-material from a GRI G4 reporting point of view and disclose only selected indicators for them.

7.4. NOTES ABOUT SUSTAINABILITY DATA

The sustainability performance indicators presented in this report are mainly based on measurements or calculations, while best available estimations were used where necessary. Data is generated and collected at the local level, calculations are done considering local legislation and aggregation processes are done according to the relevant corporate guidelines. Group-level data is collected through the different businesses or functional divisions. The completeness and accuracy of the reported data is supervised at a corporate level.

Emission factors used in calculations are by principle the factors that are defined in or required by local legislation. At a group level, consolidation phase emission factors are used in scope 2 and scope 3 CO_2 emission calculations (calculated using IEA 'CO_2 emissions from fuel combustion' publication and OGP's 'Environmental Performance Indicators' publication, respectively).

Notes on environmental data:

- MOL Group discharges waste water into surface waters or into municipal sewage systems which is treated depending on site circumstances and local regulations (usually involving mechanical and/or biologically-based treatment but the process may extend to chemical treatment steps where needed). MOL Group does not believe that breaking down this data further according to destination and treatment method is material, therefore it is not reported.
- According to the information provided by contractors, waste disposal methods were classified using European Union guidelines.

Notes on employee engagement data:

- Until 2010 the first 9 questions of our survey were related to the general engagement of employees, rated on a scale of 1-4. The engagement score represented the average result of the answers expressed as a percentage. The methodology used in the 2012-13 engagement survey was slightly different compared to 2010. Engagement was measured using 6 questions on a 6 point scale. A respondent is considered 'engaged' if the average score given is higher than, or equals 4.5. The engagement score represents the proportion of engaged respondents.

Restatements:

- CO_2 emissions have been restated for 2013 due to recalculation of emissions by Upstream division in Hungary.
- CO_2 under ETS data has been restated for 2013 due to corrections made in data reported by Hungarian Refining and Croatian Exploration and Production units
- The amount of produced formation water for 2013 has been restated due to a formerly incorrect calculation
- The scope 3 GHG emission calculation has been extended in 2014 with the GHG emissions related to the production of crude oil used in refining operations. Emission factors are taken from OGP's 'Environmental Performance Indicators' documents. Values for previous years have also been recalculated and restated.
- Customer satisfaction for INA Group regarding year 2013 is here corrected and restated from 88% to 82% due to a reporting mistake last year.
- Number of ethical misconducts in 2013 has been changed from 24 to 26 based on the investigations closed in 2014.

INDEPENDENT AUDITOR'S REPORT (SUSTAINABILITY)

ASSURANCE STATEMENT

Independent assurance statement to MOL management

Ernst & Young Ltd was commissioned to provide assurance over MOL Group's (MOL) 2014 Sustainable Development Reporting (the Report). The Report has been prepared by the management of MOL, which is responsible for the collection and presentation of the information within it. Our responsibility is to MOL's management, and we do not 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.

THE SCOPE OF OUR ASSURANCE

Our assurance engagement has been planned to assess whether MOL has applied the principles of Inclusivity, Materiality and Responsiveness, as defined by AA1000AS (2008) for a Type 1 assurance engagement, in its approach to Sustainable Development.

Our review of MOL's Sustainable Development data has been designed to meet the requirements of ISAE3000 based on criteria for completeness, consistency and accuracy. We have carried out procedures to meet the requirements for a reasonable assurance engagement for the EU Emissions Trading Scheme (ETS) CO_2 and Lost Time Injury Frequency (LTIF) data, and to meet the requirements for a limited assurance engagement for other Sustainable Development data in the Report.

We have also assessed whether the Report meets the requirements for "Comprehensive" reporting as defined by the Global Reporting Initiative G4 Sustainability Reporting Guidelines.

WHAT DID WE DO TO FORM OUR CONCLUSIONS?

Our activities

1. Interviewed selected MOL executives and senior managers to understand the current status of social, ethical, environmental and health and safety activities, and progress made during the reporting period.
2. Reviewed MOL's approach to determining material issues to be included in the Report by attending meetings on materiality and reviewing the documentary outputs from the process.
3. Reviewed MOL's stakeholder engagement approach at the Group level and during visits to MOL locations.
4. Reviewed a selection of management documentation and reporting tools including templates, guidance documents and databases.
5. Visited four MOL locations to examine the systems and processes in place for data collection and reporting against MOL's reporting definitions and guidance, and to test the accuracy of a sample of reported data at a site level, for a selection of Sustainable Development indicators. The following sites were visited:
   – MOL Duna Refinery, Hungary/Százhalombatta
   – INA Rijeka Refinery, Croatia/Rijeka
   – Geoinform, Hungary/Szolnok
   – Baitex, Russia/Buguruslan
6. Tested the consolidation of the data at Group level by:
   a. Holding interviews with specialists responsible for managing, collating, and reviewing data at corporate level.
   b. Conducting data walk-throughs of reporting systems to assess the accuracy of calculations and assumptions, including an assessment of the effectiveness of MOL's internal review procedures.
   c. Performing additional testing procedures in relation to the ETS CO_2 (review of third-party verification reports) and own staff LTIF indicators (verification of data to source documents on a larger sample both at Group and site level, recalculation of the indicator) at both site and corporate level to gain reasonable assurance over these indicators.
7. Reviewed the Report to assess whether:
   a. The coverage of issues in the Report is consistent with the outputs of MOL's materiality process, and that the descriptions of MOL's approaches to materiality are consistent with our observations.

1 MOL Group's Sustainable Development Report –the SD chapter of MOL Group's Annual Report, the Sustainability section of the Management Discussion and Analysis chapter of MOL Group's Annual Report, the content of the sustainable development part of the corporate website (molgroup.info/sustainability)
2 AA1000AS (2008) – The second edition of the AA1000 assurance standard from the Institute of Social and Ethical Accountability.
3 ISAE 3000 - International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.
4 Selected data – Sustainability data described in the section 'Consolidated Sustainability Performance Data (GRI G4)' of the Report.

b. The data presented in the Report corresponds with the information we have reviewed during the course of our work.
c. The Report is consistent with the requirements for "Comprehensive" reporting according to the GRI G4 Guidelines.
d. There is supporting evidence for 25 qualitative statements, selected on a risk basis, within the Report.

Levels of assurance

Our evidence gathering procedures have been designed to obtain a sufficient level of evidence to provide a reasonable level of assurance in accordance with ISAE3000 for the ETS CO_2 and LTIF indicators and to provide a limited level of assurance over other data within the Report. The extent of evidence gathering procedures performed for limited assurance 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 Sustainable Development information included in the Report.
- We did not undertake a comprehensive review of all Sustainable Development data reported by each of the sites we visited but examined selected data sources and reviewed the processes for reporting data to Group.
- We did not seek evidence to support the statements and claims presented within the Report except for the 25 selected qualitative claims.
- We did not review data relating to reporting periods other than 2014.

OUR CONCLUSIONS

Based on the scope of our review our conclusions are outlined below:

Inclusivity:
Has MOL been engaging with stakeholders across the business to develop its approach to Sustainable Development?

- We are not aware of any key stakeholder groups that have been excluded from engagement.
- We are not aware of any matters that would lead us to conclude that MOL has not applied the inclusivity principle in developing its approach to sustainability.

Materiality:
Has MOL provided a balanced representation of material issues concerning its Sustainable Development performance?

- We are not aware of any key topics concerning the Sustainable Development performance of MOL which has been excluded from the Report.
- Nothing came to our attention that causes us to believe that MOL management has not applied its processes for determining material issues to be included in the Report.

Responsiveness:
Has MOL responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that MOL has not applied the responsiveness principle in considering the matters to be reported.

Completeness:
How complete is the data presented in the Report?

- With the exception of the exclusions identified in the Report, we are not aware of any material operated subsidiaries and joint ventures (as defined by MOL) that have been excluded from the Group level data relating to the topics above.

Consistency:
Does MOL have procedures in place to enable the consistent collection and reporting of data across its reporting locations?

- We are not aware of any inconsistencies in the data collection approach at the locations we have visited that would materially affect the data as presented in the Report.

Accuracy:
How accurate is the data presented in the Report?

- In our opinion, the sustainability report presents fairly, in all material respects, the ETS CO_2 and own staff LTIF indicators of the Group for the year the year ended on December 31, 2014. We are not aware of any errors that would materially affect the other Sustainable Development data as presented in the Report.

Reporting:
Does the Report meet the requirements for "Comprehensive" reporting set out in the GRI G4 Guidelines?

- Nothing has come to our attention that causes us to believe that MOL management's assertion that the Report meets the GRI G4 requirements for "Comprehensive" reporting is not fairly stated.

How plausible are the statements and claims within the Report?

- We are not aware of any misstatements in the assertions made across the 25 claims selected during our review.

OUR OBSERVATIONS AND AREAS FOR IMPROVEMENT

Our observations and areas for improvement will be raised in a report to MOL management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out earlier in this statement.

- During 2014 MOL undertook a more in-depth process than in previous years to determine the material issues to include in the Report. We encourage MOL to include this process in the normal annual work-programs of the various committees responsible for the oversight of the sustainability performance of the Company.
- We have observed that MOL has interactions with a broad range of stakeholders on Sustainable Development, but that these interactions are not always documented in a formal manner at a local level. We recommend that MOL adopts a more formal approach to monitoring and recording stakeholder engagement activity at its locations to enable the sharing of information and best practice between sites.
- MOL introduced guidance for reporting social investment data during 2014 based on the LBG Methodology. Whilst this has helped to improve the quality of the data compared with prior years, we identified examples of the guidance being applied incorrectly during the course of our work. We therefore encourage MOL to develop a more thorough review of the data reported at Group level, and to provide training to the individuals that are responsible for applying the guidance.

OUR INDEPENDENCE

As auditors to MOL Group, Ernst & Young are required to comply with the requirements set out in the Code of Ethics of the International Federation of Accountants (IFAC). Ernst & Young's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.
We confirm annually to MOL whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2014.

OUR ASSURANCE TEAM

Our assurance team has included members from our global Climate Change and Sustainability Services Practice, which undertakes similar engagements to this with a number of significant multinational businesses.

Havas István
Ernst & Young Ltd.
Budapest
1 April 2015

5 A limited level of assurance is also consistent with a "moderate" assurance, a reasonable of assurance is consistent with a "high" level of assurance as defined for a Type 2 AA1000AS (2008) engagement.

EUROPEAN WORKS COUNCIL REVIEW

In 2015 the European Works Council (EWC) of MOL Group was asked once again to review the "Notes to Sustainability Performance" Chapter of the company's 2014 Annual Report and the sustainability information presented on the corporate website.
The EWC performed the review in three separate stages:

- The Council had the opportunity to comment on the structure and proposed content of the report in the initial phase of reporting
- The EWC then reviewed the "Human Capital" and the "Employee relations" Chapters during the process of their preparation and commented on whether the content was complete and balanced, and completed the information provided about employee representation; their recommendations were also incorporated into these Chapters.
- At the final stage of the review, EWC was provided with the full text of the report and a roundtable was organized where EWC members discussed the report with corporate HR and SD managers.

Based on the above events, the EWC formed the following opinion:

- According to the members of the EWC, the disclosed information is complete and covers all material topics which are relevant to a group-level report
- The EWC agreed with the content of the report written about the Works Council
- According to the EWC the published information is accurate and the statements disclosed are valid.

CORPORATE GOVERNANCE

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, whilst taking into account the interests of a broader group of stakeholders is 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 also 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 recommendations 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 was adopted in 2006 for the first time and its last update was fulfilled in 2015. 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.

NAME	STATUS	MANDATE
Zsolt Hernádi, Chairman-CEO	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 24 February 1999
Dr. Sándor Csányi, Deputy Chairman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 20 October 2000
Mulham Al-Jarf	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 23 April 2008 and resigned from his position effective 29 April 2014
Dr. Miklós Dobák	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 28 April 2000 and mandate expired on 29 April 2014
Dr. Gábor Horváth	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 24 February 1999 and mandate expired on 24 February 2014
Zsigmond Járai	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April 2010
József Molnár	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 12 October 2007
Dr. László Parragh	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April 2010
Iain Paterson	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 24 February 1999 and mandate as member of the Board of Directors expired on 24 February 2014
Dr. Martin Roman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April 2010
Dr. Oszkár Világi	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 1 May 2011
Dr. Anthony Radev	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April 2014
Dr. Anwar al-Kharusi	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April 2014
Dr. Martonyi János	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 1 July 2014

BOARD OF DIRECTORS

MOL's Board of Directors acts as the highest managing 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 consideration of other stakeholders' interests; 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 (six of ten members) made up of non-executive directors. At present, 6 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 in 2014 (professional CVs of the members are available on corporate homepage.)

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 were updated in March 2015 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,
- the scope of the information required by the Board and the frequency of reports,
- 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 im–plementation of resolutions is monitored.

Members of the Board have signed a declaration on conflict of interest and have reported their position as director of the Board to their employer or principal as regards other key management positions.
The Board of Directors prepares a formal evaluation of its own and its Committees, performance and it continuously reviews its activity on a yearly basis.

Report of the Board of Directors on its 2014 activities

In 2014, the Board of Directors held 6 meetings with an average attendance rate of 88%.
Attendance to the Board of Directors meetings during 2014 is set out in the table below:

MEMBERS	NUMBER OF MEETINGS	ATTENDANCE RATIO	COMMENTS
TOTAL	**6**	**88%**	
Zsolt HERNÁDI	5	83%	
Dr. Sándor CSÁNYI	4	67%	
József MOLNÁR	6	100%	
Dr. Miklós DOBÁK	2	100%	Mandate as member of the Board of Directors expired on 29 April 2014
Dr. Gábor HORVÁTH	1	100%	Mandate as member of the Board of Directors expired on 24 February 2014
Zsigmond JÁRAI	6	100%	
Dr. László PARRAGH	5	83%	
Iain PATERSON	1	100%	Mandate as member of the Board of Directors expired on 24 February 2014
Mulham AL-JARF	2	100%	Resigned from his position as member of the Board of Directors effective from 29 April 2014
Martin ROMAN	4	67%	
Dr. Oszkár VILÁGI	5	83%	
Dr. Anthony RADEV	3	100%	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April 2014
Dr. Anwar AL-KHARUSI	3	100%	Elected by the Annual General Meeting to be member of the Board of Directors from 30 April 2014
Dr. János MARTONYI	3	100%	Elected by the Annual General Meeting to be member of the Board of Directors from 1 July 2014

Alongside regular agenda items, such as reports by the Committees' chairmen on the activities pursued since the last Board meeting, the Board of Directors received updates on key strategic issues as well as an overview of capital market developments, whilst individually evaluating the performance of each of the company's business units. The Board of Directors respectively paid attention to the follow-up on industry macro trends, the treatment of the challenges driven by the external environment, the financial, operation and efficiency improvement challenges regarding INA consolidation and the strategy update process.

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 to decision-making. The Committees are bodies for preparation, advising, opinion-forming and proposal-preparing support 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 managem ent.

- 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 to the Committee (professional backgrounds of members are available on the corporate website):

- Dr. Sándor Csányi – Chairman, 17 November 2000
- Zsolt Hernádi, 8 September 2000
- Dr. Gábor Horváth, 8 September 2000[1]
- Dr. Martin Roman, 4 June 2010
- Mulham Al-Jarf, 23 April 2008[2]
- Dr. Anthony Radev, 30 May, 2014[3]
- Dr. János Martonyi, 1 July, 2014[4]

Responsibilities:

- analysis and evaluation of the activities of the Board of Directors,
- issues related to Board/Supervisory Board membership,
- promoting the relationship between shareholders and the Board,
- procedural and regulatory issues,
- reviewing corporate processes, procedures, organisational solutions, compensation and incentive systems, and making recommendations on the introduction of best practice standards.

Report of the Corporate Governance and Remuneration Committee on its 2014 activities

In 2014, the Corporate Governance and Remuneration Committee held 6 meetings with a 90% average attendance rate. Attendance to the Committee meetings during 2014 is set out in the table below:

	NUMBER OF MEETINGS	ATTENDANCE RATIO
TOTAL	6	90%
Dr. Sándor CSÁNYI	5	83%
Zsolt HERNÁDI	5	83%
Mulham AL-JARF[2]	2	100%
Dr. Martin ROMAN	5	83%
Dr. Anthony RADEV[3]	3	100%
Dr. János MARTONYI[4]	3	100%

In addition to the issues of corporate governance, remuneration and the composition of management, the Committee discussed a number of key strategic and results-related topics prior to their presentation to the Board of Directors for discussion.

Finance and Risk Management Committee:

Members and dates of appointment to the Committee (professional backgrounds of members are available on the corporate website):

- Dr. Miklós Dobák – Chairman, 25 October 2002[5]
- Zsigmond Járai – Chairman, 4 June 2010
- Iain Paterson, 8 September 2000[6]
- Dr. László Parragh, 20 February 2014
- Dr. Anthony Radev, 30 May 2014[3]
- Dr. Anwar al-Kharusi, 30 May 2014[7]

The Chairman of the Supervisory Board and the Chairman of the Audit Committee are permanent invitees to the Finance and Risk Management Committee meetings.

Responsibilities:

- review of financial and related reports,
- monitoring the efficiency of the internal audit system,
- review of planning, scope and results of the audit,
- oversight of risk management,
- monitoring the liquidity position of the Company, financial and operational risks, as well as the methodology and strategy of management thereof, review of operation of the Enterprise Risk Management (ERM) system,
- ensuring the independence and objectivity of the external auditor.

Report of the Finance and Risk Management Committee on its 2014 activities

In 2014, the Finance and Risk Management Committee held 5 meetings with a 83% average attendance rate. Attendance to the Committee meetings during 2014 is set out in the table below:

	NUMBER OF MEETINGS	ATTENDANCE RATIO
TOTAL	5	83%
Dr. Miklós DOBÁK[5]	2	100%
Zsigmond JÁRAI	4	80%
Dr. László PARRAGH	3	75%
Iain PATERSON[6]	1	100%
Dr. Anthony RADEV[3]	1	50%
Dr. Anwar AL-KHARUSI[7]	2	100%

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 status reports on risk management actions attached to these factors.

Sustainable Development Committee:

Members and dates of appointment (professional backgrounds of members are available on the corporate website):

- Iain Paterson – Chairman, 29 June 2006[6]
- Dr. László Parragh – Chairman, 4 June 2010[8]
- József Molnár, 5 September 2013 (interim Chairman between 20 February and 30 May 2014)
- Dr. Anwar al-Kharusi, 30 May 2014[7]
- Dr. János Martonyi, 1 July 2014[4]
- Dr. Oszkár Világi, 30 May 2014[9]

The Chairman and the Deputy Chairman of the Supervisory Board are permanent invitees to the Sustainable Development Committee meetings.

Responsibilities:

- review, evaluate and comment for the Board of Directors on all proposals related to sustainable development (SD) .
- monitor the development and implementation of all SD related policies (HSE, Code of Ethics, etc.) and discuss ethical issues
- supervise progress on the strategic focus areas of SD in MOL Group
- request and discuss reports from business divisions and subsidiaries about their SD performance
- review sustainability-related data and information contained in external reports

Report of the Sustainable Development Committee on its 2014 activities

In 2014, the Sustainable Development Committee held 4 meetings with a 90% attendance rate. Attendance to the Committee meetings during 2014 is set out in the table below:

	NUMBER OF MEETINGS	ATTENDANCE RATIO
TOTAL	4	90%
Iain PATERSON[6]	1	100%
József MOLNÁR	4	100%
Dr. László PARRAGH[8]	4	100%
Dr. Oszkár VILÁGI[9]	0	0%
Dr. Anwar AL-KHARUSI[7]	2	100%
Dr. János MARTONYI[4]	2	100%

The Committee evaluated the accomplishment of actions in 2014, formed opinion on Sustainable Development Report and decided on 2015 directions and targets. The Committee paid special attention to the results achieved in the Dow Jones Sustainability Evaluation together with the necessary development actions, as well as sustainable development reports of business units.

RELATIONSHIP BETWEEN THE BOARD AND THE EXECUTIVE MANAGEMENT

The governance of the Company 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 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 a 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 that has a role of providing a direct link between the Board of Directors and the Company's staff and at the same time canalizing the matters submitted to the full Board. The EB renders preliminary opinions on certain proposals submitted to the Board, and the EB is also responsible for the oversight of the execution of the Board's resolutions.

1 Mandate of Dr. Gábor Horváth as member of the Board of Directors expired on 24 February 2014
2 Mulham Al-Jarf resigned from his position as member of the Board of Directors effective 29 April 2014
3 Dr. Anthony Radev was elected to be a member of the Committee by the Board of Directors on 30 May 2014
4 Dr. János Martonyi was elected to be a member of the Committee by the Board of Directors on 1 July 2014
5 Mandate of Dr. Miklós Dobák as member of the Board of Directors expired on 29 April 2014
6 Mandate of Iain Paterson as member of the Board of Directors expired on 24 February 2014
7 Dr. Anwar al-Kharusi was elected to be a member of the Committee by the Board of Directors on 30 May 2014
8 Dr. László Parragh was elected to be the Chairman of the Committee by the Board of Directors on 30 May 2014
9 Dr. Oszkár Világi was elected to be a member of the Committee by the Board of Directors on 30 May 2014

At EB meetings, each member has an obligation to express their opinion, on the basis of which final decisions are 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) MEMBERS IN 2014:

Zsolt Hernádi	Chairman-CEO (C-CEO)
József Molnár	Group Chief Executive Officer (GCEO)
Zoltán Áldott	Executive Vice President, President of the Management Board, INA d.d.
Sándor Fasimon	Executive Vice President, MOL Hungary (COO)
Ferenc Horváth	Executive Vice President, Downstream
József Simola	Group Chief Financial Officer (GCFO)
Dr. Oszkár Világi	Executive Vice President, C-CEO, Slovnaft a.s.
Alexander Dodds	Executive Vice President, Exploration and Production

In 2014, the Executive Board held 29 meetings and discussed ten issues per meeting on average.

ANNUAL REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS

As of 1 January 2009, the members of the Board of Directors have been entitled to the following fixed net remuneration after each AGM:

Members of the Board of Directors	25,000 EUR/year
Chairmen of the Committees	31,250 EUR/year

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 occasions) when they travel to Hungary.

INCENTIVE SCHEME FOR THE MEMBERS OF THE BOARD OF DIRECTORS

To ensure uniformity and transparency, in addition to fixed remuneration, MOL operates an incentive scheme for members of the MOL Board of Directors, which supports further commitment of the participants and takes the Company's profitability and long-term growth into consideration. This helps ensure that the interests of the participants in the compensation program coincide with interests of the shareholders.
Main principles for the incentive scheme for the Board of Directors were approved by the Annual General Meeting (AGM) on 26 April 2012 and it has been effective since 2012.

Incentive based on share allowance

From 1 January 2012 the Profit Sharing Incentive Plan based on the value-added method has been replaced by an incentive based on share allowance as the long-term incentive for members of the Board of Directors. Shares are granted first from 2013.
The aim of the new share-based incentive is to ensure the interest in long-term stock price growth and maintain motivation in addition to a dividend payment for which a 1 year retention obligation (restraint on alienation) has also been determined for 2/3 of the shares (the retention obligation terminates at the date of the expiration of the mandate).
The incentive consists of two parts: share allowance and cash allowance related thereto.

Share allowance

Number of shares:

– for members of the Board of Directors: 100 pieces of „A" series ordinary MOL shares per month,

– for the Chairman of the Board of Directors: additional 25 pieces of „A" series ordinary MOL shares per month. If the Chairman is not a non-executive director, the deputy chairman (who is non-executive) is entitled to this extra remuneration (25 pieces / month).

The share allowance is provided once a year, within 30 days after the Annual General Meeting closing the given business year.

Cash allowance

The incentive based on share allowance is a net incentive, therefore the Company pays taxes, contributions and other payables incurred upon acquisition of the shares in line with the relevant and effective laws. Such cash-based coverage of taxes and contributions does not include any further tax(es) or cost(s) incurred in relation to exercising rights attached to the shares or disposal of the shares (e.g. dividend tax, income tax); these shall be borne by the respective members of the Board of Directors. In line with these, there is a cash allowance component of the incentive system.
The rate of the cash allowance is the gross value of taxes, contributions and other payables incurred upon acquisition of the shares in line with the relevant and effective laws, also including the tax difference and contributions incurring in the country of tax-residence for non-Hungarian members of the Board of Directors.

Other benefits

Other non-financial benefits include life and accident, travel- and liability insurance. Besides this, an annual health screening and an exclusive healthcare package is also available for members of the Board of Directors.

INCENTIVE SYSTEM FOR THE TOP MANAGEMENT, MOL GROUP EXECUTIVE BOARD

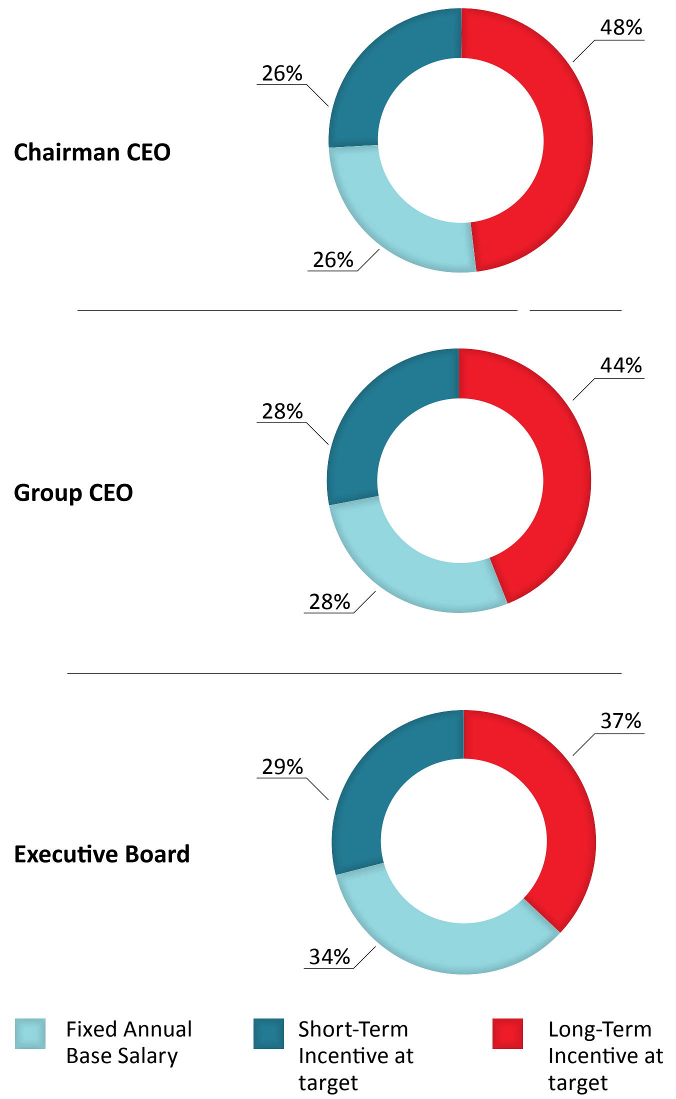
The strategy behind MOL's remuneration is to provide incentives for executives and top management to deliver on the company's strategy, and reward them for the achievement of strategic goals through a combination of short-term and long-term incentives. The Corporate Governance and Remuneration Committee (CGRC) recognises that remuneration plays an important role in supporting the achievement of the goals. Through the design of its incentive schemes, MOL wishes to ensure that executive remuneration is aligned with and supports the company's strategic objectives within a framework that closely aligns the interests of MOL executives to those of our shareholders.

1. The MOL Group Executive Board (EB) Remuneration Matrix key pillars are:

- **Annual Base Salary (BS):** fixed annual amount paid to the individuals
- **Short Term Incentive (STI):** annual bonus based on individual and company performance
- **Long Term Incentive (LTI):** promotes performance-driven culture and enhances strategic focus on the top management team in line with the interests of MOL Group shareholders

The Remuneration Mix of Top Management:

The incentive system for top management in 2014 included the following elements:



2. Short Term Incentive (bonus)
The basis of the Short-term incentive is a target of 85-100% of the annual base salary. The amount thereof is defined in line with the performance evaluation of the given manager.
Based on MOL Group's decision-making authorities, the C-CEO and G-CEO's annual performance is evaluated by the Corporate Governance and Remuneration Committee (CGRC) with final approval of the MOL Board of Directors (BoD).
For the 2014 plan year, the MOL Group Executive Board's STI framework was unified with the following performance measures in line with the goals of all EB members:

KPI	DEFINITION
Financial	**Mandatory** elements are 2014 MOL Group CCS EBITDA and Divisional targets (EBIT, EBITDA, ROACE, CAPEX efficiency, OPEX etc.) related to individual EB members and relevant to each director's business area. Divisional targets exclude the C-CEO and G-CEO as these are not applicable.
Non-financial	**SD and HSE targets:** SD and Health and Safety targets defined to each EB member in-line with their business strategies
	Human Resources targets: support the execution of the Annual People Cycle to enhance MOL Group's performance culture – enhance employee engagement level of the company by implementing action plans based on the Engagement Survey
	Individual targets: divisional business targets translated to KPI and Non-KPI individual targets, which are cascaded to lower levels

Choice of Performance Measures for the STI

The aim of the MOL STI scheme is to focus participants on achieving financial, business and individual performance goals with respect to the delivery of key annual business priorities within the framework of the MOL Group's long-term strategy. The choice of the aforementioned performance measure reflects a desire from the CGRC to assess participants based on a broad range of corporate and divisional measures that mirror the corporate strategy and its related KPIs. The achievement of these annual performance measures should translate into the creation of sustainable shareholder value in the long term, which is captured by the Long-Term Incentive System.
The outcome of the STI is not driven by a purely formulaic approach, as no specific weight has been assigned to each performance measure in order to prevent overemphasis on one at the expense of others. The CGRC will rigorously assess performance at the end of the period, and judge whether the results set against the performance measures are an adequate reflection of the underlying performance of the MOL Group.

3. Long-Term Incentive system
The overarching purpose of the current long-term incentive systems is to drive and reward the delivery of sustainable value creation and to provide greater alignment with MOL shareholders.
The system consists of two elements, a Stock Option Plan (50%) and a Performance Share Plan (50%).
The main characteristics of the two incentive schemes are as follows:

a) Stock Option Plan

The Stock Option Plan is an option to hypothetically sell MOL shares granted on a past strike price at a spot price and so realise a profit based on the difference between the two prices. The incentive scheme has the following characteristics.

- It covers a five-year period starting annually, with the period being split into a two-year vesting period (exercising of Stock Options is not possible) and a three-year exercising period. If the Stock Option is not exercised, it lapses on 31 December of the last year.
- The grants are defined in line with job categories.
- The rate of incentive is linked to individual short-term performance within the STI framework described above.

As a new component of the managerial remuneration package from 2013, managers who are entitled to the Long-Term Incentive scheme, are also eligible for an annual one-time payout if the Annual General Meeting of MOL Plc. decides on a dividend payment for the given year. The amount thereof is equal to the product of the dividend paid for one share and the numbers of Stock Options awarded to the given the manager. The purpose of the incentive is to balance the incentive in terms of share price movements after dividend payments of the Company.

b) Performance Share Plan

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

- The programme starts each year on a rolling scheme with a three-year vesting period. Payments are due after the third year.
- The target is the development of MOL's share price compared to relevant and acknowledged regional and industry-specific indicators (the CETOP20 and DJ Emerging Market Titans Oil&Gas 30 Index that covers both regional and industry peers).
- The basis of the evaluation is the average difference in MOL's year-on-year share price performance in comparison to the benchmark indices over three years.

The rate of incentive is linked to individual short-term performance.

Choice of Performance Measures for the LTI

The decision to link LTI awards to the share price and dividend disbursement reflects the Board's strategic priority to restore value creation. Through its Long-Term Incentives schemes, MOL prioritises providing its shareholders with a return on their investment through both the appreciation of the share price and the payment of dividends.

The choice of CETOP20 and Dow Jones Emerging Market Titans Oil&Gas 30 Index reflects the fact that MOL competes on a regional basis (Central and Eastern Europe) for investor flows, as well as with the global emerging market oil & gas sector. The choice of these two indexes is consistent with the purpose of incentivising and ultimately rewarding executives for providing competitive returns to current as well as future investors over the long-term relative to the broader regional and global oil and gas markets.

As the previous one-year based Profit Sharing incentive was replaced by the thrtee-year based Performance Share Plan in 2013, a one-year incentive was introduced for 2013 and a two-year incentive was introduced for 2013-2014 to ensure continuity.

Other Fringe Benefits

These include company cars (also used for private purposes), life and accident insurance, travel insurance, liability insurance, an annual health check and comprehensive healthcare services.

SUPERVISORY BOARD

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of shareholders (General Meeting). Members of the Supervisory Board shall be elected by the General Meeting for a definite period, but for a maximum of five (5) years, the present membership is nine. In accordance with Act V of 2013 on the Civil Code, which stipulates that one third of members shall be representatives of employees, three members of the MOL Supervisory Board are employee representatives with the other six external persons appointed by the shareholders.

The members of the Supervisory Board and their independence status:

THE SUPERVISORY BOARD (SB) MEMBERS IN 2014:

György Mosonyi, Chairman	non-independent
Dr. Attila Chikán, Deputy Chairman	independent
John I. Charody	independent
Slavomír Hatina	independent
Attila Juhász	non-independent (employee representative)
Dr.sc. Žarko Primorac	independent
Andrea Hegedűs	non-independent (employee representative)
Dr. Sándor Puskás	non-independent (employee representative)
István Töröcskei	independent

The Chairman of the Supervisory Board is a permanent invitee to meetings of the Board of Directors, Finance and Risk Management Committee and Sustainable Development Committee meetings.

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, while it is also informed and kept updated on other relevant topics. In addition, the Supervisory Board reviews proposals for the Annual General Meeting. The Supervisory Board reviews its annual activity during the year.

In 2014, the Supervisory Board held five meetings with a 91% attendance rate.

Remuneration of members of the Supervisory Board

The Annual General Meeting held on 27 April 2005 approved the remuneration scheme for the Supervisory Board. Under this 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 gross EUR 1,500 for participation in each Board of Directors or Board Committee meeting, up to 15 times per annum. From 1 January 2012, the Chairman of the Audit Committee is also entitled to receive gross EUR 1,500 for participation in each Board Committee meeting, up to 15 times per annum. Besides the monthly remuneration, both the Chairman and the members of the Supervisory Board are entitled to receive further EUR 1,500 for each extraordinary meeting that is held in addition to scheduled annual meetings. This remuneration is provided up to two times a year.

Other benefits

The members of the Supervisory Board are entitled to receive further non-financial benefits, including life and accident insurance, travel and liability insurance. An annual health screening and an exclusive healthcare package is also available for the members of the Supervisory Board.

AUDIT COMMITTEE

In 2006, the general meeting appointed the Audit Committee comprised of independent members of the Supervisory Board. The Audit Committee strengthens independent control over the financial and accounting policy of the Company. The independent Audit Committee's responsibilities include the following activities:

- providing assistance to the Supervisory Board in supervising the financial report regime in selecting an auditor, and in working with the auditor;
- perform audit committees tasks for subsidiaries which are consolidated by the Company, operating as public limited companies or issuing securities admitted to trading on a regulated market, if the relevant laws allow for this and the subsidiary in question does not operate a separate audit committee.

Members of the Audit Committee and dates of appointment (professional backgrounds of members are published on the corporate website):

- Dr. Attila Chikán - Chairman, 27 April 2006
- John I. Charody, 27 April 2006
- István Töröcskei 1 May 2011

and, in the event of long-term incapacitation of any of the permanent members, Dr.sc. Žarko Primorac.

Report of the Audit Committee on its 2014 activities

In 2014, the Audit Committee held five meetings with a 100% 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 status reports on risk management actions attached to these factors. The Audit Committee continuously monitored the Company's financial position in particular with regard to the impact of the financial crisis. The Audit Committee also 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 and Young in both 2014 and 2013, with the exception of FGSZ Zrt. (which was audited by Pricewaterhouse Coopers). Within the framework of the audit contract, E&Y 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 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 stock exchange reports issued quarterly; however, they do not perform an audit of or issue any opinion on such reports.

E&Y also provided other services to MOL Group. Summary of the fees paid to the auditors in 2014 and 2013 are as follows (HUF m):

	2014	2013
Audit fee for MOL Plc. (including audit fee for interim financial statements)	154	154
Audit fee for subsidiaries	524	373
Other audit related services*	15	23
Other non-audit services*		152
Tax advisory services	303	330
Total	1 148	882

*The specification has been modified for more transparent communication.

The increase in audit fees for subsidiaries results almost entirely from the recent acquisitions (Wintershall, Premier Oil and Eni) and activities in connection with new legal entities. Other non-audit services increased due to the relocation of certain subsidiaries to the Netherlands in connection with international Upstream operations. The Board of Directors does not believe that non-audit services provided by E&Y compromised their independence as auditors.

RELATIONSHIP WITH THE SHAREHOLDERS, PROHIBITION OF 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.

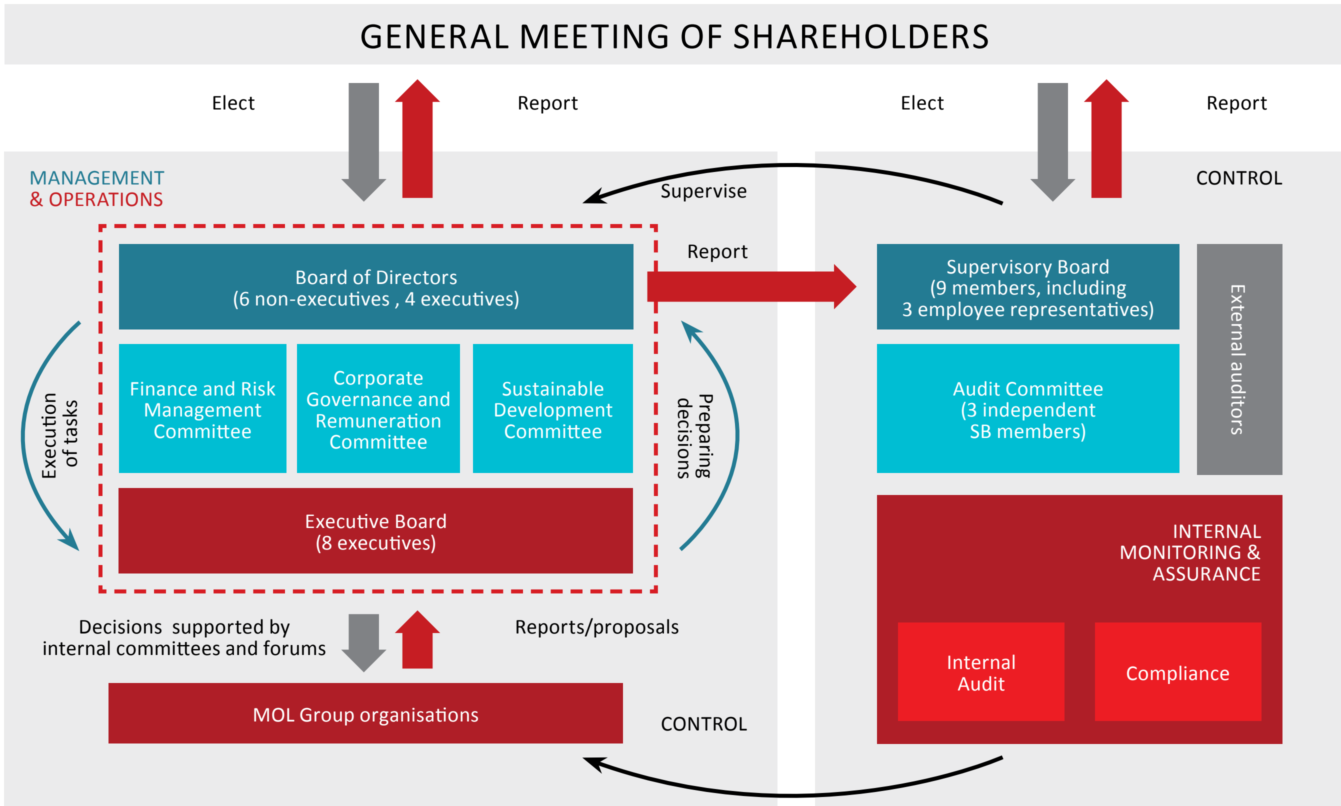
Formal channels of communication with shareholders include the Annual Report and Accounts and the quarterly interim management reports, as well as other public announcements made through the Budapest Stock Exchange (primary exchange) and the Warsaw Stock Exchange. Regular and extraordinary announcements are published on MOL's website and the Financial Authority's publication site. Moreover, we also send e-mail announcements to those who registered to be subscribed to the distribution list of e-mail announcements of the Investor Relations. In addition, presentations on the business, its performance and strategy are given to shareholders at the Annual General Meeting. Regular 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 Depository Receipts. Furthermore, investors are able to raise questions or make proposals at any time during the year, including at the Company's General Meeting. Investor feedback is regularly reported to the Board of Directors.
MOL has an Investor Relations department 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 Annual Report). Extensive information is also made available on MOL's website (mol.hu/en/), which has a dedicated section for shareholders and the financial community. MOL has always paid special attention to providing wide range of information to the capital markets in line with international best practice. The Investor Relations Department of MOL continuously updates its website (direct link at: molgroup.info/en/investor-relations). The aim of the development is to make the website even more user-friendly in accordance with the intention to continuously improve our services, and meet the requirements of our shareholders, analysts and other capital market participants.
In 2014, MOL participated in six roadshows and 11 investor conferences (1 US and 16 European), and had around 230 meetings with potential and existing shareholders. Moreover, one dedicated road show was organised to bond investors and MOL participated in three dedicated conferences to bond investors.
MOL Group is committed to the fair marketing of publicly-traded securities. Insider trading in securities is also regarded as a criminal offence in most of the countries in which MOL Group carries out its 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.
In line with the relevant laws and MOL's insider trading regulations:

- it is prohibited to conclude a transaction, directly or indirectly, using inside information involving financial instruments to which the insider information pertains, or to commission the services of others to transact such deals, to convey insider information to others, to make a suggestion to another person to engage in dealing with any financial instrument to which the insider information pertains.
- in case the insider information concerns another listed company, belonging to MOL Group, the trading prohibition shall be also applied to the related financial instruments of that company.

EXERCISING 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. 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 Articles 10.1.1 and 10.1.2.
Further, the shareholder shall, at the request of the Board of Directors, immediately identify the ultimate beneficial owner with respect to the shares owned by such shareholder. If the shareholder fails to comply with the above request or in case there is a reasonable ground to assume that a shareholder made a 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 is assured.
According to Article 10.1.1 of Articles of Associations: "No shareholder or shareholder group (as defined in Article 10.1.2 of Articles of Associations) may exercise more than 10% of the voting rights with the exception of the organisation(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 Civil Code 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. Shareholders with at least one per cent of the voting rights may request the Board of Directors to add an item to the agenda of the General Meeting. Where a group of shareholders together controls at least one per cent of the votes in the Company proposes certain additions to the agenda in accordance with the provisions on setting the items of the agenda, or tables draft resolutions for items included or to be included on the agenda, the matter proposed shall be construed to have been placed on the agenda if such a proposal is delivered to the Board of Directors within eight days following the time of publication of notice for the convocation of the general meeting, and the Board of Directors publishes a notice on the amended agenda, and on the draft resolutions tabled by shareholders upon receipt of the proposal.
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 the corporate website according to the Articles of Association. The ordinary general meeting is usually held in April in line with current regulations.
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 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 also be paid in non-cash form.
The starting date for the payment of dividends shall be defined by the Board of Directors in such a way as to ensure a period of at least ten working days between the first publication date of such announcement and the initial date of dividend distribution. Only those shareholders are entitled to receive dividends 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. The date relevant to the dividend payment determined by the Board of Directors may deviate from the date of the general meeting deciding on the payment of dividends.

MOL GROUP GOVERNANCE FRAMEWORK



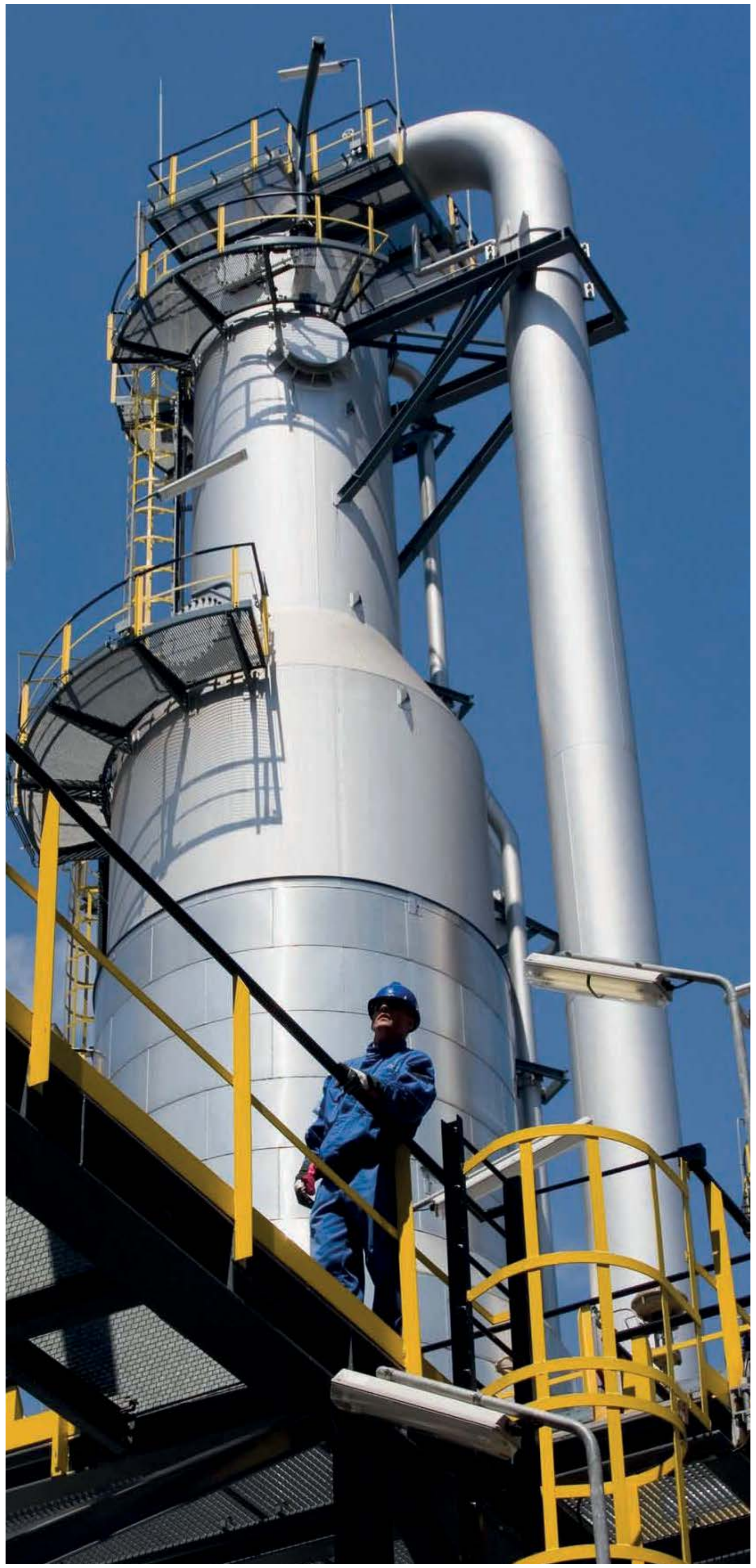
INTEGRATED CORPORATE RISK MANAGEMENT FUNCTION

The aim of MOL Group Risk Management is to deal with challenges of the business environment to support stable and sustainable operation and future growth of the company. MOL Group has developed a risk management function as an integral part of its corporate governance structure.

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 and operational risks along with a wide range of strategic risks, also taking into consideration compliance issues and potential reputation effects. The ERM process identifies the most significant risks to the performance of the company. Risks are assessed based on a unified methodology and collected into risk maps at different levels. Risk responses and controls are reviewed and mitigation actions set and reviewed for completion regularly by top management.

THE MAIN RISK DRIVERS OF THE GROUP ARE THE FOLLOWING

- **Commodity price risk:** MOL is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from a long crude oil position to the extent of its group level production, a long refinery margin position to the extent of the refined product volumes and a long petrochemical margin position. Investors buying shares in oil companies are generally willing to take the risk of the oil business so commodity price risk should not be fully eliminated from the cash flow. However, commodity hedge deals are considered to eliminate risks beyond 'business as usual' risks and general market price volatility.
- **Foreign Exchange (FX) risk:** Financially, business operations are driven mainly by USD. The overall operating cashflow exposure of the Group is net long USD, EUR, RON, and net short HUF, HRK, RUB from a finance point of view. According to MOL's current FX risk management policy, the long FX exposures of the operating cash flow are decreased by short financing cash flow exposures.



- **Regulatory risk:** Due to the economic crisis, the risk of potential government actions increased as well as potential impact of such decisions.
- **Country risks:** The internationally extending portfolio requires the proper management of country risk exposures. Country exposures are monitored to enhance the diversification effect in the investment portfolio.
- **Drilling risks:** The uncertainty related to drilling success is a typical business risk in exploration activities.
- **Equipment breakdown:** Due to the high asset concentration in Downstream business, this is a significant risk driver. Potential negative effects are mitigated besides comprehensive HSE activities through a Group-wide insurance management program.
- **Market demand uncertainties:** External factors, such as drop in market demand, can affect MOL's results negatively.
- **Reputation risk:** Reputation of energy industry players has been in the focus of media in recent years due to extreme negative events (e.g. BP oil spill, Fukushima nuclear disaster). As a major market player in the region, MOL operates under special attention from stakeholders.

Some of the risks are managed centrally, while some are dealt with by affected MOL Group companies or within the Business Units or Functions, overseen always by nominated risk owners. Risk Management regularly controls the realisation of these risk mitigation actions – in the form of quarterly reports.

MAIN RISK MANAGEMENT TOOLS

Enterprise Risk Management is a framework covering Business Units and Functional Units, which ensures incorporation of risks faced by the company into Risk Maps.

Risk analysis activity supports stable and efficient operation by identifying key risks that threaten achievement of company objectives and require specific attention by Top Management through strengthened controls or execution of mitigation actions. Risk Maps is a heat map used to graphically present major risks on a matrix using probability and impact ratings as a result of detailed risk assessment processes. Risk Maps integrate Strategic, Operational and Financial risks, which are identified and reassessed on a quarterly basis, providing regular updates to Top Management on evolution of risks and status of mitigation actions.

To ensure the profitability and financial stability of the Group, **FINANCIAL Risk Management** is in place to handle short-term, market related risks. Commodity price, FX and interest rate risks are measured by using a complex model based on Monte Carlo simulation, and are managed – if necessary - with risk mitigation tools (such as swaps, forwards and options).

Transfer of excess operational risks is performed by **Insurance Management.** The purchase of insurance represents an important risk mitigation tool used to cover the most relevant operational and liability exposures. The major insurance types are: Property Damage, Business Interruption, Liability and Control of Well Insurance, set around a yearly cycle (i.e. annual renewal of most insurance programs). Insurance is managed through a joint program for the whole MOL Group to exploit considerable synergy effects.

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 input sources for modelling financial risks are also applied in ERM. Similarly, the accumulated information on operational risks gained through managing insurances is also an important factor in ERM development. The results of ERM on operational risks (including business continuity management) can give a better direction to insurance management by highlighting areas that should 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.

DECISION-MAKING SUPPORT OF CAPITAL ALLOCATION

Besides providing information on the most imperative risks that MOL Group faces, Risk Management also supports top management and the Board of Directors in taking more educated decisions on investments, while also taking into consideration the risk profile of each projec. To serve this purpose, Group Risk Management is involved in the evaluation of major projects through the utilisation of its ERM capabilities by providing opinion on capital allocation and financing headroom.

BOARD OF DIRECTORS

Mr. Zsolt HERNÁDI

MOL GROUP POSITIONS:

- Chairman of the Board of Directors since 7 July 2000
- Chairman & Chief Executive Officer since 11 June 2001
- Member of the Board since 24 February 1999
- Member of the Corporate Governance and Remuneration Committee

Between 1989 and 1994, Mr. Hernádi occupied various posts at the Kereskedelmi és Hitelbank Plc., and between 1992 and 1994 he was its Deputy General Manager. Mr. Hernádi was Chief Executive Officer of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001 and member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was a Board member of the Hungarian Banking Association. Since 2001, he has been a member of the European Round Table of Industrialists. Since 2007 he has became honorary citizen of Esztergom, and since September, 2009 he has become the honorary citizen of the Corvinus University of Budapest, furthermore he is member of the Board of Directors at OTP Bank since 2011 April.

Dr. Sándor CSÁNYI

MOL GROUP POSITIONS:

- Member of the Board of Directors since 20 October, 2000, and Vice Chairman since 2001
- Chairman of the Corporate Governance and Remuneration Committee

Specialising in finance at university, where he also took a doctorate, he later become 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 Chief Executive Officer of the Commercial & Credit Bank (K&H), and since 1992, he has been the Chairman & Chief Executive Officer of the OTP Bank Plc. On 29 April 2011, the annual shareholders meeting re-elected him for another five-year term as Chairman and Chief Executive Officer of OTP Bank Plc. He is a European Advisory Board member of MasterCard, one of the world's leading payment systems, and co-chairman of the National Association of Entrepreneurs & Employers (VOSZ). He has been an honorary professor of the University of Western Hungary since 2004. He is a member of the Institut International d' Études Bancaires. Since July 2010, he is the President of the Hungarian Football Federation. In January 2012, he was elected the Co-Chairman of the Chinese-Hungarian Business Council.

Mr. József MOLNÁR

MOL GROUP POSITIONS:

- Group Chief Executive Officer since 1 May 2011
- Member of the Board of Directors since 12 October 2007
- Member of the Sustainable Development Committee since 5 September 2013
- Member of the Supervisory Board of INA d.d. since April 2010
- Member of the Supervisory Board of FGSZ Zrt. since May 2011

From 1978 to 2001, Mr. Molnár held various management positions at BorsodChem Plc, including Head of the Pricing Department from 1982 to 1987 and Head of the Controlling Department from 1987 to 1991. Between 1991 and 2001, as Chief Financial Officer and first deputy to the Chief Executive Officer, he contributed to the crisis management and reorganisation of the company, and later to creating the Company's vision and fulfilling its subsequent privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was Chief Executive Officer of TVK between 2001 and 2003, Group Planning & Controlling Director from 2003, and from 2004 until his appointment as Group Chief Executive Officer in May 2011, he was Group Chief Financial Officer of MOL. Within MOL Group, he was a Board member of Slovnaft a. s. between 2004 and 2008, and Board member of TVK between 2001 and 2011.

Mr. Zsigmond JÁRAI

MOL GROUP POSITIONS:

- Member of the Board of Directors from 29 April 2010
- Member of the Finance and Risk Management Committee

Mr. Járai has been working as a financial expert for many years. He has held various managerial positions in a Commercial Banks both in Hungary and abroad. He was serving as Chairman of Budapest Stock Exchange from 1996 to 1998. Between 1998 and 2000, he held the position of the Minister of Finance, and subsequently became the Chairman of the National Bank of Hungary from 2001 until 2007. As the founder of CIG Pannonia Life Insurance Ltd in 2007, he was the Chairman of the Supervisory Board between 2007 and 2013. Since 2010, he has also been the Chairman of the Supervisory Board of the National Bank of Hungary.

Dr. László PARRAGH

MOL GROUP POSITIONS:

- Member of the Board of Directors from 29 April 2010
- Member of the Sustainable Development Committee
- Member of the Finance and Risk Management Committee since 20 February 2014

Since 1989, Dr. László Parragh has been the Chairman of Parragh Trade and Holding Ltd and, since 1993, he has also been a member of the Presidium of the Confederation of Hungarian Employers and Industrialists (MGYOSZ), and was Vice President between 1994 and 2000. He was Member of the Advisory Committee for Economic Affairs of the Prime Minister between 1998 and 2002 and since 2000, Dr. Parragh has also been President of the Hungarian Chamber of Commerce and Industry. Between 2003 and 2010, he was Vice President of GYSEV Plc and since 2009, he has been Chairman of KAVOSZ Venture Development Plc since 2009. Between 2003 to 2011, he was Chairman of the Economic and Social Council and since 2011 he has been Chairman of the National Economic and Social Council. Between 2002-2010 he was a member of the Board of Directors at MEHIB Ltd, at EXIM Bank Plc and at GYESEV Plc. Between 2010 to 2011 he was a member of the Board of Directors of MALÉV. Since 2003 he has been Chairman of the Supervisory Board of KA-VOSZ Financial Services Trading Close Co. He has also been member of the State Reform Committee and member of the Board of Directors of MKB since 2014. He is Honorary Professor of the University of West Hungary and the Budapest Business School, where he is also a member of the Economic Council. He is President of the National Economic and Social Council's Economic side.

Dr. Martin ROMAN

MOL GROUP POSITIONS:

- Member of the Board of Directors from 29 April 2010
- Member of the Corporate Governance and Remuneration Committee

Martin Roman started his professional career as a sales director of the Czech branch of Wolf Bergstrasse. In 1994, he became CEO of Janka Radotín, where he was appointed Chairman of the Board after the entry of a strategic partner, the US Company LENNOX. Between 2000 and 2004, he restructured a traditional Czech mechanical engineering company, becoming Chairman and Chief Executive Officer of the new ŠKODA HOLDING. From February 2004 until mid-September 2011, Mr. Roman was the Chairman of the Board and CEO of ČEZ. From mid-September 2011 until October 2013, Mr. Roman was Chairman of the Supervisory Board of ČEZ. Besides his board membership of MOL, Mr. Roman is also a member of the Supervisory Board of the Prague Stock Exchange; (he served as a member of the Supervisory Board of Czech Railways between 2007 and 2009 and as Vice President of the Confederation of Industry and Transport of the Czech Republic from 2007 to 2011). From 2010 until May 2014, he was a member of the Supervisory Board of the Vienna Insurance Group. In addition, Mr. Roman is a member of governing or supervisory bodies in several foundations and academic institutions. He is a Czech citizen.

Judr. Oszkár VILÁGI

MOL GROUP POSITIONS:

- Member of the Board of Directors since 1 May 2011
- Chairman of the Board of Directors and CEO of SLOVNAFT
- Member of the Supervisory Board of INA d.d. since May, 2011
- Member of the Sustainable Development Committee since 30 May 2014

Mr. Világi graduated from the Faculty of Law at the Comenius University of Bratislava in 1985 and achieved the academic title of D.C.L. During 1990 to 1992, he was a member of the Czechoslovak Parliament in Prague. In 1994, he was one of the founders of the Central European Foundation, of which he is the member of the Board of Directors by now. From 1996, he participated in the governing bodies of several Slovak companies. He has been the legal advisor for several foreign investors in big restructuring projects of Slovak industry (U.S. Steel, France Telecom, OTP, MOL). Since 2002 he has been a member of the strategic partnership and integration team of Slovnaft and MOL. Before becoming a member of the Board of Directors in Slovnaft a.s. in 2005, he was member of its Supervisory Board. In March 2006, Mr. Világi was appointed as CEO of Slovnaft. In April 2010, he became Member of the Executive Board of MOL. He is the President of the Slovak-Hungarian Chamber of Business and Industry founded in 2012.

Dr. Anthony RADEV

MOL GROUP POSITIONS:

- Member of the Board of Directors since 30 April 2014
- Member of the Finance and Risk Management Committee since 30 May 2014
- Member of the Corporate Governance and Remuneration Committee since 30 May 2014

Dr. Anthony Radev was a Director of McKinsey & Company for over 22 years. Joining the Firm in 1991 in Germany, he was one of the founding partners of the Eastern European branch in 1993. He personally opened up the McKinsey offices in Budapest (1995), Zagreb (2003), Sofia (2005) and Bucharest (2008). He also lead the Eastern European offices of McKinsey Financial Institutions Practice. With McKinsey, Anthony has completed a vast number of engagements in almost all sectors of the economy and the public sector – from financial institutions through service - to manufacturing industries. He is a citizen of Hungary, Germany and Bulgaria.

Dr. Anwar AL-KHARUSI

MOL GROUP POSITIONS:

- Member of the Board of Directors since 30 April 2014
- Member of the Finance and Risk Management Committee since 30 May 2014
- Member of the Sustainable Development Committee since 30 May 2014

Dr. Anwar al-Kharusi is a citizen of the Sultanate of Oman, and holds a Ph.D. in Petroleum Engineering from the University of London, UK (Imperial College) and a BS in Physics from the University of Brisol (UK). He has over 20 years of oil and gas industry experience ranging from petroleum engineering field management, and oil and gas investments. He has been working at Petroleum Development Oman (1993-2000), Shell International Exploration and Production in the Netherlands (Team Leader, 2000-2005) Knowledge Reservoir UK Limited (Regional Manager for Middle East, 2007-2009) and Oman Oil Company (Head International Mergers & Acquisitions – Upstream, 2009-onwards). Dr. Anwar al-Kharusi is presently advising in the Ministry of Oil and Gas in Oman.

Prof. János MARTONYI

MOL GROUP POSITIONS:

- Member of the Board of Directors since 1 July 2014
- Member of the Corporate Governance and Remuneration Committee since 1 July 2014
- Member of the Sustainable Development Committee since 1 July 2014

Prof János Martonyi is a Doctor of Law and Political Sciences, gained PhD in Law and Political Sciences in 1979, politician, legal scholar, diplomat, attorney and university professor. Between 1984 and 1994, he held different positions in the Ministry of Foreign Trade and in the Ministry of Trade, then served as Administrative State Secretary in the Ministry for International Economic Relations and at the Ministry of Foreign Affairs, between 1994 and 1998, then from 2002 until 2009 attorney and managing partner at Baker & McKenzie's local office. He was the Foreign Minister of Hungary during the first and second Orbán Government (1998–2002, 2010–2014). Since 1987 he has lectured at several universities, among them at the Faculty of Law and Political Sciences of ELTE University, the Szeged University of Sciences, the College of Europe in Brugge and Natolin (Warsaw) and the Central European University. He is member of the Batthyány Circle of Professors and of the European Academy of Sciences and Arts. He is author of numerous articles and essays in the field of international economic and trade law, competition law, European integration, cooperation in Central Europe, geopolitics and global regulations. He is an international arbitrator and member of the Panel of Arbitrators of ICSID (International Centre for Settlement of Investment Disputes). Prof Martonyi has been decorated with Commander's Cross with the Star of the Order of Merit of the Republic of Hungary, National Order of the Legion of Honour of France (commander's and officer's rank), National Order of Merit of France, as well as British, Austrian, Polish and Bulgarian state decorations.

EXECUTIVE BOARD

Mr. Zsolt HERNÁDI

MOL GROUP POSITIONS:

- Chairman of the Board of Directors since 7 July 2000
- Chairman & Chief Executive Officer since 11 June 2001
- Member of the Board since 24 February 1999
- Member of the Corporate Governance and Remuneration Committee

Between 1989 and 1994, Mr. Hernádi occupied various posts at the Kereskedelmi és Hitelbank Plc., and between 1992 and 1994 he was its Deputy General Manager. Mr. Hernádi was Chief Executive Officer of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001 and member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was a Board member of the Hungarian Banking Association. Since 2001, he has been a member of the European Round Table of Industrialists. Since 2007 he has became honorary citizen of Esztergom, and since September, 2009 he has become the honorary citizen of the Corvinus University of Budapest, furthermore he is member of the Board of Directors at OTP Bank since 2011 April.

Mr. József MOLNÁR

MOL GROUP POSITIONS:

- Group Chief Executive Officer since 1 May 2011
- Member of the Board of Directors since 12 October 2007
- Member of the Sustainable Development Committee since 5 September 2013
- Member of the Supervisory Board of INA d.d. since April 2010
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From 1978 to 2001, Mr. Molnár held various management positions at BorsodChem Plc, including Head of the Pricing Department from 1982 to 1987 and Head of the Controlling Department from 1987 to 1991. Between 1991 and 2001, as Chief Financial Officer and first deputy to the Chief Executive Officer, he contributed to the crisis management and reorganisation of the company, and later to creating the Company's vision and fulfilling its subsequent privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was Chief Executive Officer of TVK between 2001 and 2003, Group Planning & Controlling Director from 2003 and, from 2004 until his appointment as Group Chief Executive Officer in May 2011, he was Group Chief Financial Officer of MOL. Within MOL Group, he was a Board member of Slovnaft a. s. between 2004 and 2008, and Board member of TVK between 2001 and 2011.

Mr. József SIMOLA

MOL GROUP POSITIONS:

- Group Chief Financial Officer since 1 May 2011
- Member of the Audit Committee of INA d.d.

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 continued his career at 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. He served as the Chairman of the Supervisory Board of SLOVNAFT a. s. until 2011 and as Supervisory Board member of INA d.d. and as a member of the Board Of Directors of IES until 2012. He was also appointed as Corporate Centre Executive Vice President of MOL Plc. between 2006 and 2011.

Mr. Ferenc HORVÁTH

MOL GROUP POSITIONS:

- Executive Vice President of MOL Refining & Marketing Division since November 2003. From 1 May, 2011 Executive Vice President of MOL Downstream
- Member of the Board of Directors of TVK since 1 May 2011
- Chairman of the Board of Directors of IES Mantua since November 2007
- Member of the Board of Directors of SLOVNAFT since 2003
- Member of the Supervisory Board of INA d.d. since 2012

From 1984 until 1991, 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 of 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). Between 2002 and 2003, he was Commercial Director and his activities have broadened with the purchase of crude oil and raw materials necessary for the refining of crude oil.

Mr. Zoltán ÁLDOTT

MOL GROUP POSITIONS:

- President of the Management Board of INA d.d. since 1 April 2010

Between 1990 and 1991, he was an associate at Creditum Financial Consulting Ltd. Afterwards, between 1992 and 1995, he held various positions at Eurocorp Financial Consulting Ltd. From 1995 to 1997, he was the Manager of MOL's Privatisation Department and from 1997 until 1999, he was Director of Capital Markets. In 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 2001 he has been a member of the MOL EB. He was the Executive Vice President of MOL Exploration & Production Division between September 2004 and June 2011.

Judr. Oszkár VILÁGI

MOL GROUP POSITIONS:

- Member of the Board of Directors since 1 May 2011
- Chairman of the Board of Directors and CEO of SLOVNAFT
- Member of the Supervisory Board of INA d.d. since May, 2011
- Member of the Sustainable Development Committee since 30 May 2014

Mr. Világi graduated from the Faculty of Law at the Comenius University of Bratislava in 1985 and achieved the academic title of D.C.L. During 1990 to 1992, he was a member of the Czechoslovak Parliament in Prague. In 1994, he was one of the founders of the Central European Foundation, of which he is the member of the Board of Directors by now. From 1996, he participated in the governing bodies of several Slovak companies. He has been the legal advisor for several foreign investors in big restructuring projects of Slovak industry (U.S. Steel, France Telecom, OTP, MOL). Since 2002 he has been a member of the strategic partnership and integration team of Slovnaft and MOL. Before becoming a member of the Board of Directors in Slovnaft a.s. in 2005, he was member of its Supervisory Board. In March 2006, Mr. Világi was appointed as CEO of Slovnaft. In April 2010, he became Member of the Executive Board of MOL. He is the President of the Slovak-Hungarian Chamber of Business and Industry founded in 2012.

Mr. Sándor FASIMON

MOL GROUP POSITIONS:

- COO Mol Hungary since 1 October 2012
- Member of the Board of Hungarian Hydrocarbon Stockpiling Association
- President of the Hungarian Petroleum Association

From 1991 Mr. Fasimon held various management positions at the Mineralimpex Hungarian Foreign Trade Company for Oil & Mining Products. Between 1996 and 1997 Counsellor, he served as Head of the Tripoli (Libya) Hungarian Commercial Section. From 1998 to 2003 Mr. Fasimon worked for MOL as Supply Director in the field of crude oil and crude oil products and from 2002 he acted as Managing Director of Moltrade-Mineralimpex Co. Ltd. Between 2003 and 2006, he was the Managing Director of Natural Gas Division of MOL Plc. From 2006 until 2009, he acted as General Director of MOL-Russ LLc. Between 2009 and 2011, he worked as Senior Vice President of Supply & Trading Division and, from 1 June 2011, as Executive Vice President of Exploration and Production.

Mr. Alexander DODDS

MOL GROUP POSITIONS:

- Executive Vice President of Exploration & Production

He has over 30 years' deep understanding of the international upstream oil and gas arena with broad experience in exploration, development and production. He brings with him a significant international track record, having worked in North America, South America, the North Sea, the Middle East, Asia and Russia. His recent assignments include being Executive Director and Executive Vice President at TNK-BP and President & General Manager at Exxon-Mobil Qatar Inc. Mr. Dodds gained his BSc in Civil Engineering and a Masters in Petroleum Engineering.

SUPERVISORY BOARD

Mr. György MOSONYI

MOL GROUP POSITIONS:

- Member of MOL Supervisory Board since 1 May 2011 and Chairman since 8 June 2011
- Permanent invitee of the Sustainable Development Commitee
- Chairman of the Board of Directors of TVK Plc.
- Chairman of the Supervisory Board of SLOVNAFT a. s.
- Vice President of the Supervisory Board of INA d.d.

From 1974 onwards, Mr Mosonyi worked for the Hungarian Agency of Shell International Petroleum Co. (Shell) and from 1986 he held the position of commercial director. In 1991 he worked at Shell headquarters in London. Between 1992-1993 he was a managing director of Shell-Interag Ltd and from 1994-1999 he was Chairman and Chief Executive Officer of Shell Hungary Rt. Also in 1997 he became Chairman of Shell's Central & East European Region and CEO of Shell Czech Republic in 1998. He was also vice-chairman of the Hungarian Chamber of Commerce & Industry, and Industrialists, a member of the Joint Venture Association's Presidium and President of the World Petroleum Council Hungarian National Committee till 2015 January. Since 2012 April member of the Board of Directors of Hungarian Telekom Plc. He was Group-Chief Executive Officer and a member of the Board of Directors of the Group between 1999 and 2011. Between 2006-2011 he was Chairman of the Sustainable Development Committee.

Dr. Attila CHIKÁN

MOL GROUP POSITIONS:

- Member of the Supervisory Board since 30 April 2004
- Deputy Chairman of the Supervisory Board since 5 December 2005.
- Chairman of the Audit Committee since 8 June 2011

Since 1968 Professor Chikán has worked for Corvinus University of Budapest and its legal predecessors Between 1989 and 1998, he was Head of the Business Economics Department. In 1998 and 1999, he held the office of Minister of Economic Affairs in the Hungarian government. Between 2000 and 2002 he was Chairman of the Council of Ecconomic Advisors of the Prime Minister. Between 2000 and 2003, he was Rector of Budapest University of Economic Sciences. Since then, Dr. Chikán has been a Director of the Competitiveness Research Centre of the University. He is a Corresponding Member of the Hungarian Academy of Sciences and Foreign Member of the Royal Swedish Academy of Engineering. He is Honorary Doctor of Lappeenranta University of Technology (Finland) and Babes-Bolyai University (Romania). He holds several positions in Hungarian and international professional organisations and membership in Editorial Boards of international journals. He is also Chairman of the Supervisory Board and Chairman of the Audit Committee of Richter Gedeon Plc.

Mr. John I. CHARODY

MOL GROUP POSITIONS:

- Member of the Supervisory Board since 11 October 2002
- Member of the Audit Committee

Mr. Charody worked in the Geophysical Institute of the Oil Exploration and Development Company between 1953 and 1956. Following this, he held leading positions in various companies operating in Australia including Bridge Oil Ltd., Aurora Minerals and Project Mining. He was also Chief Executive Officer of Winton Enterprises Pty. Ltd. and Galina Investment International Consulting Company. He has been a fellow of the Institute of Australian Directors since 1971, the Australian Institute of Management since 1967, and a Justice of the Peace since 1972. In 1973, he was awarded the M.B.E. by H.M. the Queen for his services to Australia. 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 in fostering Australian-Hungarian financial and commercial relationships. Currently he is a Board Member of Pick Zrt. and Csányi Foundation.

Mr. Slavomír HATINA

MOL GROUP POSITIONS:

- Member of the Supervisory Board since 11 October 2002

Mr. Hatina joined Slovnaft in 1970, working in various positions after joining. 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. Mr. Hatina was awarded a Doctorate Honoris Causa by the Slovak University of Technology in 2001. From 1995 to December 2014, he was Chairman of the Board of Slovintegra a.s. He is the Chairman of the Supervisory Board of BIATEC GROUP, a.s.. Mr. Hatina is a citizen of Slovakia.

Mr. István TÖRÖCSKEI

MOL GROUP POSITIONS:

- Member of the Supervisory Board since 29 April 2010
- Member of the Audit Committee since 1 May 2011

Mr. Töröcskei held senior positions in the following banks between 1973 and 1989: National Bank of Hungary, HIB London Magyar Hitelbank Zrt., Kultúrbank Zrt., and Interbanka Prague. Between 1997 and 2007, he was Chief Executive Officer of Equilor Investor Ltd., then from 2007 Adviser in T and T Ltd. He is Chairman of the Supervisory Board in Hír TV and Gresco Ltd, and a member of the Board of Directors in PannErgy Ltd., Pro-Aurum Ltd. He is also Chairman of the Széchenyi Credit Cooperative and Széchenyi Commercial Bank Ltd. Between 15 November 2011 and 31 January 2015, he was Chief Executive Officer of ÁKK Zrt.

Dr.sc. Zarko PRIMORAC

MOL GROUP POSITIONS:

- Member of the MOL Supervisory Board since 27 April 2012

Dr. Primorac graduated in 1964 and obtained PhD in 1976 in Economics at the Faculty of Economics in Sarajevo. Between 1968-1981 he held various managerial positions in Energoinvest, Sarajevo. In the same period Dr. Primorac was member and Chairman of the Board of leading Yugoslav banks and other companies such as: Privredna Banka Sarajevo, Yugoslav Bank for Foreign Trade Beograd /JUBMES/, FAMOS, Sarajevo, PETROLINVEST Sarajevo. He was member of Bosnia and Herzegovina Parliament in the period of 1967-1974. From 1981 to 1984 he worked as the President of the Chamber of Economy in Sarajevo. Between 1984 and 1992 he was appointed to the position of Vice President and later on Deputy President of the Governing Board of Energoinvest. In 1992 he was the Minister of Finance of the Republic of Bosnia and Herzegovina. From 1993 to 1997 he worked as the director of Inzenjerski biro-revizija in Zagreb. Between 1997-2002 ha was a senior advisor and then a member of the Management Board of PricewaterhouseCoopers Zagreb office.
Since 2002, Dr. Primorac has been Regional honorary Chairman of Deloitte Zagreb and since 2012 he has been a member of the Supervisory Board of Hrvatska elektroprivreda d.d. (HEP). Currently, he is member of the Council for International Relations of the President of the Republic of Croatia and a member of the Presidency of the Croatian Association of Economists, and a member of the Business Advisory Council for South East Europe (BAC).

Mr. Attila JUHÁSZ

MOL GROUP POSITIONS:

- Member of the Supervisory Board since 12 October 2007, delegated by the employees

Mr. Juhász joined the Company in 1986. During his employment he held various positions in the Exploration and Production Division. He has been Area cordinator of MOL Trade Union of Production Workers and a member of the Workers Council since its foundation. Currently he is acting as an observer in the Workers Council.

Dr. Sándor PUSKÁS

MOL GROUP POSITIONS:

- Member of the Supervisory Board since 28 April 2011 as a delegate of the employees

Dr. Puskás has been employed by MOL as a Petroleum Engineer, M.Sc., since 1985. Currently he is a Petroleum Engineer and holds a R&D Senior Expert position at the Production Technologies MOL Department at the Exploration and Production Division of MOL Group in Algyő, Hungary. He has 29 years of experience as a field, research and development engineer, and as a project manager in crude oil production. Dr. Puskás holds a Dipl. Eng. degree in petroleum engineering from Moscow State Gubkin Oil and Gas University and a Dr. Univ. degree in colloid chemistry from the Jozsef Attila University Szeged, Hungary. He holds a postgraduate degree in Research and Development Management and Human management from Budapest University of Economic Sciences and State Administration, Management Development Centre. Dr. Puskás is the author and co-author of several technical papers. He is member of the Hungarian Mining and Metallurgical Society and the Energy Management Scientific Association. He is member of the MOL Trade Union of Production Workers.

Ms. Andrea HEGEDŰS

MOL GROUP POSITIONS:

- Member of the Supervisory Board since 12 October 2012

Started her career in 1990 at Transdanubian Petroleum Company Százhalombatta as a chemist. Further studied and qualified as cash affair and sociology. Since 1995 the MOL Trade Union of Petroleum Industry representative Százhalombatta with special attention to the area of production, continuous shift workers safety. The union's work, including as vice president of financial support.

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD ON THE 2014 FINANCIAL STATEMENTS AND ON THE PROPOSAL FOR THE DISTRIBUTION OF PROFIT AFTER TAXATION AND ITS OPINION ON THE BOARD OF DIRECTORS' PROPOSALS TO BE SUBMITTED TO THE GENERAL MEETING

György Mosonyi
Chairman of the Supervisory Board

Dr. Attila Chikán
Chairman of the Audit Committee

The Supervisory Board and the Audit Committee performed their duties in full accordance with their statutory obligations; five meetings were held jointly during the year to review various agenda points in common. Regular agenda points of these meetings included quarterly reports of the Board of Directors on Company operations as well as reports by Internal Audit, Corporate Compliance Office and the Audit Committee itself. In addition, the Supervisory Board reviewed proposals for the Annual General Meeting. The report of the Supervisory Board was prepared pursuant to the report of the Board of Directors, the opinions of the auditors, scheduled regular mid-year reviews and the work of the Audit Committee. At its meetings during 2014, the Supervisory Board dealt in detail with MOL Group's business situation and the strategic development of the Group and its Divisions. The Supervisory Board regularly received information on the decisions of the Board of Directors and issues concerning the Company.

MOL, with its close to USD 5 billion market capitalisation at end of 2014, is one of the leading integrated company in the CEE region.

The Company's 2014 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 these 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.

A total of 126 companies were fully, and a further 11 companies partially, consolidated in MOL Group, using the equity method. Last year, the ownership structure changed to a limited extent: at the end of 2014, compared to the end of the prior year, the shareholding of foreign institutional investors decreased slightly, the ownership of domestic institutional investors increased from 2.8% to 5.6%, while the shareholding of private investors remain broadly unchanged. According to requests for the registration of shares received and published shareholder notifications, the Company had six shareholders or shareholder groups that held more than 5% voting rights on 31 December 2014. MOL's largest shareholder is the Hungarian State which holds 24.7% of MOL shares. The Company held 2.7% treasury shares at the end of December 2014, 0.3% higher than a year before.

Despite a challenging external environment, MOL Group delivered a firm performance in 2014 and reported a HUF 511bn Clean CCS EBITDA. Despite the falling oil price in the second half of the year, this is just a marginally lower figure (one percent) compared to 2013. Additionally, MOL grew its capital expenditures, while keeping gearing and indebtedness at relatively low levels. These excellent results are the reflection of the the strength and resilience of the integrated business model, having managed to strike the right balance between Upstream and Downstream.

The Upstream division financial results decreased considerably compared to 2013, however, results are satisfactory in light of the drastic decrease in oil prices during the second half of 2014. Despite the lower financial performance, there were several key positive milestones achieved during the year which bode well for the future growth of MOL. These included a) gradual increase of production since the middle of 2014, b) over 100% organic reserves replacement ratio due to sizeable reserves booking in international projects, and c) further optimization of the international E&P portfolio in line with the company's strategy and entering into the North Sea region.

As for Downstream, it delivered very strong financial and operational performance. Full year Clean CCS EBITDA improved by over 30% compared to 2013 and MOL reported its best quarterly results in the last ten years during the second half of 2014. The improvement was attributed to a more favourable external environment, but was also driven by the implementation of internal efficiency measures. The New Downstream Program was successfully closed in 2014 in line with expectations. Despite these great results, MOL has launched the Next Downstream Program, which will target additional USD 500 m improvement for the period of 2015-17 through a combination of additional efficiency measures and growth projects.

Overall in 2014 MOL managed to maintain its strong financial position due to its resilient integrated business model. Looking forward, despite all the difficulties faced by the current external environment, MOL remains committed to maintain its strong cashflow generating ability and balance sheet position. This continues to leave room for possible inorganic steps targeting attractive growth opportunities as MOL seeks to renew its asset base in Upstream and further strengthen its Downstream position across the CEE region.

Although the combination of a low oil price, an uncertain geopolitical scene and a tightening regulatory environement pose considerable challenges, we are confident that in line with the Company's objectives and expectations, MOL can successfully face all the challenges underpinned by the solid foundations laid down over the years.

The Supervisory Board proposes that the General Meeting approve the audited financial statements of MOL Plc. for 2014, with a balance-sheet total of HUF 3,189 billion, net income of minus HUF 121 billion and tied-up reserve of HUF 8 billion and the audited consolidated financial statements of MOL Group for 2014, with a balance sheet total of HUF 4,650 billion and profit attributable to equity holders of HUF 4 billion.

The Supervisory Board endorses the recommendation of the Board of Directors to pay out HUF 50 billion dividend in 2015 based on the year ended 31 December 2014. The proposed amount represents the continuation of the last years' gradually increasing payout trend of the regular dividend payment.

The Supervisory Board has reviewed and surveyed all proposals of the Board of Directors to be submitted to the General Meeting and recommends to the General Meeting to approve those proposals.
The Audit Committee provided assistance to the Supervisory Board in supervising the financial report regime and the 2014 financial statements and supported the report of the Supervisory Board.

Budapest, 24 March 2015

For and on behalf of the Supervisory Board and Audit Committee of MOL Plc.:

György Mosonyi
Chairman of the Supervisory Board

dr. Attila Chikán
Chairman of the Audit Committee

CORPORATE AND SHAREHOLDER INFORMATION

Date of foundation of MOL Plc: 1 October 1991. Registered by the Metropolitan Court acting as Court of Registration on 10 June 1992 with effect as of 1 October 1991, under file number 01-10-041683.

Legal predecessor: Országos Kőolaj- és Gázipari Tröszt (OKGT National Oil and Gas Trust) and its subsidiaries.

The Articles of Association were modified and accepted the Annual General Meeting (AGM) held on 24 April 2014. Since then the Board of Directors have updated the data regarding the business premises and branch offices (Attachment No. 2 of the Articles of Association) on 19 February 2015. Access to the Articles of Association can be requested from the Company or the latest electronic version can be downloaded from Company's web site.

Registered share capital as of 31 December 2014: 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

	31.12.2014		31.12.2013	
	Par value of shares (HUF th)	%	Par value of shares (HUF th)	%
Foreign investors	20,697,734	19.8	27,453,529	26.3
Hungarian State	25,857,957	24.7	25,857,957	24.7
CEZ MH B.V.	7,677,285	7.3	7,677,285	7.3
OmanOil (Budapest) Limited	7,316,294	7.0	7,316,294	7.0
OTP Bank Plc.	6,158,177	5.9	5,652,859	5,4
Magnolia Finance Limited	6,007,479	5.7	6,007,479	5.7
ING Bank N.V.	5,220,000	5.0	5,220,000	5.0
Crescent Petroleum	3,161,116	3.0	3,161,116	3.0
Dana Gas PJSC	1,136,116	1.1	1,486,116	1.4
UniCredit Bank AG	4,080,496	3.9	4,080,496	3.9
Credit Agricole	2,129,666	2.0	2,129,666	2.0
Domestic institutional investors	6,429,677	6.2	2,197,591	2.1
Domestic private investors	5,804,341	5.6	3,793,751	3.6
MOL Plc. (treasury shares)	2,842,726	2.7	2,484,925	2.4
Total	104,519,064	100.0	104,519,064	100.0

Please note that data above do not fully reflect the ownership structure recorded in the Share Register. It is based on the received request for registration of the shares and the published shareholder notifications. Registration is not mandatory. The shareholder may exercise its rights towards the company only if the shareholder is registered with the Share Register. According to the Articles of Association, no shareholder or shareholder group may exercise more than 10% of voting rights.

SHARE INFORMATION

MOL share prices are published by the majority of Hungarian daily newspapers and available on the BSE web site (www.bse.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 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 for each quarter of 2014:

	BSE VOLUME (NO. OF SHARES)	BSE CLOSING PRICE (HUF/SHARE)
1st quarter	4,858,148	12,550
2nd quarter	5,274,893	12,100
3rd quarter	5,070,380	12,050
4th quarter	4,550,583	11,545

TREASURY SHARES

During 2014, the following treasury share transactions took place:

REASON FOR CHANGE	NUMBER OF "A" SERIES SHARES	NUMBER OF "C" SHARES
Shares		
Number of Treasury shares on 31 December 2013	2,484,346	578
Share distribution for the members of the Board of Directors	(13,500)	-
Termination of the share lending agreement with OTP Bank Plc.	371,301	-
New share lending agreement with OTP Bank Plc.	(371,301)	-
Termination of the share lending agreement with OTP Bank Plc.	371,301	-
Modification of the option agreement with UniCredit Bank AG and share sale with option rights	(1,300,000)	-
Number of Treasury shares on 31 December 2014	1,542,147	578

CHANGES IN ORGANISATION AND SENIOR MANAGEMENT

The Annual General Meeting on 24 April 2014 made the following resolutions:

- re-elected Dr. Sándor Csányi as member of the Board of Directors of MOL Plc. from 30 April 2014 to 29 April 2019.
- elected Dr. Anwar al-Kharusi and Dr. Anthony Radev as members of the Board of Directors of MOL Plc from 30 April 2014 to 29 April 2019.
- elected Dr. János Martonyi as member of the Board of Directors of MOL Plc from 1 July 2014 to 29 April 2019.

Dr. Gábor Horváth, Dr. Miklós Dobák and Mr. Iain Paterson mandate expired, while Mr. Mulham Al-Jarf resigned from his position as a member of the Board of Directors.

MOL securities held by Directors and Officers of the company as of 31 December 2014:

NAME	CURRENT POSITION	NUMBER OF MOL SHARES	NUMBER OF MAGNOLIA* BOND
Zsolt Hernádi	Chairman of the Board of Directors, Chairman-CEO (C-CEO)	191,691	19
Dr. Sándor Csányi	member of the Board of Directors, Vice-Chairman	8,000	86
József Molnár	member of the Board of Directors, Group Chief Executive Officer (GCEO)	12,400	3
Zsigmond Járai	member of the Board of Directors	2,400	-
Dr. Anwar al-Kharusi	member of the Board of Directors	-	-
Dr. János Martonyi	member of the Board of Directors	-	-
Dr. László Parragh	member of the Board of Directors	2,470	-
Dr. Anthony Radev	member of the Board of Directors	-	-
Dr. Martin Roman	member of the Board of Directors	2,400	-
Dr. Oszkár Világi	member of the Board of Directors, Chairman of the Board of Directors and CEO of Slovnaft a.s.	13,610	5
György Mosonyi	Chairman of the Supervisory Board	39,588	-
Dr. Attila Chikán	Deputy-Chairman of the Supervisory Board	-	-
John I. Charody	member of the Supervisory Board	-	-
Slavomir Hatina	member of the Supervisory Board	-	-
Andrea Hegedűs	member of the Supervisory Board, employeerepresentative	-	-
Attila Juhász	member of the Supervisory Board, employeerepresentative	-	-
Dr. Sándor Puskás	member of the Supervisory Board, employeerepresentative	-	-
István Töröcskei	member of the Supervisory Board	-	-
Dr. sc. Žarko Primorac	member of the Supervisory Board	-	-
Zoltán Áldott	Executive Vice President, President of the Management Board, INA d.d.	60,000	2
Alexander Dodds	Executive Vice President Exploration & Production	-	-
Sándor Fasimon	Executive Vice President, MOL Hungary	10,000	2
Ferenc Horváth	Executive Vice President, Downstream	33,198	1
József Simola**	Group Chief Financial Officer (GCFO)	16,310	4

* Perpetual exchangeable capital security, issued by Magnolia Finance Ltd, exchangeable into “A” Series MOL Ordinary Shares with nominal value of EUR 100,000.
** Mr. József Simola owns two pieces of MOL GROUP FINANCE USD bonds expiring on 26 September 2019 with nominal value of USD 200,000.

GLOSSARY

Average realised hydrocarbon price
Total revenue realised on hydrocarbon sales per barrel

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.

Barrel (bbl)
Anglo-Saxon unit of measurement applied in the oil industry, 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). One cubic metreoil is equal to 6.29 barrel.

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.

Boepd
Barrel of oil equivalent per day

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 Mediterran (CIF MED) region.

Butadiene (1,3 - butadiene)
1,3-Butadiene is a simple conjugated diene with the formula C_4H_6. Butadiene is produced as a byproduct of the steam cracking process used to produce ethylene and other olefins. Typically isolated from C4 fraction. Colourless gas, flammable, irritative, carcinogen. It is an important industrial chemical used as a monomer in the production of synthetic rubber.

Company
MOL Hungarian Oil and Gas Public Limited Company

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.

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).

Downstream
Refining and Marketing, Retail and Petrochemicals

Enhanced oil recovery (EOR)
Processes/technologies that can be used to recover more oil relative to the primary and secondary methods.

Field development
Process of implementing underground and aboveground facilities necessary for the recovery of hydrocarbon reserves.

FPSO (Floating Production Unit and Offloading)
This unit is a floating vessel used by the offshore oil and gas industry for the production and processing of hydrocarbons, and for the storage of oil. An FPSO vessel is designed to receive hydrocarbons produced by itself or from nearby platforms or subsea template, process them, and store oil until it can be offloaded onto a tanker or, less frequently, transported through a pipeline.

Gross production
Total quantity of crude oil and natural gas from hydrocarbon fields prior to the deduction of royalties.

HDPE
High density polyethylene

Liquified Propane Gas (LPG)
Hydrocarbon gas compound mainly consisting of propane and buthane, 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

mboepd
Thousand barrel of crude oil equivalent per day

MCM
Million cubic feet

MMbbl
Million barrel

MMboe
Million barrel of crude oil equivalent

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.

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 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.

Polimer
A complexity of repeating units of organic or inorganic macromolecules

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.

Propylene
The second member of the alkene homologous series, empirical formula: C_3H_6. There is a single double bond between two carbon atoms.

Proved reserves (SPE 1P)
Proved reserves are those quantities of petroleum claimed to have a reasonable certainty (normally at least 90% confidence) of being recoverable under existing economic and political conditions, with existing technology.

Proved + probable reserves (SPE 2P)
It includes proved reserves + probable reserves (that are attributed to known accumulations and claim 50% confidence level of recovery).

Putting into production
Accomplishment of surface and underground facilities necessary for the production of hydrocarbon reserves.

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.

Reserve
Estimated volume of crude oil, condensate, natural gas and other components that can commercially be extracted by using known recovery methods from a known accumulation under the prevailing economic and operating conditions.

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

Thermal Power Plant (TPP)
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%).

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.

Unit production cost
Total cost of lifting, gathering and processing of crude oil and natural gas per barrel of crude oil equivalent

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 Depository Receipt, depository certificates issued by a foreign depository on the issuers shares, which are deposited with a Hungarian custodian.

CAPEX
Capital Expenditures

Clean-CCS EBITDA / Operating profit
As of Q2 2013 our applied clean CCS methodology eliminates from EBITDA / operating profit inventory holding gain / loss (i.e.: reflecting actual cost of supply of crude oil and other major raw materials); impairment on inventories; FX gains / losses on debtors and creditors; furthermore adjusts EBITDA / operating profit by capturing the results of underlying hedge transactions. Clean CCS figures of the base periods were modified as well according to the improved methodology.

EBITDA (Earnings before interest, tax, depreciation and amortisation)
Operating profit plus depreciation and amortisation

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

IFRS
International Financial Reporting Standards, formerly International Accounting Standards (IAS)

Market capitalisation
Number of shares (issued share capital excluding Treasury stock) multiplied by the actual stock market price.

MNB (Magyar Nemzeti Bank)
The Central Bank of Hungary

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

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.
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

SUSTAINABLE DEVELOPMENT

APC
Aim of Annual People Cycle is to have a sustainable and integrated people management process at MOL Group. The yearly repeating assessment cycle ensures regular feedback on performance, career & development opportunities, and links current performance to long-term career growth.

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.

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.

Donations in cash
Is a monetary support provided without any return consideration in a financial or other form. It is closely related to the social role and responsibility of the Company, and can contribute to the Company's positive image.

Employee volunteering during paid working hours
Employee volunteering is a service provided by the company staff during paid working hours supporting communities or for charitable purposes.

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.

GHG (Greenhouse gases)
Gases that contribute to the formation of an undesirable insulating blanket around the Earth by trapping heat from infrared radiation (CO_2, CH_4, N_2O, HFC, PFC, SF_6).

GRI (Global Reporting Initiative)
A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

HAY
MOL Group's existing job grading system is based on the HAY methodology. HAY enables the company to manage a single, logical, transparent and consistent system that ensures the adequate treatment of its employees based on the nature of their work and their position within the company.

HSE
Health, Safety and Environment

HSE indicators
For the exact definitions of the HSE indicators please visit our Sustainable Development website.
http://molgroup.info/hu/sustainability

In-kind giving
A non-monetary support provided without any return consideration in a financial or other form, which is closely related to the social role and responsibility of the Company, and can contribute to the Company's positive image.

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 and/or uncontrolled release of liquefied hazardous materials exceeding 1 cubic metre volume to the environment (groundwater, surface water, soil).

SS (Solid Substances)
Particles which do not dissolve in water

TPH (Total Petroleum Hydrocarbons)
Is a parameter used to measure the concentration or mass of petroleum hydrocarbon constituents present in a given amount of soil or water

TRIR (Total Reportable Incident Rate)
Total number of Lost Time Injuries, Medical Treatment cases and Restricted Work Cases per 1 million hours worked.

VOC (Volatile Organic Compounds)
Volatile organic compounds (VOCs) are emitted as gases from certain solids or liquids and include a variety of chemicals, some of which may have short- and long-term adverse health effects and participates in atmospheric photochemical reactions. They are defined as any organic compound with a vapour pressure of 0.01 kPa or higher at 293.15 K (20 ºC), 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 NOX and VOCs.

VRU
Vapour recovery unit – a relatively simple system that can capture vapours that otherwise will be vented into the atmosphere

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