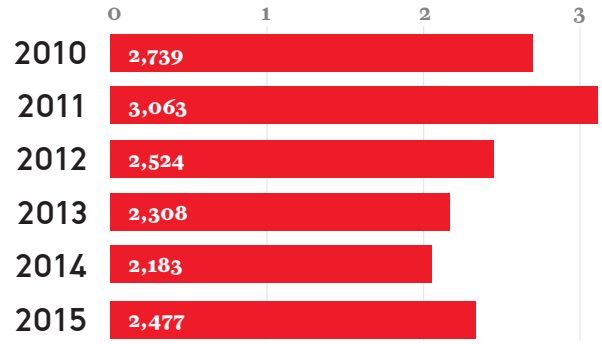
ANNUAL REPORT 2015

MOLGROUP

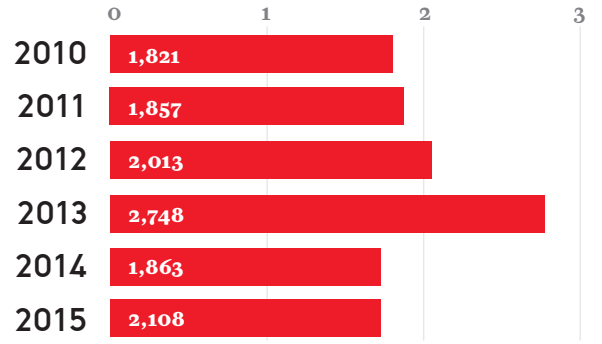
ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE

MOL GROUP at a glance

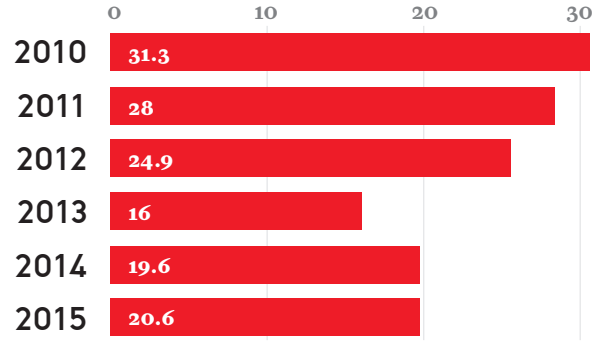
CLEAN CCS EBITDA (USD mn)



OPERATING CASH FLOW (USD mn)



GEARING (%)



Capitalisation USD bn*

5.2 $

Production 2015

104 mboe/d

2P Reserves*

514 MMboe

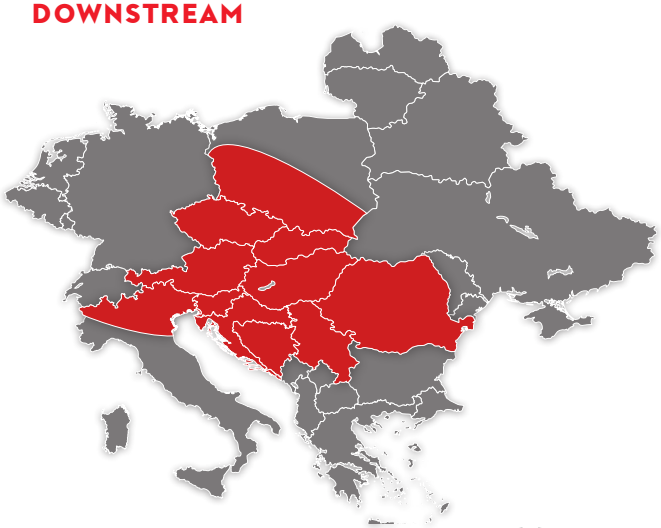
Refined Product and Petchem Sales

19 Mtpa

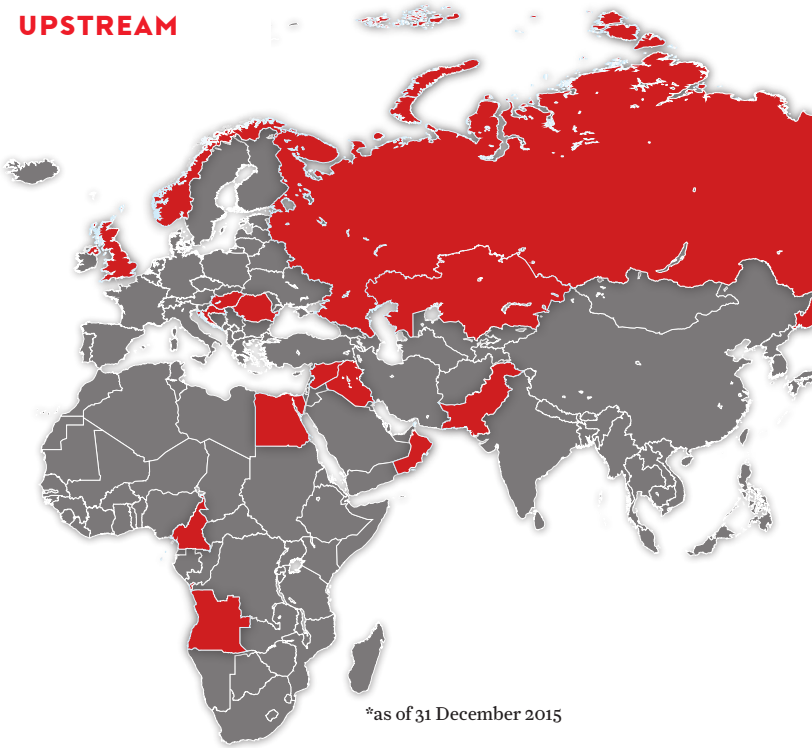
Service stations 2015*

1,894

DOWNSTREAM



UPSTREAM



*as of 31 December 2015

MEMBERS OF MOL GROUP

MOL INA Slovnaft

Key financial and operating data

KEY FINANCIAL DATA - IFRS (HUF BN)*

	2014 RESTATED	2015	14/15 (%)	2015 (USD MN)***
Net revenue	4,867	4,103	(16)	14,692
EBITDA	408	647	58	2,312
Clean CCS EBITDA	511	692	35	2,477
EBITDA excluding special items	410	614	50	2,198
o/w Upstream	270	201	(26)	719
o/w Downstream	111	384	247	1,372
o/w Gas Midstream	59	60	3	214
Profit for the year attributable to equity holders of the parent	4	(257)	N.A.	(886)
Operating cash flow	435	592	36	2,108
Capital expenditures and investments	534	438	(18)	1,560
Return On Capital Employed (ROACE) %**	(0.1)	(13)	N.A.	(12.5)

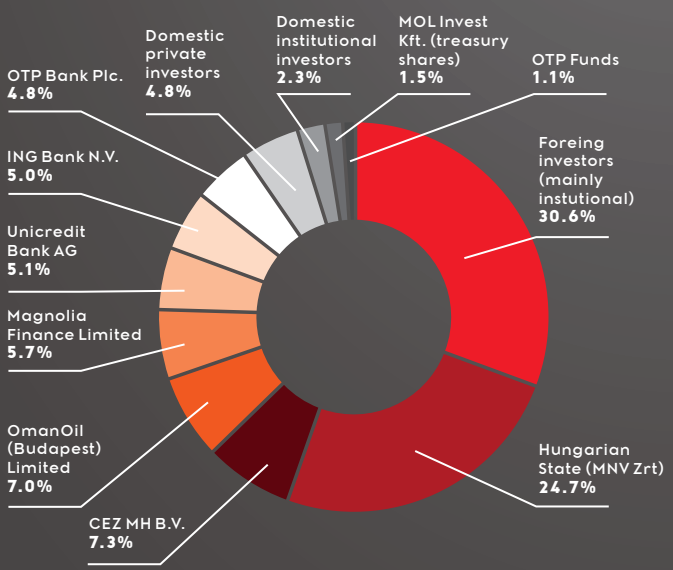
* Detailed data analysis is in the Management Discussion and Analysis chapter.
** Based on profit after taxes
*** Each month in 2015 is translated on its actual monthly average HUF/USD MNB rate

KEY OPERATING DATA

KEY UPSTREAM DATA*	2014	2015	14/15 (%)
Total gross hydrocarbon reserves, SPE 2P (Mmboe)	555	514	(7)
Total hydrocarbon production (mboepd)	98	104	7
KEY DOWNSTREAM DATA*	**2014**	**2015**	**14/15 (%)**
Total crude oil product sales (kt)	17,850	18,532	4
Total retail fuel sales (m litre)	4,323	4,837	12
Polymer sales (kt)	943	1,101	17
KEY GAS MIDSTREAM DATA*	**2014**	**2015**	**14/15 (%)**
Hungarian natural gas transmission (m cm)	11,556	10,740	(7)
ENVIRONMENTAL AND SOCIAL PERFORMANCE DATA**	**2014**	**2015**	**14/15 (%)**
Carbon Dioxide (CO_2) emissions (Mt)	5.8	6.1	6
Total Reported Injury Rate (TRIR)	1.5	1.4	(4)
Total score in the Dow Jones Sustainability Index assessment	68	70	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 2015.

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.

ABOUT MOL GROUP INTEGRATED REPORTING

MOL Group's 8th Integrated Annual Report summarizes the company's performance in 2015. In the integrated report we give an account of the group's economic, social and environmental value creation processes and results. We are committed to transparency, and this integrated overview is the most efficient method of communicating last year's performance, encompassing our financial year from 1 January to 31 December 2015, to our shareholders and other interested stakeholders.

We follow globally recognized frameworks to ensure that our report meets the highest standards. This includes:

- Complying with the International Financial Reporting Standards (IFRS) when reporting on financial results
- Complying with the Global Reporting Initiative's (GRI) G4 framework when providing a comprehensive overview of our sustainability performance
- Using sectoral guidances from the GRI (Oil and Gas Sector Disclosures), and the IPIECA Voluntary Guidance on Sustainability Reporting
- Reporting progress against the 10 principles of the United Nations Global Compact (UNGC).

The report includes historical information where necessary to put our annual performance into context. The content of this integrated annual report is also available online at: **www.molgroup.info/annualreport2015**. This integrated annual report has been prepared both in English and Hungarian. In the event of any discrepancies, the English version should take precedence. Further information and disclosures about MOL Group can be found at: 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.

OVERVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS AND NOTES

SUPPLEMENTARY AND SUSTAINABILITY INFORMATION

MOLGROUP

MOL Group is an integrated international oil and gas company, working in the upstream and downstream sectors, active in around 30 countries across three continents, with a dynamic international workforce of nearly 26,000 people and a track record of more than 100 years in the industry.

We have lead positions in our home markets in Central Eastern Europe, and we have also expanded to more distant countries from Pakistan to Norway. With a cyclical commodity such as ours, we strongly believe in the simultaneous development of our businesses and we see great potential in both downstream and upstream, and we are leveraging the expertise of our people to realise these opportunities. We are proud to operate high quality and low-cost assets, and through our constant drive for efficiency improvements and the enhancement of company culture and shared values we are 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

33
COUNTRIES ACROSS THREE CONTINENTS

DYNAMIC INTERNATIONAL WORKFORCE

26,000
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.

LETTER FROM THE CHAIRMAN CEO AND GROUP CEO

INTRODUCTION

In our 2014 letter we anticipated that 2015 would be a challenging year. It proved to be. The oil price plunging over 70% from its 2014 summer peak defied the predictions of all but the most pessimistic observers in the industry, ourselves included. In spite of this, we delivered a strong set of results, exceeding all expectations, proving that the integrated model supported by the high quality low-cost asset base we have steadfastly built over the years, works. Looking back over the year, we managed to grow our EBITDA even against an upwardly revised mid-year target, we further reduced our capital expenditures and our focus on cash generation led to a substantial increase in free cash flow and an even stronger balance sheet than in 2014. We managed to ride through the storm, coming out better, leaner and more profitable.

OIL MARKET TURMOIL

Despite the severe macroeconomic headwinds, Upstream delivered a promising set of results, despite suffering a series of setbacks which forced us to take painful yet necessary decisions. The severe reduction in oil prices combined with poor geology in some of our operations, led to the revision of the fair value of our Upstream assets, which in turn resulted in material impairment charges. However, operating as a low-cost producer across several regions meant that we were still able to manage a portfolio where the majority of our production was cash flow positive despite persistently low prices. Furthermore, previous years' efforts in mitigating the natural decline of our mature fields started to pay off, demonstrated by the impressive 12% growth in our Central European oil production in 2015. A changing trend and the increase in our group oil and gas production compared with the previous year meant, that we have finally shaken off previous years' exasperating decline.

DOWNSTREAM TAILWIND

As was the case last year, when one division feels the press, the other one does the push. Downstream roared ahead as it reached previously unseen highs, driven by a combination of strong margins, increased demand in our core region, a high quality low-cost asset base and internal efficiency efforts. As a result, our EBITDA more than doubled in 2015, with all three sub-segments, Refining, Petrochemicals and Retail significantly increasing their contribution. 2015 was also the first year of our three-year Next Downstream Program, and in line with its predecessor, targets for further efficiency measures were successfully met. In Refining, we considerably increased our processing and improved our product yields as further evidence of our constant drive for excellence and improvement. Our Petrochemicals division, whose yearly results were outstanding, not only closed and finalised a number of exciting projects, including the landmark butadiene plant in Hungary, but also kicked off new projects, sowing the seeds for further growth. Our retail division pursued an active acquisition strategy, carefully picking up attractive assets across our core region. The increasing coverage continues to ensure an extended margin capture in our landlocked markets, ultimately achieving higher wholesale and retail synergies as well as cost optimization.

THE NEW UPSTREAM PROGRAM

We are continuing to realise the upside in our portfolio, both in CEE and in our international assets, whilst cutting costs and carefully evaluating and ultimately ensuring that only those projects with the best projections and highest returns attract new capital. Building on our success in our Downstream efficiency programs in the past few years, we also aim to turn the current depressed oil price environment into an opportunity to rejuvenate our Upstream division. We are launching

Zsolt HERNÁDI
Chairman and CEO,
MOL Group

József MOLNÁR
Group Chief Executive Officer,
MOL Group

a New Upstream Program with the aim of making the division capable of excelling in adverse market conditions. This will demand a continuous drive for efficiency improvements across the board, which will ultimately see our Upstream division become profitable and self-funding despite current oil prices.

RESTLESS DOWNSTREAM

The seeds of bad performance are sown during good times, which is why our underlying objectives do not change. We will not lean back and enjoy the ride as the current macroeconomic tailwind will not last forever. We will continue to look beyond the immediate future as we persistently push ahead to reach new operational and financial highs as we are determined to create value through and beyond the cycle. A constant focus on efficiency and cost optimization together with carefully crafted strategic growth projects will ensure continued, sustainable and profitable growth in the coming years. The combination of a growing retail base and the on-going roll-out of our newly developed and recently implemented non-fuel strategy bodes well for the future of the division and provides a catalyst for sustainable and profitable growth. Our ultimate goal is unchanged. We aim to build a deeply integrated higher quality, lower cost Downstream portfolio on the back of our already strong asset base and market position.

STRONG BALANCE SHEET MEANS SAFETY AND OPPORTUNITY

Fundamental to our past achievements and future aspirations is an unbroken determination to maintain rigorous financial discipline and a strong financial position. This is particularly important now, as volatile markets mean investors look for reliability. Our balance sheet strength not only leaves us well-positioned to take advantage of changes in the market, but most importantly, it provides a platform from which we can deliver the operational growth, the financial results and the shareholder returns that the owners of our corporation rightly expect from us. As with previous years, we shall continue in our determination to ensure that we generate enough operating cash flow to cover our internal investment needs as well as dividends to our shareholders.

SUSTAINABILITY MATTERS MORE THAN EVER

The manner in which we deliver our results is as important as the results themselves. As a corporation, we are deeply committed to being a responsible corporate citizen. We are fully aware that our activities support economic growth and bring social improvements to the areas in which we operate. We operate in an increasingly complex and interconnected world with ever greater social expectations, in which local and global issues including climate change pose ever greater risks. The launch of our five-year Sustainable Development Strategy 2020 demonstrates that sustainability and responsible behaviour are deeply ingrained in our day-to-day operations, as it is through this combination that we manage our risks, and ultimately bring value to the communities in which we live and work.

LOOKING AHEAD

We are proud and honoured by our mission to lead 26,000 men and women whose daily dedication, commitment and contribution to solving the problems of the future makes MOL Group truly unique. MOL Group's main driver is to be the energy of positive change, constantly challenging conventional thinking in order to find better ways of working. And despite the hard times, we retain a sense of optimism in the firm's ability to overcome difficulties being convinced that our integrated business model works and that we have traced the right path for the sustainable growth of the business. We would like to thank all our employees as well as our partners, customers and suppliers for their outstanding cooperation throughout the year.

FUNDAMENTAL BUILDING BLOCKS IN MOL

RESILIENT INTEGRATED BUSINESS MODEL | HIGH QUALITY, LOW-COST ASSET BASE | CONSTANT DRIVE FOR EFFICIENCY | FINANCIAL DISCIPLINE

	2015	2015 DELIVERY		2016
GROUP CLEAN CCS EBITDA	USD 2.2BN (upgraded)	USD 2.5BN	✓	USD 2.0BN+
GROUP CAPEX (ORGANIC)	USD 1.3BN (reduced)	USD 1.26BN	✓	<USD 1.3BN
FCF GENERATION*	POSITIVE	+850MN	✓	POSITIVE
NxDSP	USD 150MN	USD 210MN	✓	USD 100MN+
OIL&GAS PRODUCTION	105 MBOEPD	104 MBOEPD	~	105-110 MBOEPD
BALANCE SHEET (NET DEBT/EBITDA)	<2×	0.73×	✓	<2×
HSE – TRIR**	<2.0	1.4	✓	<1.8

* Net Operating Cash Flow (before changes in net working capital) less organic capex
** Total Recordable Injury Rate (including own employees and contractors)

FINANCIAL HIGHLIGHTS

- MOL delivered USD 2.5bn (HUF 692bn) Clean CCS EBITDA in 2015, 13% higher than in 2014, and significantly outperforming its USD 2.2bn target
- Net operating cash flow (USD 2.11bn) exceeded organic CAPEX (USD 1.26bn) by USD 850m, implying very strong free-cash flow generation and leading to an even more robust balance sheet (Net debt/EBITDA at a mere 0.7x) in 2015
- MOL booked sizeable impairment charges of HUF 504bn (USD 1.7bn), mostly driven by the low oil price environment
- Downstream was the earnings engine of the group in 2015 with its best performance of USD 1.65bn Clean CCS EBITDA

OPERATING HIGHLIGHTS

- Upstream production grew by 7% in 2015 to 104 mboepd
- Hungarian and Croatian crude output rose by 5% and 20% year-on-year, respectively
- Next Downstream Program delivery was ahead of plans (USD 210mn EBITDA contribution in 2015)
- New butadiene plant launched commercial production in Hungary
- Captive retail market continued to expand further with the acquisition of the ENI networks in Hungary and Slovenia
- Strong motor fuel demand growth (5%) in the core CEE market was a tailwind in 2015
- A substantial year-on-year decrease (-23%) in injury rate (TRIR) for own staff in 2015
- RobecoSAM Sustainability Yearbook inclusion means MOL is now top 15% in global oil & gas industry based on its sustainability performance

OUTLOOK

- Maintain a strong balance sheet and ample liquidity
- Resilient integrated business model to absorb external shocks, generate strong cash flows
- Generating at least USD 2.0bn group CCS EBITDA in 2016 even under a USD 35-50/bbl oil price scenario (and at USD 4.0-5.0/bbl Group Refinery margin and at EUR 400-500/t Integrated Petchem margin)
- Organic capex plan for 2016 cut to up to USD 1.3bn from „up to USD 1.5bn" (at USD 35-50/bbl oil price)
- Sustainable free cash flow generation; its operating cash flows should continue to be able to cover both investments and dividends to shareholders
- Upstream: aiming for self-funding operations at USD 35/bbl after substantial cost-side adjustment
- Downstream: continue to be boosted internally through efficiency and growth; Next Downstream Program to partly offset potential macro normalization
- Cautious, opportunistic view on M&A
- Continue to increase distribution to shareholders, aiming for simpler shareholder structure
- Implementing the „Sustainability Plan 2020"

MATERIALITY ASSESSMENT

Materiality assessment is an essential exercise and guiding concept for our sustainable development improvement activities and integrated annual reporting processes. It is also a key procedure that is required for compliance with the GRI G4 sustainability reporting standard which allows us to produce a better focused report, and which helps us to better steer improvements when gaps have been identified.

We continuously consult internal and external stakeholders to understand which sustainability topics are relevant to the industry, and most importantly, which are important for the successful and responsible operations of MOL Group.

Internally, we are involving and seeking the approval of the executive decision-makers from our Sustainable Development Working Group and the Sustainable Development Committee of the Board of Directors. We are also working closely with trade unions to obtain feedback about the materiality matrix.

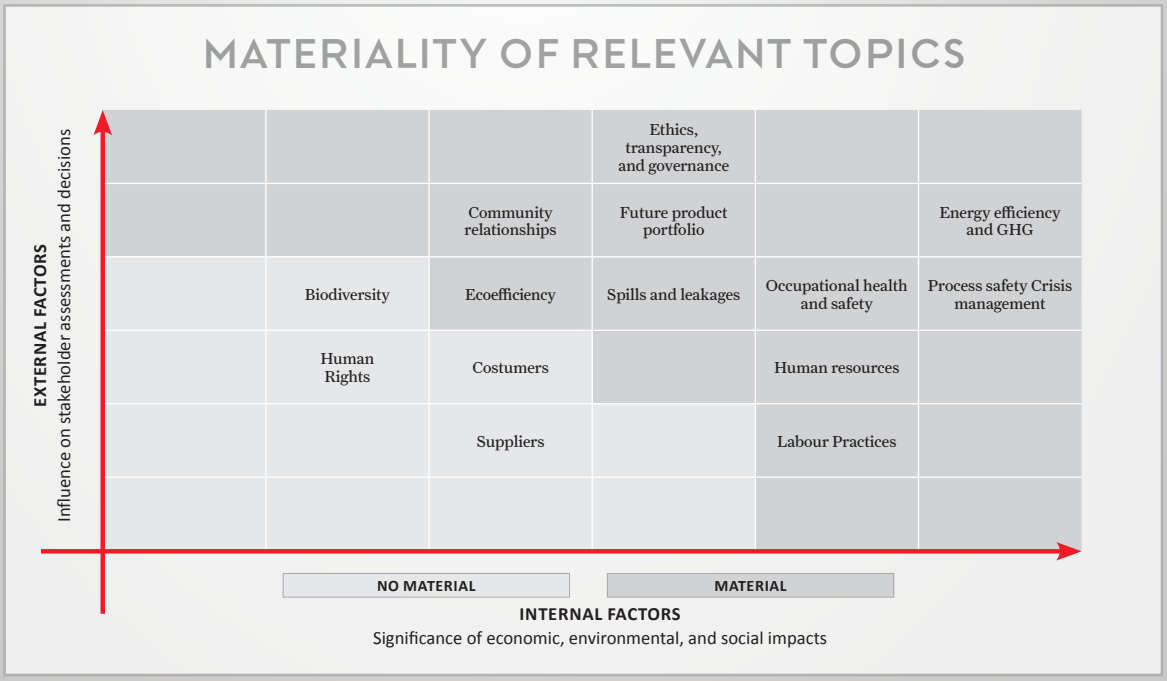
External stakeholders are being engaged via different forums and through our dedicated feedback channels (e.g. sd@mol.hu). We pay special attention to discussing potentially relevant topics with sustainability analysts from rating agencies (MSCI, FTSE4GOOD, RobecoSAM, etc.). We continuously benchmark our peers to gain better understanding of what the material topics are for the oil and gas industry.

The procedure we use 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.

For 2015 we are presenting the results of stakeholder engagement throughout the year using a new materiality matrix in order to better highlight the strategic topics which we are prioritizing.

The four topics included in the light grey area are considered less significant compared to material topics, but are still followed, managed and measured closely.

For more information about the topics and MOL Group's related performance, please check the Notes to Sustainability Performance section.



BEST *of the* YEAR

Global HR Award
(Given by HRO Today Europe Forum in Amsterdam)

MOLGROUP

Cannes Film Award
(Given by the 6th Cannes Corporate Media & TV Awards)

MOLGROUP

Business Awards for the Environment
(Given by the Hungarian Business Leaders Forum)

MOL

Workforce Optimas Award
(Given by Workforce Magazine, in the category of Global Outlook to MOL Pakistan)

MOLGROUP

Stevie® Award
(Given by the 11th Annual International Business Awards, in the PR Program of the Year category)

MOLGROUP

Healthy Working Lives
(Given by the Scottish Centre for Healthy Working Lives to MOL UK)

MOLGROUP

Getenergy 2015 Award
(Given by Getenergy to MOL Pakistan in the category of Education Partnership)

MOLGROUP

Corporate Recognition Award for Innovation and Excellence
(Given by Treasury Management International)

MOLGROUP

HR Distinction Award
(Given by HR Distinction Awards)

MOLGROUP

RobecoSAM Sustainability Yearbook 2016
(Given by RobecoSAM based Dow Jones Sustainability Assessment)

MOLGROUP

The Most Attractive Employer
(Given by Randstad)

MOL

Environmental Excellence Award
(Given by the 23rd Hungarian Innovation Awards)

MOL

Best Buy Award
(Given by the Swiss organization ICERTIAS)

Slovnaft

CECGA Award
(Given by the Central European Corporate Governance Association)

Slovnaft

Employer Partner Certificate

INA

Mamforce Standard Certificate
(Given by MAMFORCE company®)

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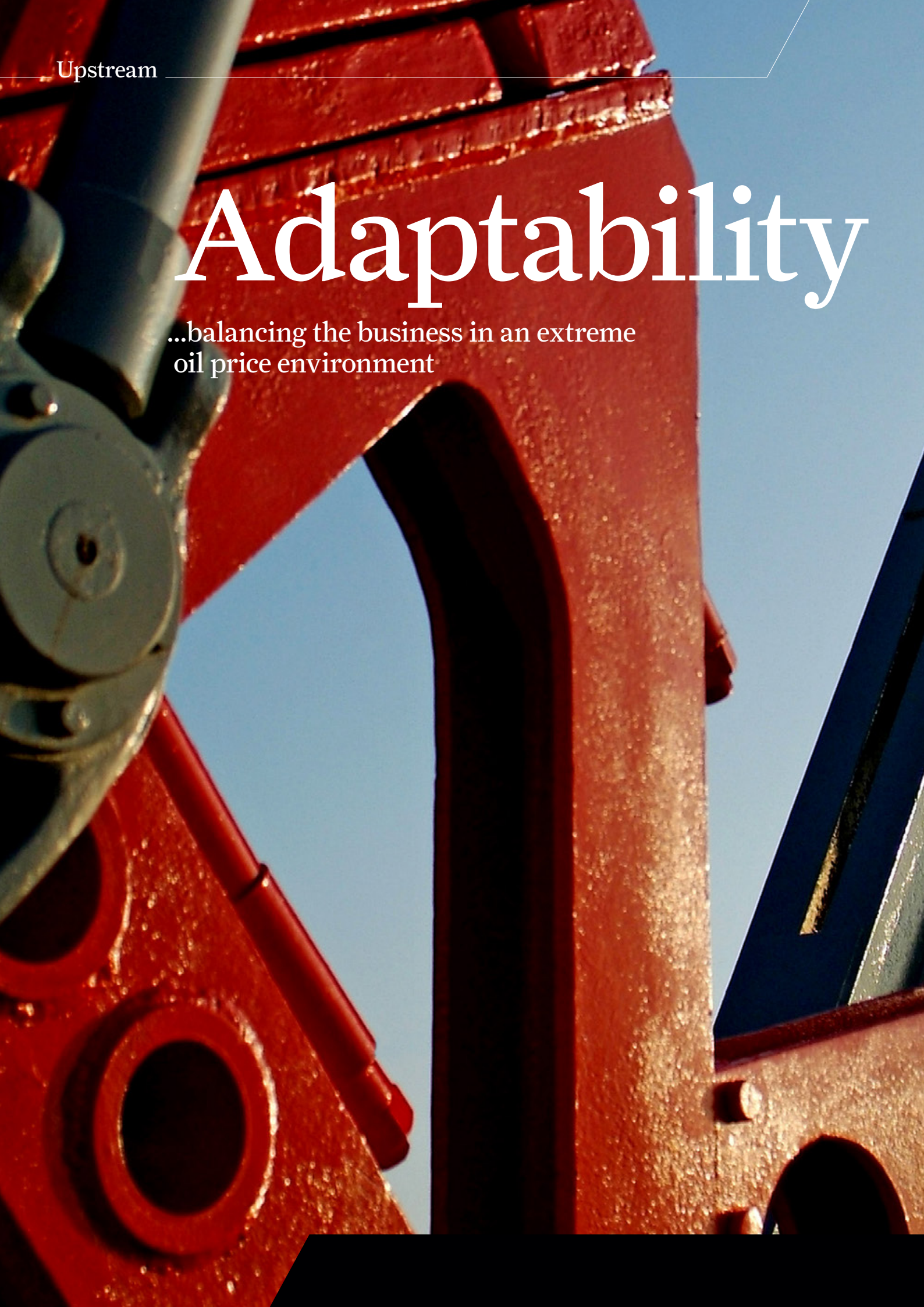
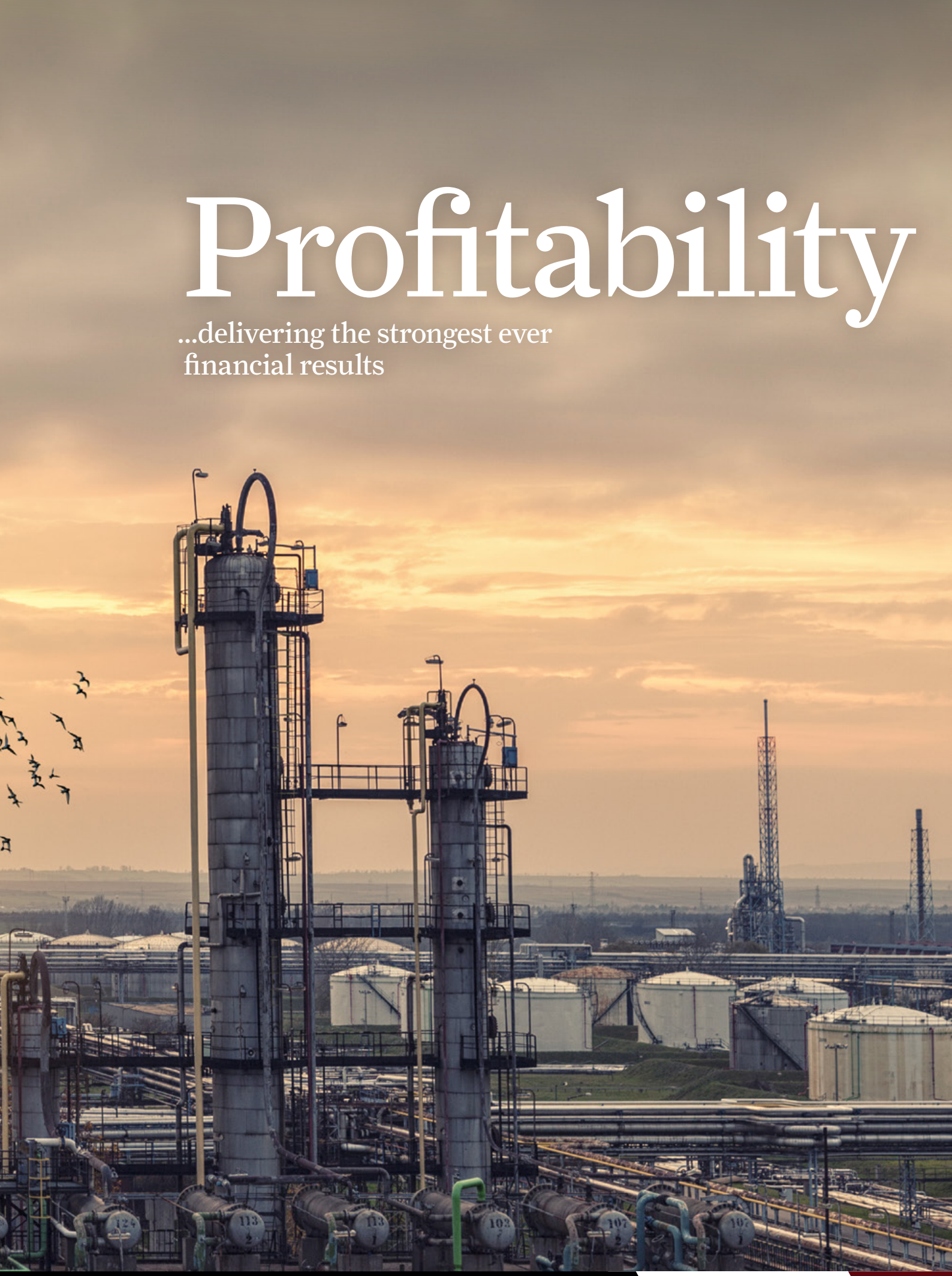


Adaptability

...balancing the business in an extreme oil price environment

Profitability

...delivering the strongest ever financial results



Reliability

...a stable contributor to MOL Group

Employer of choice

...building capability and enhancing organizational performance at times of dynamic change


MAKE IT HAPPEN

Operating responsibly

...moves us towards sustainable business success

COMMITTED TO GIVING IN A SMART WAY

Community engagement is all about listening to our communities, understanding their needs, priorities and ideas and forming partnerships that increase the prosperity and sustainability of the communities and of our company as well. MOL Group is committed to sustainability and strongly believes that sharing the value created by the presence of the company in areas in which it operates contributes to social progress and economic development for the local communities as well as helps the company achieve its strategic objectives. We are strategic about engaging communities and are designing, implementing and measuring our projects' impact and outcomes. Through engagement with local stakeholders, MOL Group's corporate giving activities are in line with the needs of the communities that live in the vicinity of operational areas. MOL Group member companies, as integral parts of the society, are mindful of wider social and environmental concerns and their own local responsibilities. The goal is to create a positive impact in society and improve peoples' lives wherever we "touch" them, in line with company purpose – be the energy of positive change. We are doing so by regional and local programs to support and develop.

WORKING FOR GREENER COMMUNITIES

The Green Belt Program is a regional environmental protection initiative launched by MOL Group in 2005 in Hungary, Romania and Slovakia. Over the years, the cross-border initiative has become so successful that it was extended to Croatia, Italy and the Czech Republic. The Green Belt Program is implemented as a joint project of MOL Group and a selected non-governmental partner organization, which delivers local knowledge and expertise. The program aims to contribute to the establishment or reconstruction of community green areas through the active involvement of local inhabitants and organizations. Over the past ten years, this environmental program has resulted in planting 210,000 trees, flowers and shrubs in over 2 million square meters of new green areas. Depending on the species, the trees may compensate for above 40 million tons of CO_2 over their lifetime, which approximately equals MOL Group's total emissions over 7 years.

STRENGTHENING A TALENTED EUROPE

We are working towards a more human world through the encouragement of talent, diligence and knowledge. This is why MOL Group established the MOL Talent Program in 2005 in Hungary, to support young talents in sports and those preparing for careers in classical music or sciences. The initiative was later on extended and became a regional program. As a result in Hungary almost 1,800 young talented individuals have received support, in Romania more than 2,100 and almost 300 in Slovakia. We believe that the future's heroes are among us and it is our responsibility to recognize and support them.

SUPPORTING LOCAL COMMUNITIES

HUNGARY MOL Bubi, the first bike share program of Budapest, which provided the long anticipated alternative in public transport. Due to the massive success of the initiative the network was extended in 2015 with 22 new docking stations resulting in over 1,100 available bikes, while the number of rents exceeded 1 million.

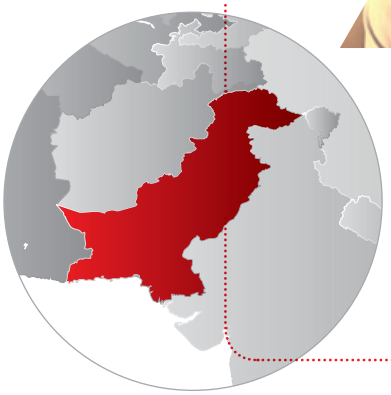
ROMANIA In Romania disadvantaged young people are facing obstacles on the job market, which can be eased somewhat by obtaining a driver's license. This is why MOL Romania and the Community Foundation have launched the very first"License to the Future" program which covers the expenses of a driving license (driving school and the related taxes). This year 32 young people recieved this support, for whom having a driving license would be an advantage in getting a job or a beneficial tool in fulfilling their current duties.

CROATIA Project "spajaLICA" started in September 2014 with the aim to let INAs' locations not in use in order to support the improvement of local communities' quality of life. The empty facilities were given to NGOs for free use, who in return continued their work for the public good and promoted their activities and cooperation with INA. The name of the project is a word play in Croatian (SPAJALICA ="paperclip", SPAJA = "to connect", LICA = "faces") as we aim to connect people in joint humanitarian actions.

DEVELOPING LOCAL COMMUNITIES

PAKISTAN To ease the lack of healthcare services, we set up free eye camps in which 250 patients were treated and among them 39 were referred to hospital for surgical procedures where they were successfully treated.

PAKISTAN The lack of infrastructure in rural areas is a real hurdle for the local communities in terms of socioeconomic progress. This is why we are constantly building new roads, water supply schemes and medical facilities and schools to help the development of the Kohat, Karak and Hangu districts. Another milestone was the completion of the Khushal Garh Bridge in 2013 - financed with the support of MOL Pakistan - which connects Khyber Pakhtunkhwa and Punjab, easing the traffic between the two provinces and generating commercial activities.



Management Discussion and Analysis

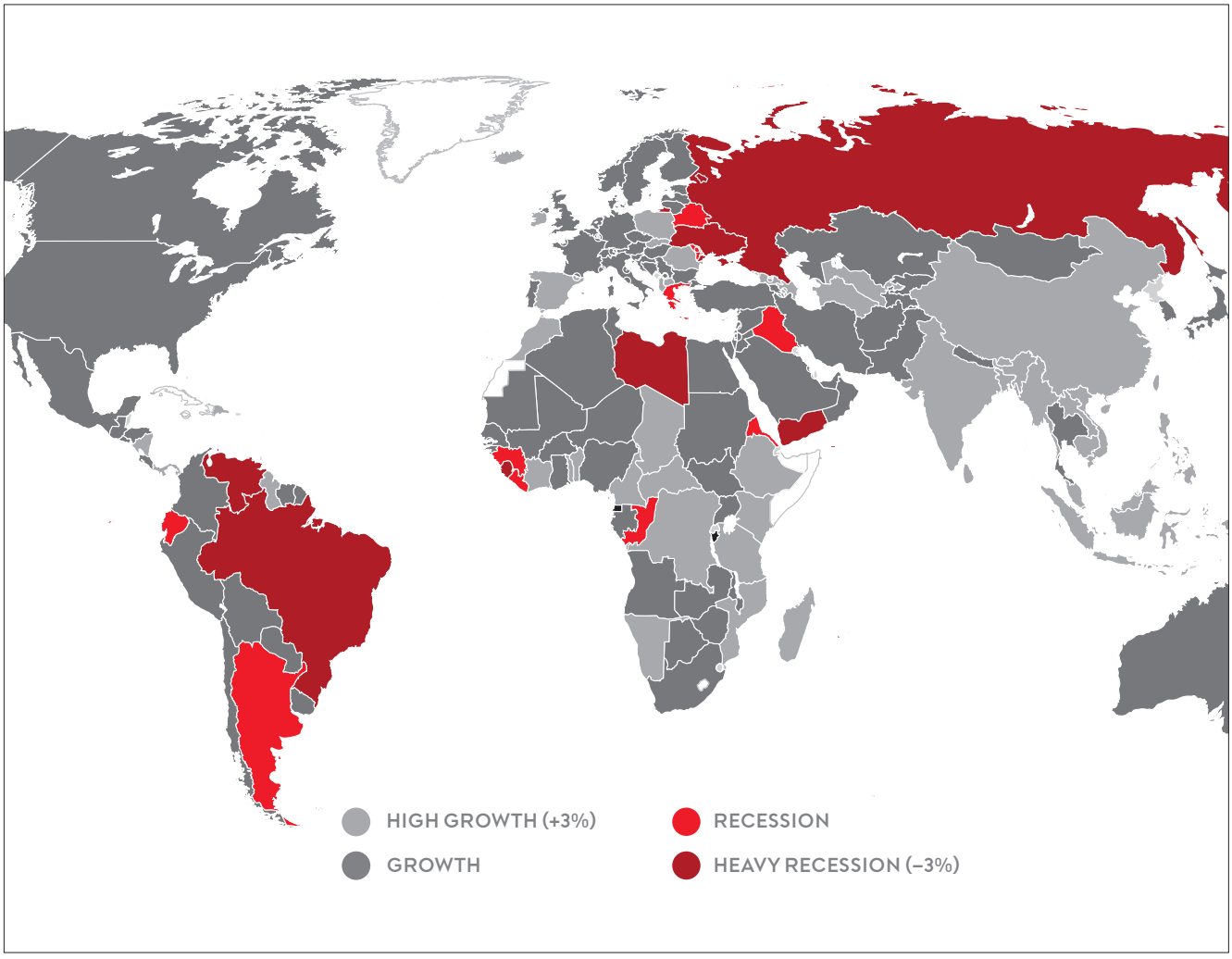
OVERVIEW OF THE MACROECONOMIC AND INDUSTRY ENVIRONMENT

World Economy

Global growth slowed in 2015, due to a slowdown in emerging economies. The International Monetary Fund's 3.1% global growth rate estimate is the lowest since the crisis year of 2009. The past decade was about the rise of the Chinese economy, which kept global growth high. However, China now shows signs of slowing: its investment-led growth is coming to an end and it is still an open question how the transition will take place to a more consumption-led growth. China's 6.9% official growth rate in 2015 was still high, but it is the lowest since the early 1990s. Moreover, manufacturing and industrial output fared weaker than the overall economy.

The Chinese slowdown has caused trouble in many emerging economies, particularly the major commodity exporters, with Russia and Brazil falling in deep recession. The following map of 2015 GDP growth shows that today it is a commodity importer's world as these countries benefit from cheaper raw material prices (including oil and natural gas).

MAP OF GDP GROWTH IN 2015



Source: IMF

The picture for advanced economies is diverse, with the United States losing growth momentum recently, while Europe fared somewhat better. The economy of the Unites States experienced lower growth in manufacturing in 2015; however, the gradual decrease of the unemployment rate continued. The Eurozone is cyclically in a good position and it managed to increase its growth to 1.5% in 2015 (as opposed to 0.9% the year before). However, growth is still structurally weak and the new quantitative easing program alone does not seem to be enough to accelerate the region sustainably. Meanwhile, the return to growth and easing of finances have decreased the appetite for structural reforms. In addition to the still unresolved credit issues on its periphery (most importantly in Greece), the European Union has to deal with a new situation by its Eastern borders and with the migration crisis at the same time. The Eurozone's outlook is therefore still clouded by uncertainty, weak growth and persisting political tensions.

Global Energy markets & Upstream

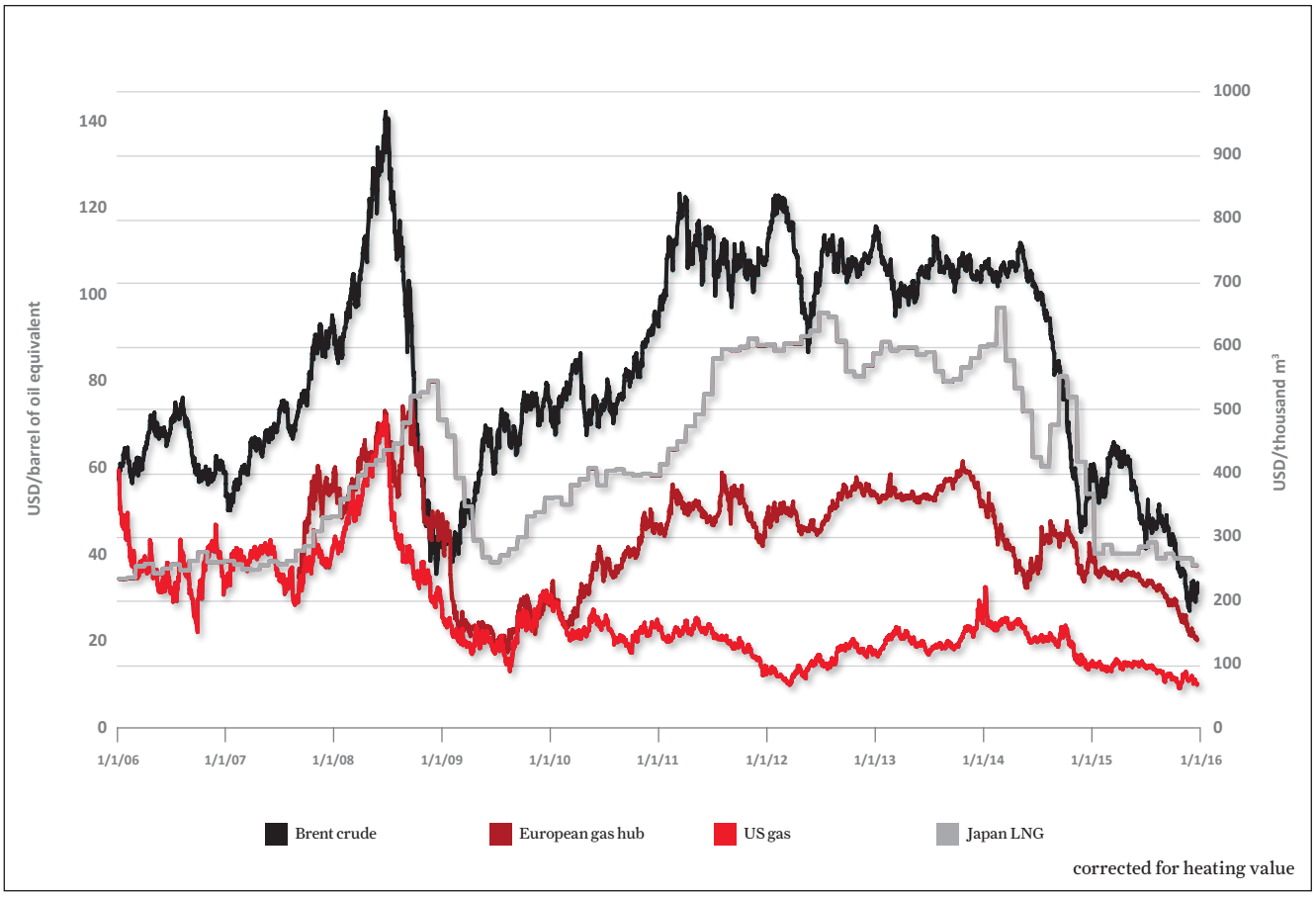
The most important energy market event of 2015 was the further decrease of the crude oil price. The two main underlying causes of the decline – the United States shale oil boom and the slowdown in China's economy – still have not disappeared. Shale oil production has proven to be more resilient so far to lower oil price than most experts predicted: output started to decline mildly only in the second half of the year.

The global oversupply on the oil market continued in 2015, as total supply grew more than demand (2.7 MMbpd vs 1.6 MMbpd). The price of Brent crude averaged USD 52 per barrel in 2015. The demand increase was relatively high, 1.6 MMbpd (International Energy Agency) reaching 94.4 MMbpd, as lower prices stimulated consumption both from OECD countries (0.4 MMbpd growth year-on-year) and Non-OECD countries (1.2 MMbpd growth year-on-year).

Non-OPEC production grew by 1.4 MMbpd, from which US growth was 0.8 MMbpd. In the meantime, OPEC production grew as well: the growth of 1.2 MMbpd was mainly due to Saudi Arabia's and Iraq's production growth.

Natural gas prices have decreased and converged on all three main regional markets. The price decrease of liquefied natural gas (LNG) can be attributed to the oil price decrease through oil-linked LNG contracts and the coming oversupply on the market, as many Australian and US producers are coming online in the coming years. These same factors caused European natural gas prices to decline as well.

CRUDE OIL AND NATURAL GAS PRICES



Source: Bloomberg

Sustainable development

In December 2015, an important agreement was signed by world leaders in Paris. Among other commitments, almost all countries of the world committed themselves to publish their climate targets for every next 5 years and at the end of each period take on new, stricter targets. Even though the agreement is not legally binding, its consequences can be significant in the fight against climate change. The two largest emitters, China and the US seems to be taking climate change action more seriously, as reflected in bilateral agreements and national programs, too.

Apart from policy changes there have also been important technological developments, which are equally important in tackling climate change. The cost of solar photovoltaic has been decreasing by around 10% annually in recent years. If this decline in cost continues, in a couple of years solar may become one of the cheapest sources of electricity in many parts of the world. Moreover, the cost of batteries have also been declining rapidly, lowering the cost of storing electricity both in stationary applications (like storing intermittent energy from renewables) and electric cars.

Downstream

Global and European refining have benefitted from the sharp drop in oil prices in 2015. Low oil prices have boosted demand, especially in the case of gasoline, thus refinery margins have also been generally good and refineries' own consumption and losses decreased.

However, structural issues remain. Globally, downstream 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, with generally weak demand prospects and higher energy costs than e.g. in the US.

Low oil prices increased mainly global gasoline demand, whereas diesel demand stayed broadly constant in recent years. Moreover, the current high margin environment delays refinery closures, which means that the refinery overhang will stay longer, pointing towards lower refinery margins than in 2015 in the next years.

Central and Eastern Europe

All Central and Eastern European (CEE) countries experienced GDP growth in 2015. However, there are still distinct regional differences between dynamic markets (such as Poland) and relatively weak economies (such as Croatia). The strengthening of the Eurozone had a positive effect on the region; however, the high share of non-performing loans in the economies still looms over growth.

Due to relatively good economic growth, regional motor fuel demand grew in 2015. Moreover, this may continue in 2016 as low prices could boost demand further.

Hungary

Hungary was not able to keep up with the exceptionally high growth of 2014 (3.7), still, the 2.7% GDP growth figure is relatively high. This growth is mostly due to the inflow of European Union funds. Medium term growth potential is certainly lower: public debt and spending remain high, bank lending is still lackluster.

Diesel demand grew by 8% and gasoline demand by 3% in 2015, due to lower oil prices, relatively high GDP growth and increased demand by international freight transportation.

Croatia

Croatia's economy grew by 1.8% in 2015, the first year of growth since 2008. Improved access to the EU market upon accession, growth in the Eurozone and low commodity prices as well as policy changes such as the income tax cut in the beginning of 2015 were reasons for the return to growth. Still, structural problems remain: high unemployment characterizes the economy (even though employment grew towards the end of 2015 for the first time since 2011) and the budget deficit and public debt will remain too high without corrective policy action. The country experienced a 2% gasoline demand drop in 2015, while diesel consumption grew by 3%.

Slovakia

Slovakia managed to consolidate its government budget since the crisis and do major reforms and austerity measures. Due to these measures, Slovakia experienced 3.5% GDP growth in 2015 (Eurostat). On the flipside, unemployment is still relatively high at around 11.5%. Gasoline demand grew by 1% in 2015, whereas diesel demand grew by a sizable 8%, mainly due to the favorable economic environment and the oil price decline.


E125
E134

INTEGRATED CORPORATE RISK MANAGEMENT

Integrated corporate risk management function

The aim of MOL Group Risk Management is to deal with challenges of the business environment to support a stable and sustainable operation and future growth of the company. MOL Group has developed 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 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. Investors buying oil companies' share are generally willing to take the risk of oil business so commodity price risk should not be fully eliminated from the cash flow. However, commodity hedge deals are considered to eliminate risks other than 'business as usual' risks or general market price volatility.

Foreign Exchange (FX) risk: Business operation is economically driven mainly by USD. The overall operating cash flow exposure of the Group is net long USD, EUR, RON, and net short HUF, HRK, RUB from economic point of view. According to MOL's current FX risk management policy the long FX exposures of the operating cash flow are decreased by the 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 the exploration activity.

Equipment breakdown: Due to the high asset concentration in Downstream business it is a significant risk driver. The potential negative effects are mitigated besides comprehensive HSE activities through a Group wide insurance management program.

Market demand uncertainties: External factors like drop in market demand can affect MOL's results negatively.

Reputation risk: Reputation of energy industry players has been in the focus of media for the past years due to extreme negative events (e.g. BP oil spill, Fukushima nuclear accident). MOL as a major market player in the region operates under special attention from stakeholders.

Some of the risks are managed centrally, while some are dealt with by affectedMOL Group companies or within the Business Units or Functions, overseen always by nominated risk owners. Risk management regularly reviews the realization of these risk mitigation actions – in a 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. The Risk Map 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. 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 evolution of risks and status of mitigation actions.

To ensure the profitability and the 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).

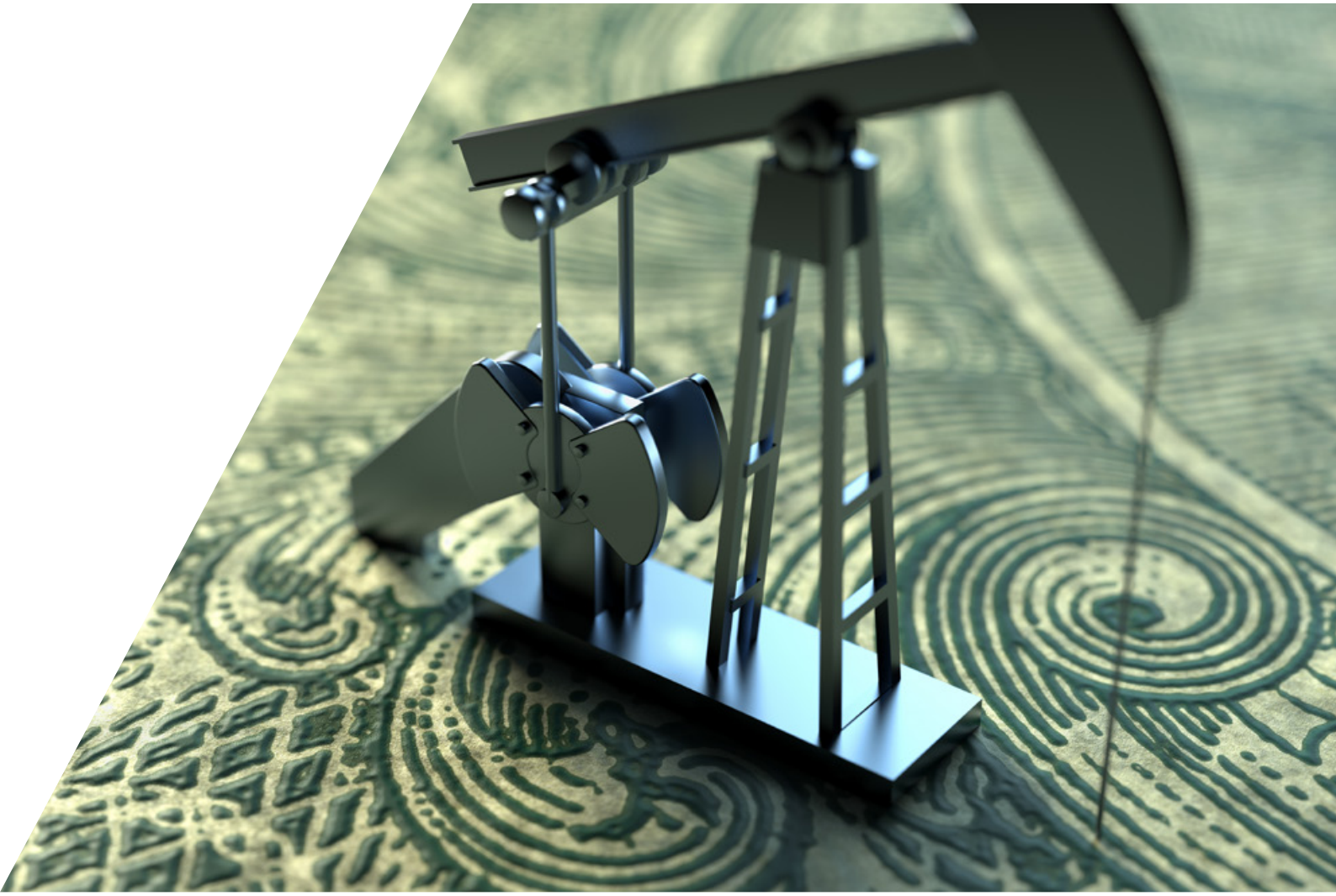
Transferring of excess operational risks is done by Insurance Management. Purchase of insurances represents an important risk mitigation tool used to cover the most relevant operational and liability exposures. The major insurance types are: Property Damage, Business Interruption, Liability and Control 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 of modelling financial risks are applied in ERM as well. Similarly, the accumulated information on operational risks gained through managing insurances is also an important factor in the ERM development. The results of ERM on operational risks (including business continuity management) can give a better direction to insurance management by highlighting areas that shall be covered by insurance as a must and which are those where further analysis is required to make decisions on how to manage the related risks.

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 to take more educated decisions on investments, taking into consideration the risk profile of each project as well. To serve this purpose, Group Risk Management is involved in evaluation of major projects through the utilization of its ERM capabilities by providing opinion on capital allocation and financing headroom.



FINANCIAL AND OPERATIONAL OVERVIEW OF 2015

SUMMARY OF 2015 RESULTS

MOL delivered Clean CCS EBITDA of HUF 692bn in 2015 (USD 2.5bn), which represented a significant 36% increase year-on-year (13% in USD-terms). This also meant MOL significantly outperformed its USD 2.2bn 2015 Clean CCS EBITDA target for the year. Downstream became the earnings engine of the group in 2015 contributing around two-third of the group EBITDA (as opposed to 2014 when Upstream generated more than half of the Group EBITDA). This was a further testament to MOL's resilient business model, which enabled the company to improve its underlying financial performance amidst an extremely challenging external environment.

Net operating cash flow (USD 2.11bn) exceeded organic CAPEX (USD 1.26bn) by USD 850mn, leading to an even more robust balance sheet with Net debt/EBITDA ratio declining further to 0.73 in 2015. MOL booked sizeable impairment charges in Upstream in Q4 2015 of HUF 504bn (USD 1.7bn), which were mostly driven by the low oil price environment. These special items affected reported profit lines for both Q4 2015 and for the full year.

- The Upstream segment's EBITDA, excluding special items reached HUF 201bn in 2015, which was HUF 70bn lower compared to 2014, due to the halving crude prices, which offset several positive developments: (1) CEE production overall grew by 2% year-on-year supported by a 12% uplift in oil volumes; (2) exploration related spending was materially lower; (3) the 20% weakening of the HUF versus the USD mitigated the oil price decline and also (4) led to lower unit OPEX of USD 7.3/boe (barrel of oil equivalent) in 2015.

- Downstream Clean CCS EBITDA more than doubled in 2015 compared to 2014 and came in at HUF 462bn. The performance was supported by (1) the favourable external macro environment, including a substantial uplift of both refining margins and the integrated petrochemical margin; (2) higher sales volumes in R&M, petrochemicals and retail; (3) materially improving product yields in refining; (4) the internal improvement and strong contribution (USD 210mn) of the Next Downstream Program; and (5) the substantial weakening of the HUF against the USD.

- Gas Midstream brought in full-year EBITDA of HUF 60bn, marginally higher year-on-year as a strong contribution in Q4 offset weaker delivery in the first nine months.

- Corporate and other segment delivered an EBITDA loss of HUF 35bn in 2015 excluding special items, the widening of the loss compared to 2014 primarily attributable to lower contribution from oil services companies.

- Net financial expenses declined to HUF 93bn in 2015 compared to HUF 104bn in the previous year, primarily on lower FX losses.

- CAPEX spending in 2015 reached HUF 438bn (USD 1.56bn), down 18% year-on-year on much lower E&P spending. Out of this amount HUF 84bn (USD 301mn) was spent on inorganic investments, including retail network expansions and North Sea acquisitions.

- Operating cash flow before working capital changes jumped 53% year-on-year to HUF 644bn increasing by HUF 222bn against the base period. There were some negative changes in net working capital (primarily on lower payables), thus net cash provided by operating activities amounted to HUF 592bn, up 36% year-on-year.

- Net debt declined to HUF 472bn in 2015 from HUF 536bn a year ago, while Net Debt/EBITDA sank further to 0.73 from 1.31 in 2014. Net gearing rose marginally to 20.6% from 19.6%.

KEY FINANCIAL DATA BY BUSINESS SEGMENT

NET SALES REVENUES	FY 2014 RESTATED	FY 2015	FY 2014 RESTATED	FY 2015
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	577,597	424,528	2,489	1,521
Downstream	4,410,471	3,749,637	18,999	13,425
Gas Midstream	106,768	103,642	458	371
Corporate and other	217,220	205,818	931	735
Total	5,312,056	4,483,625	22,877	16,052
Total External Net Sales Revenue [1]	4,866,607	4,102,578	20,964	14,692

EBITDA	FY 2014 RESTATED	FY 2015	FY 2014 RESTATED	FY 2015
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	286,328	245,150	1,235	870
Downstream	95,512	374,684	428	1,340
Gas Midstream	58,533	59,627	253	214
Corporate and other	(23,509)	(36,762)	(98)	(129)
Inter-segment transfers [2]	(8,500)	4,767	(41)	18
Total	408,364	647,466	1,777	2,313

EBITDA EXCL. SPECIAL ITEMS [3]	FY 2014 RESTATED	FY 2015	FY 2014 RESTATED	FY 2015
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	270,925	201,236	1,167	719
Downstream	110,795	383,887	487	1,372
Clean CCS-based DS EBITDA [3,4]	206,335	461,471	874	1 650
Gas Midstream	58,533	59,627	253	214
Corporate and other	(21,532)	(35,224)	(90)	(124)
Inter-segment transfers [2]	(8,500)	4,767	(41)	18
Total*	410,221	614,293	1,776	2,199
Clean CCS-based EBITDA [3,4]	510,607	691,878	2,183	2,477

OPERATING PROFITS [1]	FY 2014 RESTATED	FY 2015	FY 2014 RESTATED	FY 2015
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	75,784	(468,276)	354	(1,638)
Downstream	(31,579)	263,439	(113)	942
Gas Midstream	45,080	45,612	195	164
Corporate and other	(43,525)	(66,674)	(184)	(235)
Inter-segment transfers [2]	(5,680)	9,901	(29)	35
Total	40,080	(215,998)	223	(732)

OPERATING PROFITS EXCL. SPECIAL ITEMS [3]	FY 2014 RESTATED	FY 2015	FY 2014 RESTATED	FY 2015
	(HUF mn)	(HUF mn)	(USD mn)[5]	(USD mn)[5]
Upstream	110,810	(7,835)	486	(43)
Downstream	(306)	272,642	10**	974
Gas Midstream	45,080	45,612	195	164
Corporate and other	(40,835)	(55,504)	(173)	(196)
Inter-segment transfers [2]	(5,680)	9,902	(29)	35
Total	109,069	264,817	489	934

* In 2014 intersegment line contains HUF 4,848mn (USD 21mn) non-recurring inventory loss related to methodology changes, which impacted the Group CCS line.

** The positive USD amount is caused by the fluctuation of segment EBITDA and exchange rates during the year.

Notes and special items listed in Appendix I and II.

OUTLOOK ON THE STRATEGIC HORIZON

2015 was a year of extremes with the oil price plunging more than 70% from its 2014 summer peak. The oil & gas industry, including MOL, had to face one of the toughest operating environments of the past two decades. Yet despite the challenges, MOL managed to increase its clean CCS EBITDA by 13% compared to 2014 to USD 2.5bn, beating our targets, generating substantial free cash flows and closing the year with an even stronger balance sheet (indebtedness, as measured by Net Debt/EBITDA declining to 0.73). These achievements have placed MOL ahead of most of the integrated oil companies. The dramatically changed environment forced us to take some painful yet necessary decisions, including the revision of the fair value of our Upstream assets. This resulted in material non-cash impairment charges, similarly to many oil and gas companies.

If 2015 was difficult, 2016 appears to be a real test for the industry with an ever increasing volatility in an already unpredictable oil market. MOL, however, retains a sense of confidence that its resilient integrated business model, its high quality, low-cost asset base, and its constant drive for efficiency would ensure it can navigate through the storm. The primary aim of the Group remains to generate enough operating cash flows to cover the internal investment needs, financial costs, taxes and dividends to shareholders, while retaining a safe and strong balance sheet. With a USD 35-50/bbl oil price view and moderate downstream margin assumptions, MOL believes to be able to deliver around USD 2bn EBITDA in 2016. At the same time, MOL, as part of its alignment process and as a response to the external environment, revised and reduced its organic capital expenditures plan for 2016 to up to USD 1.3bn. This would still imply similar organic CAPEX to 2015. Such spending plan should imply sustained free cash flow generation this year too, allowing MOL to comfortably cover interest and tax expenses, dividends to its shareholders and also potential smaller-scale acquisitions. The balance sheet would remain robust, which is increasingly becoming a distinctive feature and a major value component in a cash-strapped industry. A strong balance sheet not only means safety, but also means opportunity in the current turbulent times, providing MOL a strong platform to react if and when the opportunity arises.

In Downstream, MOL proved in 2015 that it has an efficient, highly cash generative platform which is able to capture market opportunities as it continues to invest into the long-term growth of the business. MOL generated a huge all-time high Clean CCS EBITDA of USD 1.65bn in 2015 and substantial simplified free cash flows of over USD 1bn. While the external environment was clearly an important contributor, this delivery would not have been possible without a material contribution from the internal efficiency programmes, supporting the historic high clean CCS EBITDA generation last year. Of this contribution, the recently launched Next Downstream Program saw USD 210mn contribution in its first year, exceeding our expectations. Asset and efficiency improvement measures added some USD 150mn to the program (compared to. our target of USD 110mn for the year), with particular successes achieved in yield improvement, higher operational availability in petrochemicals, alternative crude sourcing and improved retail performance. At the same time, the strategic projects contributed some USD 60m to the program, primarily on the back of the retail acquisitions and the IES improvement.

In 2016 we continue to implement our Next Downstream Program, which has to deliver another nearly USD 300mn EBITDA uplift until the end of 2017. Further efficiency measures and the petrochemicals growth projects (new butadiene plant in Tiszaújváros, new LDPE plant at Slovnaft) will be major elements of the 2016 contribution. The Next Downstream Program will be instrumental to at least partly offset the expected normalisation of the margin environment. Our assumptions imply somewhat softer margin environment in 2016 compared to the 2015 peaks, but we see both the refinery margin (our assumption is around USD 4-5/bbl in 2016) and the integrated petrochemical margin (our assumption is EUR 400-500/t) to stay above the previous few years' averages in a low oil price environment.

In Upstream, we have strong foundations with our very low-cost, cash generative CEE production, where we also managed to reverse the recent decline and achieved an overall 7% production growth in 2015. This was primarily on the back of strong on-shore oil production growth of 20% in Croatia and 5% in Hungary in 2015.

Yet, the massive drop in crude prices require further actions. We view the low price environment not as a threat, but as an opportunity to strengthen our business and make it fit to excel even in a USD 35/bbl oil price environment. On the back of the massive success of our Downstream programs, we launch our New Upstream Program in 2016, which ultimately aims for making the business self-funding at USD 35/bbl oil price. The program will include a relentless focus on efficiency across the whole value chain. At the same time, we also adjusted our CAPEX program and plan to spend only on projects, which are robust at lower oil prices. This implies our total organic CAPEX will likely fall to around USD 0.5-0.6bn in 2016. While we also reduced our exploration budget, we do not give up on our efforts to add resources and to convert resources to reserves in the medium term to replace our reserves. Our exploration focus in 2016 will be in Norway, in near-field CEE efforts and in Pakistan. In terms of production, MOL will continue to focus on its extensive production optimisation in the CEE with the aim of increasing production in 2016. The international portfolio is also likely to see higher volumes, primarily in the UK. As a result, we expect production at 105-110 mboepd (thousand barrel of oil equivalent per day) in 2016 and 2017, slightly higher than in 2015 and then further increasing to 110-115 mboepd in 2018.

UPSTREAM OVERVIEW

OVERVIEW OF 2015

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

"The external environment has changed fundamentally with the sharp decline of oil prices by the end of 2015. Delivering value matters more than delivering barrels. In 2015, MOL has proven that even under these circumstances our portfolio can generate substantial value, largely due to our very competitive direct production cost of ~7 USD/bbl. Going forward, in 2016, we want to ensure that our business is self-funding at 35 USD/bbl. In order to achieve this, we have launched the New Upstream Program. Under the program umbrella we will continue our relentless production optimization efforts in CEE while simultaneously focusing much more on OPEX and CAPEX efficiency. MOL's Upstream will be fit for the lower oil price environment!"

Berislav Gašo – Chief Operating Officer,
Group Exploration and Production

KEY ACHIEVEMENTS 2015

- Delivered total production of 104 mboepd, equivalent to a 7% increase over 2014
- Started systematic Production Optimization efforts in CEE with first visible results already in 2015. Successfully reversed onshore production decline in high-margin CEE with onshore oil production in Croatian up by 20% and in Hungary up by 5%
- Achieved a 7.3 USD/boe direct production costs for 2015 implying that the vast majority of the portfolio has been profitable at low oil prices
- Doubled the unrisked recoverable resource potential of MOL Group to 1.2bn boe with the entry to Norway
- Removed residual risks from the portfolio

OUTLOOK FOR 2016

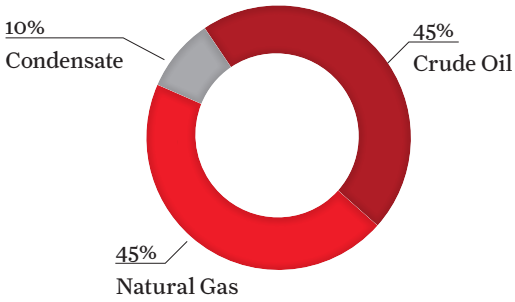
- Launched the New Upstream Program in order to deliver a self-funding business in a USD 35/bbl Brent price environment
- Continue Production Optimization in CEE with all interventions break-evening at or below USD 20/bbl
- Implement USD 80-100mn OPEX savings which will result in direct production cost at around USD 6-7/boe
- Cut organic CAPEX to USD ~500-600mn in 2016 (~ -15-30% year-on-year). Cut Exploration CAPEX by ~50%; Norway, nearfield CEE and Pakistan to remain in focus
- Spend development CAPEX in CEE only if projects are break-evening at 30 USD/bbl

OUTLOOK FOR 2016-2018

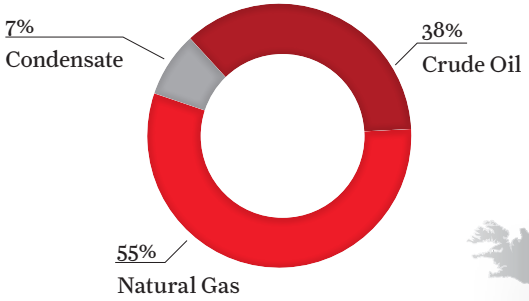
- Production to increase further to ~105-110 mboepd in 2016-17 and to ~110-115 mboepd in 2018

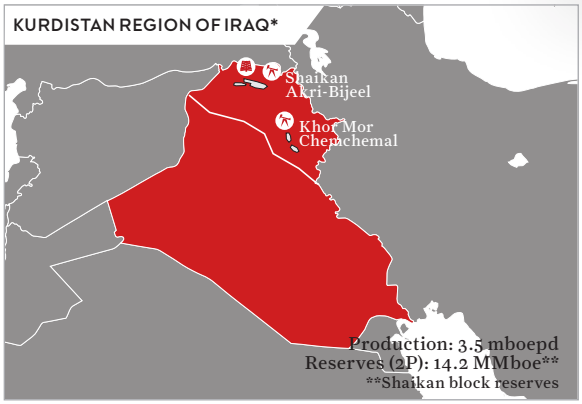
PORTFOLIO ELEMENTS

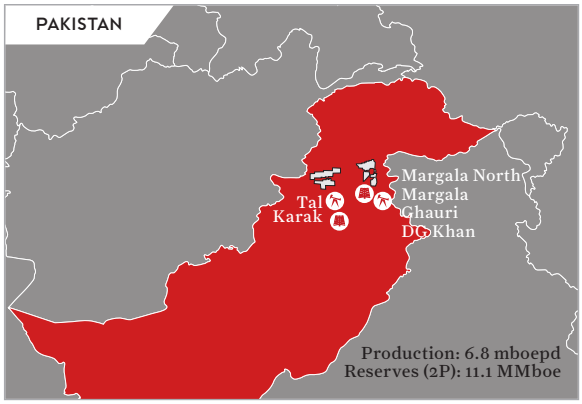
SPE 2P reserves (2015)
514 MMboe

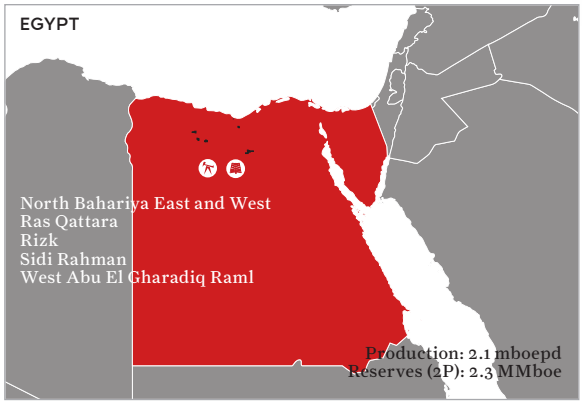


Production (2015)
103.9 mboepd









* MOL relinquished the Akri-Bijeel block on 31th December 2015.

**INA delivered on 26th February 2012 the force majeure notice to the General Petroleum Company of Syria related to the Production Sharing Agreement for the Hayan Block signed in 1998 and Production Sharing Agreement for the Aphamia Block signed in 2004.

MOL GROUP

EXPLORATION

PRODUCTION

KEY ACHIEVEMENTS

MOL Group Upstream has over 75 years of experience. MOL's 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, as well as to the principles of sustainable development.

THE CENTRAL EASTERN EUROPEAN REGION

MOL Group has started a major production optimization program in its core CEE region. The program delivered already visible results in 2015. Hungarian production decline was the lowest in the past 10 years and Croatian onshore oil production increased by 20% year-on-year. All measures of the production optimization are break evening at or below 20 USD/bbl.

Production Optimization efforts in Hungary started mid 2015. As a result the total 2015 production decline shrunk to -1% from the -4% of 2014. Oil production in Hungary increased even by 5% year-on-year. The program systematically reviews the production potential from a subsurface perspective and targets also cost efficiency.

INA's Production Optimization efforts increased production by 7% in 2015, with Croatian crude oil output increasing by 20%. The program is focusing on all mature fields, and as part of the 2015 efforts INA conducted a well stimulation campaign consisting of 21 wells. Moreover, an intensive well workover and well optimization campaign was executed throughout the year, involving over 90 wells. In addition, INA progressed the first phase of the Ivanič-Žutica EOR project, with well preparation for the second phase of the project now under way.

In terms of CEE exploration, MOL Group also increased its exploration acreage in Hungary to 4,530 km^2 with the successful bidding for new licences offered in the Third Hungarian licensing round. MOL was awarded the 584 km^2 Dány license in Eastern Hungary and the 391 km^2 Battonya-Pusztaföldvár-Észak license in southeast Hungary.

In terms of exploration activities at INA, 4 domestic onshore exploration wells have been completed and INA has been awarded new onshore and offshore exploration licences. In onshore, INA was awarded with Block Drava-2 following participation in Croatia's onshore bid round. In offshore, two exploration blocks were granted in the framework of the First Offshore Bid Round. Both onshore and offshore licences await the Croatian Government's ratification. The investments also contributed to the reduction of the environmental footprint of our E&P operations. In the CEE region carbon-dioxide (CO_2) emissions decreased by 25% while the amount of water withdrawn reduced by 52% compared to 2014.

THE NORTH SEA

In the UK, the production contribution of non-operated assets rose in 2015 with first oil in Cladhan and the first infill well delivered in the Scott field. MOL Group doubled its resource potential to 1.2bn while adding 750mn unrisked resources through its entrance into Norway.

In the UK, first oil from Cladhan field was achieved in December, 2015. In case of Scott, Telford and Rochelle the reliability issues in H1 2015 have been resolved by the operator. A well stock review was completed for Scott, and an infill drilling programme has commenced successfully in September with a first infill well that was delivered on Scott. MOL Group is also participating in two large development projects in the UK: Catcher and Scolty&Crathes. The Catcher project remains within budget, and the drilling of the first two wells have been completed with a positive flow back and injectivity test. To minimize the impact of the slippage of the FPSO construction on the project timeline, a mitigation plan has been put in place. The Scolty-Crathes field development plan was approved in October 2015, and work is progressing well on the facilities topsides scope of the project.

In 2015, MOL Group entered Norway with the clear intention to develop a new hub and centre of excellence for exploration. As a first step MOL Group acquired 100% ownership in Ithaca Petroleum Norge ("IPN"), from Ithaca Petroleum Ltd, pre-qualified as operator in Norway. The deal included acquiring the portfolio of 14 licences of which 3 are operated. In addition, MOL Group took over IPN's strong exploration-focused team with in-depth experience of the Norwegian Continental Shelf (NCS). Following the acquisition, MOL Norge successfully expanded its exploration portfolio through acquiring interest in 7 licences, out of which 2 are operated. (3 non-operated acquired from Det

norske oljeselskap ASA in October 2015 and 4 (out of which 2 operated) awarded during the 2015 APA round.)
Overall, MOL Norge has established three core areas within the North Sea focused on proven oil plays close to existing infrastructure where discoveries are capable of being efficiently monetized. The new Norwegian portfolio contributes with 750 MMboe to Group's estimated net unrisked prospective resources.

THE MIDDLE EAST, ASIA AND AFRICA

MOL continued its operation of 78 mboepd (100% block) production in the TAL block in Pakistan which has been complemented by successful exploration in neighbouring blocks. With two further exploration successes it has registered 10 discoveries in 3 different blocks since 1999 and successfully derisked more than 400 MMBOE 2P reserves (100% basis). In the Kurdistan Region, Shaikan production stabilised, whereas the Akri Bijeel block was handed back to the Government.
In Pakistan, MOL Group has a proven track record, with strong partners, and over 15 years of operated and non-operated activities. MOL has interests in 5 blocks in Pakistan and is the Operator of the TAL block 30 km from the border of Afghanistan, currently with 78 mboepd production on 100% basis.
MOL Group continued to increase resources through significant exploration efforts and via acquiring additional licences. MOL Group spudded three exploration and one development wells in 2015. The completed Mardankhel-1 exploration well was the 7th discovery in the TAL Block since 1999. Further exploratory drilling is ongoing on TAL's Tolanj and Makori fields. In the Karak block, Kalabagh-1 well resulted in MOL's 2nd discovery in the block. Overall MOL made 10 discoveries (7 operated) from 2000 onwards with over 400 MMboe discovered (100% basis). In addition, MOL Group acquired a 30% non-operated stake in the DG Khan Block which marked the entry in the Middle Indus region. Despite good business results tragic safety incident happened in our Pakistani operations in 2015. Four contractor employees lost their lives in a gas vapour explosion while loading a road tanker. This alarms us to further strengthen our safety management in our operations.
In the Kurdistan Region of Iraq, non-operated Shaikan block has undergone debottlenecking and facility upgrades and has doubled the gross probable reserves, confirmed by an independent third party review (Competent Person's Report). The field is currently producing from 9 wells through two production facilities (PF-1 and PF-2) with a production capacity of 40 mboepd. The Operator continues to exercise a prudent field development approach related to the regularity and the amount of payments for all production (including the arrears). On the

Akri-Bijeel block, a comprehensive in-house assessment was carried out, and confirmed by an independent analysis (Competent Person's Report) of the block's geological potential. The analysis confirmed that the expected recoverable volumes did not pass the Economic Limit Test (ELT), and consequently no reserves were assigned to the block. In agreement with partners, Gulf Keystone Petroleum and the Kurdistan Regional Government's Ministry of Natural Resources, MOL Group relinquished the block, and signed the Relinquishment and Termination Agreement on 31st December 2015. MOL Group prepared plan for restoration of sites and mud pits as per local requirements and international best practices.

In Oman, MOL Group progressed with the maturation of two exploration wells in Block 66, located in the mid-western part of the country, close to the Saudi border. The first exploration well was spudded in November 2015, however, the penetrated reservoirs were water bearing. The second well is expected to be spudded in Q2 2016.

In Cameroon's Ngosso block, oil bearing layers were encountered throughout drilling of one deep HP/HT exploration well. However, as accumulations were below the economic threshold, the well was plugged and abandoned. After reviewing the remaining potential of the block, MOL decided to relinquish the asset.

THE CIS REGION

MOL increased the Baitugan field production via a high density drilling campaign. In the Fedorovsky block in Kazakhstan, a 25-year Production Licence Contract for the Rozhkovsky field was approved by the Ministry of Energy. Preparations are ongoing for the first phase of the project. Appraisal program of Bashkirian discovery was started.

In the operated Baitugan block in Russia, focus has been on increasing production via a high density drilling campaign. The 2015 development drilling programme was carried out with 5 rigs, and 60 production and injection wells were drilled and completed, resulting in 23% production increase year-on-year (9.4 mboepd in 2015). Baitugan is a shallow, compact field with developed infrastructure, which supports low energy and operational costs. This has made Baitugan resilient to the current low oil price environment, and contributed to reaching a cash flow-positive position in 2015.

In the Kazakh Fedorovsky block, Reserve Calculation and Trial Production Plan for the Block were approved by the Kazakh state. Furthermore, a 25 year Production Licence Contract for the Rozhkovsky field was approved by the Ministry of Energy. Preparations are ongoing for the first phase of the project which is intended to help the Partners evaluate the behaviour of the reservoirs. In addition, appraisal of the Bashkirian discovery is ongoing.

Exploration licences acquired/awarded in 2015

Two concession areas were awarded to MOL, in the framework of the Third Hungarian Licensing round. Contract signing is currently in progress.

In Croatia, INA bid for licences offered in the First Onshore Bid Round and was subsequently awarded with Block Drava-2. In addition, two offshore exploration blocks were granted in the First Offshore Bid Round. Both onshore and offshore licences await Croatian Government's ratification.

In Pakistan, MOL Group signed a farm-in agreement for the DG Khan block, whereby MOL acquired a 30% non-operating interest from the Pakistan Oil Field Limited. The Government of Pakistan approved MOL's farm-in in December 2015.

MOL acquired 17 licenses on the Norwegian Continental Shelf, 3 of which are operated by MOL Norge. In addition, as part of the 2015 APA round, MOL Norge was awarded interest in 4 other licences, 2 of which are operated.

OPERATING REVIEW OF 2015

EBITDA, excluding special items, amounted to HUF 201bn in 2015, a decrease of HUF 70bn compared to the base period. Performance was affected by:

- (-) Lower average realised hydrocarbon prices due (from 62 USD/boe to 41USD/boe) to unfavourable changes in oil and gas prices (Brent prices decrease from 99USD/bbl to 52USD/bbl)
- (-) Adverse regulatory changes in Croatia: the reduction of regulated gas price and an increase in the royalty rate from 5% to 10% (as of Q2 2014)
- (+) A 20% decrease of the HUF versus the USD only partly mitigated the oil price decline.
- (+) Group-level average direct production cost, excluding DD&A, was at USD 7.3 USD/boe, 7% below last year's level. Operating expenditures in Upstream, including DD&A, but without special items totalled HUF 435bn, representing a HUF 34bn decrease versus 2014.
- (+) Exploration expenses were lower by HUF 8bn due to the different work program in the international portfolio.
- (+) Total production rose 7% year-on-year to 104 mboepd in 2015 supported by a 4 mboepd and a 2 mboepd increase in the UK and Croatia, respectively. Excluding inorganic elements, i.e. the sale of a 49% stake in the Russian Baitex and the two UK North Sea deals closed in 2014, production increased by 4 mboepd year-on-year as a result of higher contribution from Croatia (+2 mboepd) and the ramp-up of volumes in the Shaikan block in the Kurdistan Region of Iraq (+1 mboepd). Croatian crude oil and offshore gas production showed better performance due to the ongoing well optimization program (4P) and as a result of the new offshore well tie-ins on the Adriatic Sea (Izabela and IKA-SW) during 2014. In Hungary, the production remained almost flat in comparison to the base period, which was a significant achievement compared to earlier projections of up to 5% annual decline.

Reported EBIT was a loss of HUF 468bn in 2015, as a total of HUF 460bn special items depressed reported EBIT, from which to the above special items, material asset impairment charges of HUF 504bn in total (EBITDA neutral, but affecting DD&A and hence EBIT) affected reported EBIT:

- (-) MOL booked HUF 131bn impairment related to the relinquishment of the Akri Bijeel block, as assets were written off in 2015 in line with the previous announcements on the license.
- (-) MOL also booked an additional HUF 373bn asset impairment charges in 2015, which was mainly driven by the revised premises (primarily oil price assumptions) used for the valuation of the assets. The largest items were related to 1) the UK assets (HUF 218bn), where the impairment was primarily premises-driven, 2) INA (HUF 109bn), while 3) the remaining HUF 46bn was booked on various other E&P assets.

Average daily hydrocarbon production reached at 104 mboepd in 2015, an increase of 7% compared to the base period. The main reasons of this production increase were driven by higher production in the MEA region, mainly from the Kurdistan Region of Iraq and the higher contributions of the UK North Sea acquisition.

Average realised price decreased by 35% compared to the base period as a result of the combined impact of lower oil price and lower gas price in CEE, the latter also affected by the adverse regulatory changes in Croatia.

AVERAGE REALISED HYDROCARBON PRICE	FY 2014 RESTATED	FY 2015	CH %
Crude oil and condensate price (USD/bbl)	82.2	45.2	(45.0)
Average realised gas price (USD/boe)	46.8	35.9	(23.3)
Total hydrocarbon price (USD/boe)	**62.2**	**40.5**	**(34.9)**

HYDROCARBON PRODUCTION (MBOEPD)	FY 2014	FY 2015	CH %
Crude oil production	**34.5**	**40.0**	**16.0**
Hungary	10.9	11.4	5.1
Croatia	8.9	10.7	19.5
Russia	7.7	6.7	(12.8)
Kurdistan Region of Iraq	1.9	3.6	88.2
United Kingdom	1.0	3.2	205.2
Other International	4.0	4.4	9.0
Natural gas production	**54.9**	**56.9**	**3.5**
Hungary	26.0	25.7	(0.9)
Croatia	24.2	25.0	3.3
o/w. Croatia offshore	11.1	12.2	9.6
United Kingdom	0.2	1.7	730.0
Other International	4.6	4.5	(2.8)
Condensate	**8.1**	**7.1**	**(12.6)**
Hungary	4.7	3.8	(18.8)
Croatia	2.1	1.9	(8.7)
Other International	1.3	1.3	4.1
Average hydrocarbon production	**97.5**	**103.9**	**6.6**

Main reasons behind production changes:

In **Hungary**, MOL continued an extensive production intensification program started in Q3 2015. The production remained almost flat in comparison to the base period, which was a significant achievement compared to earlier projections of up to 5% annual decline.

In **Croatia**, Crude oil and offshore gas production showed better performance due to the ongoing well optimization program (4P) and as a result of the new offshore well tie-ins on the Adriatic Sea (Izabela and IKA-SW) during 2014.

In **UK**, Sally acquisition in December 2014 contributed to full year production by 4.1 mboepd in 2015. Cladhan first oil was achieved on 16 December and since then the field has been performing broadly in line with expectations.

In **Kurdistan region of Iraq**, the ramp-up of volumes in the Shaikan block (+1.4 mboepd): additional wells were added. The Akri-Bijeel block production increased by 0.3 mboepd due to commercial production started only on 18th December 2014. The Akri-Bijeel block was relinquished on 31st December 2015.

Changes in the Upstream regulatory environment

In **Hungary**, a favourable permitting treatment was given to Natura 2000 protected areas (i.e., a European Union wide network of environment and nature protection zones). While previously no E&P activities were allowed in these areas, as of 2015, both surface & subsurface E&P activities can be executed up to 3-4 months, as determined by the relevant Authorities.

In **Croatia**, according to the Government decision, price for natural gas, at which INA is obligated to sell to HEP, was decreased as of 1st April 2015 by 7%.

In the **UK**, the Oil and Gas Authority was established and is tasked to deliver the methodology of Maximising Economic Recovery from the UKCS.

In **Norway**, corporate income tax rate will be reduced to 25% (down by 2%) in 2016 with a corresponding increase of the special petroleum tax rate to 53%. Hence, the marginal tax rate will remain at 78%."

In **Russia**, marginal (maximum) rate of export duty on crude oil was decided to be kept at the same level as in 2016 at 42% as in 2015, instead of decreasing to the previously planned rate of 36%.

On 9 November 2015, in connection with **Kazakhstan's** accession to the WTO, amendments to the subsoil use legislation came into force and significantly altered the existing local content requirements. In general, the changes are aimed at improving the regulatory environment from a foreign investor perspective.

In **Pakistan**, Supplemental Agreements (SAs) for conversion to 2012 Petroleum Exploration and Production Policy (2012 Policy) for operated and non-operated blocks were signed and executed in 2015. As a result, discoveries made after the 27th of November 2007 have become eligible for higher gas prices as compared to earlier offered prices.

- **TAL block**
  - **Mamikhel Field:** Eligible for gas price as per 2007 Policy Price, instead of the gas price per Annexure-V of the 2001 Policy. This new gas pricing is applicable since start of production from the field. These changes will be applicable retrospectively.
  - **Maramzai & Makori East:** Eligible for gas price as per 2009 Conversion Policy Price instead of the gas price per Annexure-V of the Petroleum Policy 2001. This new gas pricing is applicable since start of production from these fields. These changes will be applicable retrospectively for the each field.
  - **Mardankhel:** Eligible for gas price as per 2012 Policy Price.

- **Karak block**
  - **Halini field:** Eligible for gas price as per 2009 Petroleum Policy, instead of the gas price per 2001 Petroleum Policy.
  - **Kalabagh field:** Eligible for gas price as per 2012 Petroleum Policy, instead of the gas price per 2001 Petroleum Policy.

- **Ghauri block**
  - Eligible for gas price as per 2012 Petroleum Policy, instead of the gas price per Petroleum Policy 2009.

OUTLOOK

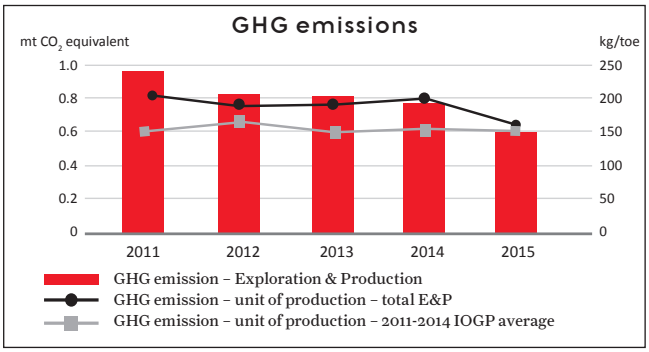
Continuing the efforts launched in 2015, MOL Group Upstream business is targeting to become a self-funding business in a USD 35/bbl Brent price environment. To achieve this MOL Group will pursue under the umbrella of the New Upstream Program a series of measures:

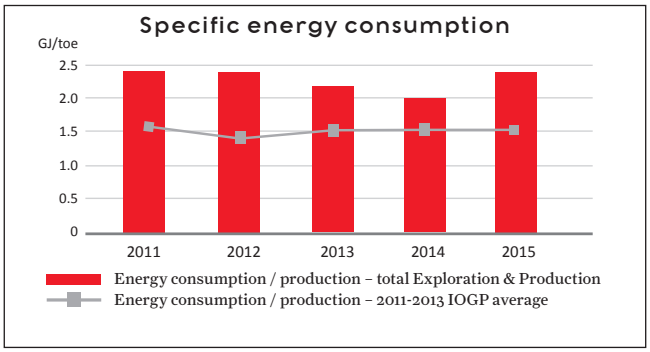
1) Increase production further to 105-110 mboepd: This is planned to be delivered through the CEE Production Optimization measures (on a portfolio level break-evening at or below USD 20/bbl Brent price). Further production growth is expected from field development efforts in the international portfolio (mainly UK, Russia, and Pakistan)
2) Implement a thorough efficiency program: Target OPEX spend reduction by USD 80-100 mn as compared to 2015 levels. This will result in a direct production cost at around USD 6-7/bbl
3) Reduce organic CAPEX to USD ~500-600mn (reduction of ~15-30% year-on-year), including a ~50% cut in Exploration CAPEX, with exploration efforts continue to focus on Norway, nearfield CEE and Pakistan
4) Limit Development CAPEX spending in CEE only on projects that are break-evening at or below USD 30/bbl Brent price.

UPSTREAM SUSTAINABILITY HIGHLIGHTS 2015

Striving for risk management, people and business excellence in a continuously challenging environment

CLIMATE CHANGE





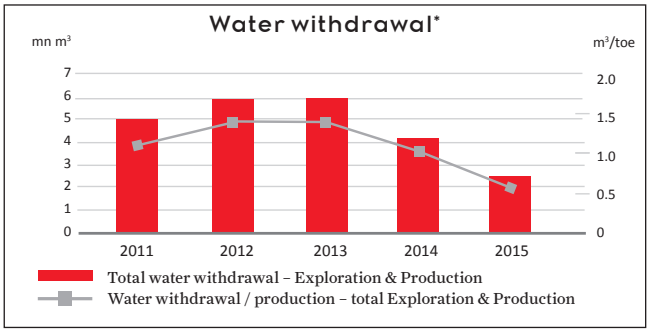
STRATEGIC GOAL:

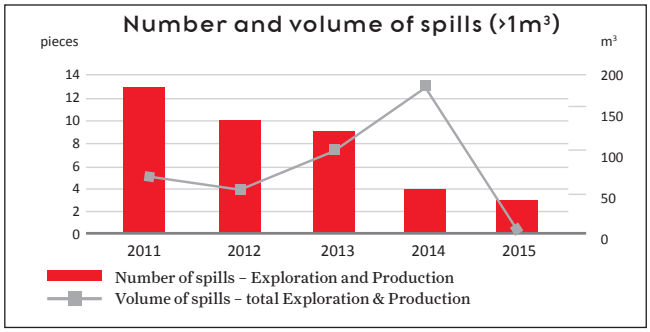
Reduce CO_2 intensity of operations by 20% by end of 2017 (in t CO_2/tonnes of oil equivalent

PERFORMANCE:

- GHG intensity of E&P operations decreased by 25% compared to 2011 primarily due to reduced venting achieved with EOR project in Croatia
- Energy consumption in upstream operations increased mainly due overhaul in INA d.d. production and as a result of the EOR project

WATER AND SPILLS





* Excluding produced water

STRATEGIC GOAL:

- Reduce total water withdrawals by 5%
- Improve water management techniques in water-stressed areas

PERFORMANCE:

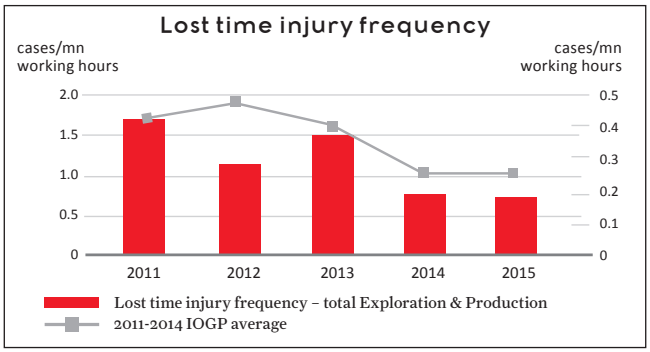
- We continued to reduce total water withdrawal in our exploration & production operations
- Decrease in water withdrawal is primarily the result of a new cooling water circulation system in MOL Plc. and water efficiency measures in Russia
- The volume of hydrocarbon content of spills above 1 m³ decreased to 4 m³ in total, no major spills occurred in 2015 in contrast to 2014

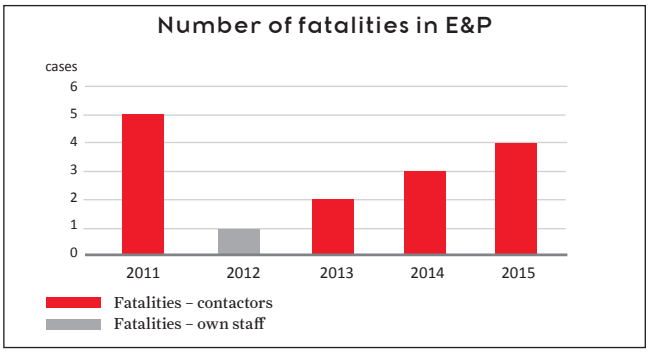
RESERVES AND R&D

	2011	2012	2013	2014	2015
Reserve Life Index (years) (SPE 2P)**	13	15	15	16	14
Research & Development expenditure (HUF mn)	715	730	486	286	1,164

** Contains INA total reserves. Production figures contain Total MOL Group including INA.

SAFETY





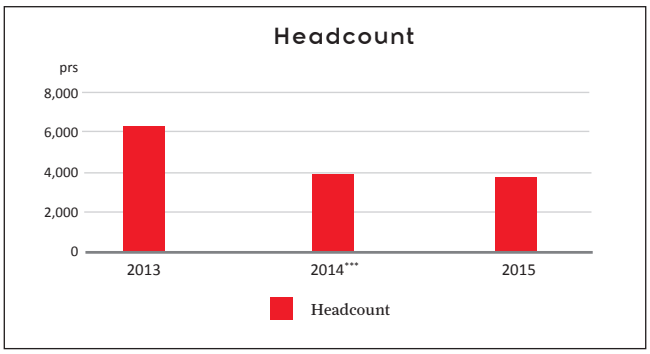
STRATEGIC GOAL:

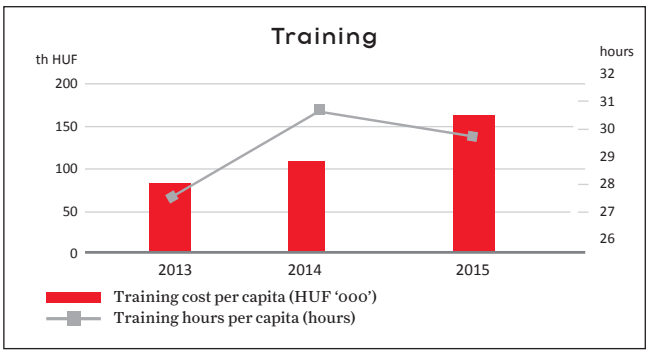
Implement programs that aim for zero incidents

PERFORMANCE:

- In 2015, we had 4 contractor fatalities in our upstream operations due to a blast fire during loading oprations executed by a contractor in Pakistan
- In own staff LTIF a continuously improving trend (since 2010) is coming to a halt, as in 2015 INA Group registered an increase in its frequency rate

HUMAN CAPITAL





***Crosco is excluded from 2014 onwards

STRATEGIC GOAL:

Ensure operational excellence in challenging business environment

PERFORMANCE:

- Headcount optimization in line with strategic portfolio decisions
- Increased focus on management and petrotechnical professionals' (PTP) capacity development

COMMUNITY

	2011	2012	2013	2014	2015
Community investments in international E&P**** (HUF mn) (Total MOL Group without INA Group)	163	191	354	205	601

**** For 2015, covering operations in Russia, Kurdistan, UK and Pakistan

"I am glad that we fully harvested the opportunities of the external conditions in both refining, petrochemicals and retail during 2015. However the historically high USD 1.65bn clean EBITDA is not only a result of favourable external conditions, but also reflects substantial internal efficiency improvements. In the Next Downstream Program we are well on track and added USD 210mn improvement already in 2015. With an action plan in place, we are very confident that the programme will be delivered with a total contribution of USD 500mn. In addition to the business actions of the Next Downstream Program, we have decided to devote more time and attention to improve our internal working culture based on our core values and behaviours. I believe that this is the milestone of making all continuous efficiency improvement programmes sustainable in the longer term and to get closer to the highest level of operational excellence."

Ferenc Horváth – Executive Vice President, Group Downstream

DOWNSTREAM OVERVIEW

OUTLOOK

- Macro conditions remain supportive, well above mid-cycle levels, however superior 2015 conditions likely to fade
- Downstream operation continues based on its strategic directions: efficiency increase in Refining, organic and inorganic growth in Petrochemicals and Retail businesses
- The Next Downstream Program continues with the aim of supporting the overall Downstream EBITDA and mitigate a potential shortfall caused by a softening in the external macro. The 2017 CCS EBITDA target of USD 1.3-1.4bn, based on 2014 premises, includes:
  - USD 350mn asset and market efficiency improvements
  - USD 150mn contribution from strategic growth projects
- The Downstream business's normalized CAPEX by 2017 should land between USD 400 – 500mn which provides an excellent free cash-flow generation opportunity

2015 HIGHLIGHTS

- Historically the strongest financial performance with USD 1.65bn clean CCS EBITDA, 89% above 2014 in USD terms building on the foundations of internal improvements
- Petrochemicals and Retail contributed ~50% of Downstream clean CCS EBITDA, further continuing with the integration of the business
- The first year of MOL Group Downstream's three year efficiency program was successfully completed with USD 210mn improvement as all business lines exceeded their yearly targets

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 household, 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" with a total capacity of 20.9 mtpa refining and 2.2 mtpa petrochemicals benefits from the synergistic operations of our complex high quality 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. With widening our value chain by completing the new 130 kt capacity Butadiene unit and finalizing in the first quarter of 2016 the LDPE-4 unit, MOL Group is aiming to become more competitive on the petrochemicals market. Our retail network is composed of more than 1900 stations in eleven countries predominantly located in the supply radius of our refineries which enables us to maximize synergies between refining & marketing and retail.

Feedstock optimisation ensures we select the most appropriate raw materials for all of our refineries from a wide slate of crude oil types. Based on actual crude oil market trends and as a result of successful rehabilitation and expansion of the Friendship I pipeline, between 2012 and 2015 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.

PORTFOLIO ELEMENTS

REFINING

	CAPACITY IN MT/Y	NCI INDEX
Danube 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)	6.0
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 Depot (pcs)	42
Product Pipeline system:	
MOL – 1,356 km	8.2
SN – 484 km	2.5

RETAIL

	NUMBER OF SERVICE STATIONS
Hungary	364
Croatia	431
Italy	107
Slovakia	253
Romania	202
Bosnia and Herzegovina	100
Austria	33
Serbia	47
Czech Republic	316
Slovenia	40
Montenegro	1
Total	**1894**

PETROCHEMICALS

PRODUCTION	CAPACITY IN KT/Y
MPC - Ethylene	660
MPC - Polymer	765
MPC - Butadiene	130
SPC- Ethylene	220
SPC - Polymer	475
Pipelines	**capacity in kt/y**
Feedstock and product pipelines	2,700
Ethylene (Kazincbarcika)	160
Ethylene (Kalush)	100

OUR SERVICE STATION

MOL INA Slovnaft IES tifon Rumpold EP PAP


Domestic and core markets
Refinery
Petrochemical Plant
Oil pipeline
Petchem pipelines
Ethylene pipeline
Product depot
Poland
Czech Republic
Slovakia
BRATISLAVA REFINERY
SPC
Austria
DANUBE REFINERY
MPC
Hungary
Slovenia
Croatia
Romania
SISAK REFINERY
RIJEKA REFINERY
Bosnia and Herzegovina
Serbia

"I would like to emphasize that we have improved our asset availability in key areas. Our organization is driven by Downstream core values which attach a great importance to safety, and together with leadership changes a promising value based culture development started in MOL Petrochemicals during 2015. We continued with the implementation of LEAN and started an HSE leadership training rollout, while NxDSP actions were also successfully implemented in Downstream Production. We are fully committed to continue towards operational excellence as we define our next strategic investments that will ensure future successes."

Miika Eerola –
Group Downstream Production SVP

KEY ACHIEVEMENTS

First year of Next Downstream Program 2015–2017 has been successfully closed

Building on the success and experience of the New Downstream Program, which delivered USD 500mn efficiency improvement between 2012 and 2014, MOL Group Downstream launched the Next Downstream Program, a new wave of efficiency improvement initiatives covering the entire downstream value chain. The Next Downstream Program, which runs between 2015 and 2017, continues to focus on long-term sustainable improvement in order to exploit market opportunities and meet both external and internal challenges. An ambitious USD 500mn EBITDA improvement target was set for the program by the end of 2017, based on:

- Asset and Market Efficiency Improvements
- Strategic Growth Projects

The program is an essential part of MOL Group Downstream Strategy for 2015-2017, serving as a measurement tool for the implementation of strategic goals.
After the first year of the program, the achieved results were above target with USD 210mn clean CCS EBITDA added from internal sources in 2015 vs. 2014. All companies and business lines outperformed their yearly target, thanks to the continuous activity of all stakeholders which focused on decreasing operational costs, achieving higher asset reliability, increasing sales margin and sales volume.

Asset and efficiency improvement measures added around USD 150mn to the program (versus our target of USD 110mn for the year), with particular successes achieved in white product yield improvement of 1.6%. Higher operational availability in petrochemicals and around 15% seaborne crude sourcing in our landlocked Danube refinery's crude intake, coupled with improved retail performance contributed to the successes achieved during the first year of the program. Simultaneously, strategic projects contributed USD 60mn to the program, primarily on the back of retail acquisitions and improvements in IES. Favourable margin and price environment further boosted the Downstream clean CCS EBITDA by over USD 500mn, while a few unplanned events partly off-set the positive contribution of the actions above.
The future delivery of the Next Downstream Program and our general Downstream strategic goals rest on three pillars: our superior asset base, adopting to the needs of the market and the competencies of our employees.

ASSETS: superior asset base further developed

Significant efforts were put in increasing reliability of our assets during last year. Thanks for our efforts we managed to improve operational availability both at MOL Petrochemicals and Danube Refinery sites. In order to support good performance we have introduced the DS Production SVP Reliability Award as a recognition for the best Production asset teams for devoting efforts to achieve an increased availability of production units, the efficient use of complex maintenance spend and the guaranteed

"We have indeed achieved our all-time best results in 2015. This is to some extent down to both the favourable business environment, whilst being able to influence the factors that are within our control. We have no control over crack spreads, however we do control the efficiency of our assets, the quality of our customer relations, and the engagement and development of our team. These are the three pillars of the strategy that we launched when we were facing a much more challenging environment. This strategy continues to be the backbone of our business decisions."

Ábel Galácz – Group Supply, Trading & Optimization SVP

reliability of equipment. Turnaround Readiness reviews have been conducted for various topics, including HSE, for all the major turnarounds performed in DS Production during last year. In 2015 we started to implement an energy management system in accordance with the ISO 50001 standard in order to meet the requirements of the European Union's directive on Energy Efficiency.
Part of our petrochemicals business strategy was to strengthen competitiveness with a broader and higher-quality product portfolio, and increase our market share in captive markets. The 130 kt/year capacity Butadiene extraction unit successfully started its commercial operation in October 2015. All test-runs of the unit have been completed successfully and butadiene production commenced in 2015. Utilization level is driven by market demand since the commercial start-up. The Butadiene Extraction Unit project started in 2013, and with an average of 500 staff on site through the duration of project implementation, it achieved industrially recognized, outstanding level of safety performance as they completed more than 1.3 million man-hours without lost-time injuries (LTI).
The construction of the new 220 kt/year capacity Low Density Polyethylene (LDPE) unit in Bratislava reached mechanical completion in 2015 without any lost-time injuries. The new unit will increase production flexibility, improve product qualities and ensure higher naphtha off-take from the refinery.
In accordance with MOL Group's strategy, we are also continuing to optimise our logistics network. Our RTC (Rail Tank Car) fleet renewal program has been continuing in order to reach an ambitious targeted 23 years average age of fleet by the end of 2016.

"Logistics must be the differentiating factor, always showing agility to manage changes in supply and demand and looking for new ways to meet our customers' expectations."

Howard Lamb – Group Logistics VP

MARKET: we need to find leverage to strengthen our captive market position

The Hungarian petrochemical company (formerly known as TVK) continued its operation from August 2015 as MOL Petrochemicals, in line with the group's strategy. The Tiszaújváros based petrochemical operation is now fully merged and integrated with Downstream production and sales businesses, successfully extending the production value chain and improving efficiency.

In order to maximize commercial benefits, volumes of seaborne crude deliveries were increased via the Adria pipeline and brought over 1.2 million tons of crude oil into the Danube Refinery, increasing the ratio of alternative crude oil processing to 17% in 2015. Furthermore INA recorded an 18% increase in non-Russian crudes, from 43% to 61%.

After closing the conversion process of the Mantua refinery into a logistics hub, the Italian position is under transformation and sales portfolio optimization is ongoing in order to continue MOL Group's wholesale activities in the Italian market and improve its market position.

In case of natural gas the focus is on harvesting synergies and cross-commodity gas, steam, and electricity margin optimization moving towards physical trading direction, while in biofuels we aim to maximize potential in double counting materials where bio content of fuel is coming from renewable sources and improve bio mix to prepare for hitting the blending wall.

The enhancement of logistics access to liquid/trading markets such as Koper in Slovenia is being planned, which could provide support to conclude trading deals closer to the sea. The establishment of an own depot in Serbia will ensure long term security of commercial and logistics operations of MOL Group on the Serbian market. With the planned Solin terminal upgrade of INA in Croatia a reduction in operational complexity of the terminal is being targeted by consolidating all the necessary assets and operation to a single location as opposed to the current two which are connected with product pipeline, thus leading to a reduction in operational costs and compliance with industrial standards over the next 10 years. In logistics, new technology standards are planned to be introduced in order to achieve standard asset and service quality across the whole group.

Retail continued the network expansion primarily through inorganic steps. As a result, a market leading position was maintained in Hungary, Slovakia and Croatia, whilst becoming the second player in the Czech Republic and the fourth player in Romania with market shares in excess of 10% in all five markets.

Our regional Retail market coverage and customer base will be further extended after signing purchase agreements with ENI and announcing the purchase of over 200 filling stations, as MOL Group takes over ENI's entire network in both Hungary and Slovenia.

According to the new Retail strategic directions for 2015-2017, which sets MOL Group Retail to become the customer's first choice in fuel and convenience retailing, the new non-fuel FRESH CORNER concept has been developed based on the needs of today's customer and was successfully implemented in 28 stations across 6 countries in the region. At the same time MOL Group also initiated programs for the safety of customers and the environment, as defibrillators were installed on selected highway stations, visual checks were organized for drivers and over 4000 LED lights being installed across 6 countries in our energy efficiency programme.

"We continue the journey towards delivering our strategic goals for 2017 by leveraging our selling points and understanding our customers better than anyone else on the market. FRESH CORNER is a great example of how we can maximize our relevant fuel and non-fuel offer in the CEE. Our aspiration is to be seen as real hosts and make customers smile and feel welcome. Our aim is to substantially increase retail's financial contribution and provide stable cash-flow generation to the Downstream business overall."

Lars Höglund – Group Retail SVP

PEOPLE: continuous development supports us to reach our aims defined in our strategy

In order to support the achievement of downstream overall strategic targets, organisational changes have been made to the structure of the Supply Chain Management and Supply / Trading functions by integrating them into a new Supply Trading & Optimisation organisation within the frames of the so called Next Generation Downstream project. As a result, the integration will enable further utilization of operational synergies whilst providing quicker reaction time and decision making process in line with market opportunities. A key metric of the project, in addition to a process change, was a cultural transition within the group. Following the new operational setup, enhanced third party purchases enabled keeping positions on the trading belt. In addition, lean transformation continued successfully during 2015. Performance improvement of the sites will be additionally boosted with the introduction of an Operational excellence pilot, which will be launched at Bratislava site during the course of the coming year.

Downstream production HSE related targets set for 2015 were achieved, as the 2015 SD&HSE action plan completion was around 90%. We made a step change in Lagging Indicators acceptable limits set for 2015 and we set the limit for TRIR (Total Recordable Injury Rate) as opposed to LTIF (Lost Time Injury Frequency), providing a clearer picture on lower severity incidents like RC (Restricted Case) and MT (Medical Treatment). 2015 TRIR landed exactly on the acceptable limit set at 2.3. Downstream Production aims to devote additional focus on safety through the introduction of a new program pilot from 2016, which should dramatically reduce injuries, while simultaneously stepping up engagement at different sites.

OPERATING REVIEW OF 2015

External environment

	FY 2014	FY 2015	CH. %
Total MOL Group refinery margin (USD/bbl)	3.4	6.1	79
Complex refinery margin (MOL+Slovnaft) (USD/bbl)	4.6	7.3	58
Brent dated (USD/bbl)	98.9	52.4	(47)
Ural Blend (USD/bbl)	98.0	51.9	(47)
Brent Ural spread (USD/bbl)	1.35	1.39	2
Crack spread – premium unleaded (USD/bbl)	11.3	15.9	40
Crack spread – gasoil 10ppm (USD/bbl)	15.9	14.7	(7)
Crack spread – naphtha (USD/bbl)	(8.1)	(3.8)	53
Crack spread – fuel oil 3.5 (USD/bbl)	(15.9)	(12.1)	24
Integrated petrochemicals margin (EUR/t)	359	680	89

Promising trends in downstream environment

The Downstream environment surprised to the upside in 2015, as both refining and petrochemical margins surged reaching levels well above mid-cycle levels.

Refiners benefited from shrinking oil prices through lower cost of own consumption and losses. Lower oil prices likewise drove the improvement of black product crack spreads. Additionally, the gasoline crack spread was supported by high global demand growth mainly driven by the US and Asia.

The integrated petrochemical margin reached all-time highs. Spiking margins have been supported by the shrinking naphtha price in line with oil. Furthermore, supply was limited by planned and unplanned shutdowns as 19% of European cracker capacity went offline in the second quarter of the year. Import pressure to Europe eased as the USD strengthened 20% against the EUR, coupled with healthy demand from the automotive and the packaging industry throughout the year.

Regional demand

Demand evolution in the CEE countries was heavily influenced by the continued low end-user prices, reflecting the underlying oil price change. Market size increased by 5% versus the previous year, well above the growth rates of the previous 3 years. Substantial increases in demand were recorded in both Hungary and Slovakia, while Croatian demand stagnated compared to 2014 levels. Motor gasoline consumption developed positively as private consumption increased, as diesel demand growth was even more substantial.

CHANGE IN REGIONAL MOTOR FUEL DEMAND FY 2015 VS. FY 2014 IN %	MARKET		
	GASOLINE	DIESEL	MOTOR FUELS
Hungary	3	8	7
Slovakia	1	8	6
Croatia	(2)	3	1
Other	2	6	5
CEE 10 countries	**2**	**6**	**5**

Annual performance

MOL Group Downstream benefited from the favourable external environment and the success of internal efficiency improvement efforts, hence why Downstream's clean CCS EBITDA rose by an outstanding 124% in a year-on-year comparison, amounting to HUF 462bn.

CCS-BASED DS EBITDA[3,4] (BN HUF)	FY 2014	FY 2015	CH. %
MOL Group	**206.3**	**461.5**	**124**
o/w Petrochemicals	37.2	160.3	331
o/w Retail	47.4	61.8	30
MOL excl. INA	235.4	454.7	93
INA	(29.1)	6.8	N.A.
CCS-BASED DS OPERATING PROFITS[3,4] (BN HUF)	**FY 2014**	**FY 2015**	**CH. %**
MOL Group	**95.2**	**350.2**	**268**
MOL excl. INA	147.3	363.9	147
INA	(52.0)	(13.6)	(74)

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

CAPEX BY TYPE (IN HUF BN)	FY 2014 RESTATED	FY 2015	CH %
Total	**186.9**	**180.3**	**(4)**
Strategic projects	115.2	88.0	(24)
Normalized CAPEX	71.7	92.3	29

Total Downstream CAPEX stood at HUF 180bn, almost half of that spending targeted strategic projects including the expansion of the retail network and organic petrochemical development. Considering the record high clean CCS EBITDA generation over total CAPEX spending, Downstream was the earnings engine of MOL Group during 2015 delivering HUF 282bn or over USD 1bn simplified free cash flow (clean CCS EBITDA over total CAPEX).

In 2015, both Downstream Clean CCS EBITDA and Clean CCS operating profit saw significant improvements over the corresponding period of last year, reaching HUF 462bn and HUF 350bn respectively. The excellent results came on the back of:

(+) A favourable external macro environment, including a substantial improvement of the Group refinery margin (from 3.4 USD/bbl to 6.1 USD/bbl) and the integrated petrochemical margin (from 359 EUR/t to 680 EUR/t);
(+) Higher sales volumes in R&M, petrochemicals and retail;
(+) Positive internal development of the Next Downstream Program including the material yield improvement in refining and reduction of unplanned downtime especially in MOL Petrochemicals;
(+) material yield improvement in refining;
(+) A 20% weakening of the HUF against the USD.

EXTERNAL REFINED AND PETROCHEMICALS PRODUCT SALES BY PRODUCT (KT)	FY 2014	FY 2015	CH. %
Total refined products	**16,724**	**17,234**	**3**
o/w Motor gasoline	3,614	3,826	6
o/w Diesel	9,133	9,402	3
o/w Fuel oil	554	470	(15)
o/w Bitumen	629	553	(12)
o/w Retail segment sales	**3,513**	**3,916**	**11**
o/w Motor gasoline	1,073	1,157	8
o/w Gas and heating oils	2,347	2,661	13
Total Petrochemicals product sales	**1,126**	**1,298**	**15**
o/w Olefin products	184	198	8
o/w Polymer products	942	1,088	15
o/w Butadiene products	0	12	0
Total refined and petrochemicals product sales	**17,850**	**18,532**	**4**

MOL continued to experience increased competition in its core motor fuel markets amid supportive market conditions, and as a result its Hungarian, Slovak and Croatian market share declined in a yearly comparison. On the other hand sales volumes increased more substantially outside the core countries. Petrochemical sales improved in line with improving market conditions.

Significant improvement in retail performance

The Retail arm delivered a 30% increase on a clean CCS EBITDA basis and contributed HUF 62bn.

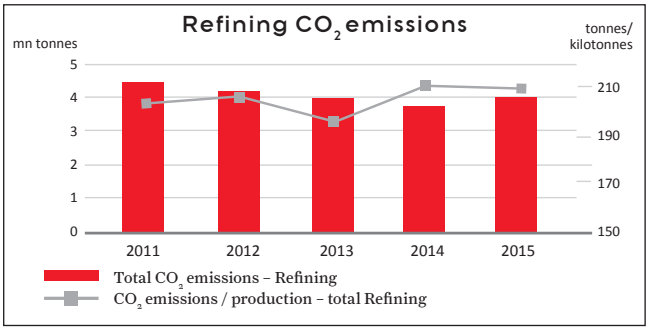
TOTAL RETAIL SALES (KT)	FY 2014	FY 2015	CH. %
Hungary	864	934	8
Slovakia	452	536	19
Croatia	1,077	1,075	0
Romania	501	586	17
Czech Republic	147	359	144
Other	472	426	(10)
Total retail sales	**3,513**	**3,916**	**11**

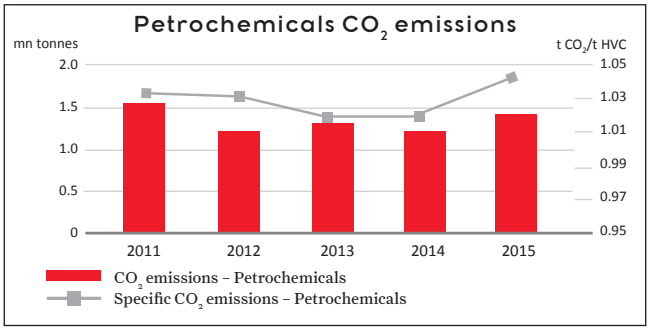
- In Hungary volumes improved versus last year (+8%) due to demand increase supported by lower fuel prices.
- In Slovakia sales grew by 19% versus 2014 as a result of healthy demand trend and inorganic network expansion.
- In Croatia volumes stagnated year-on-year.
- Strong volume increase was experienced in Romanian (17%) and Czech market (144%), mainly as the result of the inorganic network expansion.

DOWNSTREAM SUSTAINABILITY HIGHLIGHTS 2015

A strong safety culture, underpinned by strategic focus on decreasing energy consumption and investing in technical skills ensured a solid downstream sustainability performance as production increased in 2015

CLIMATE CHANGE





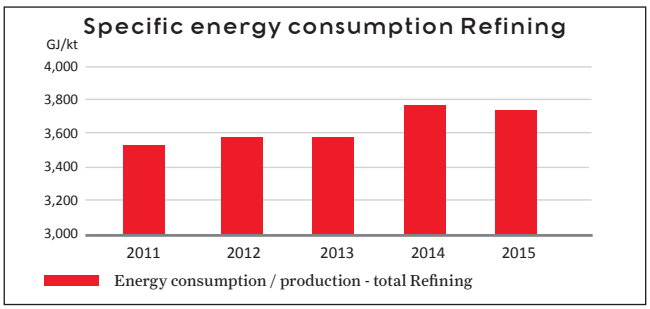
STRATEGIC GOAL:

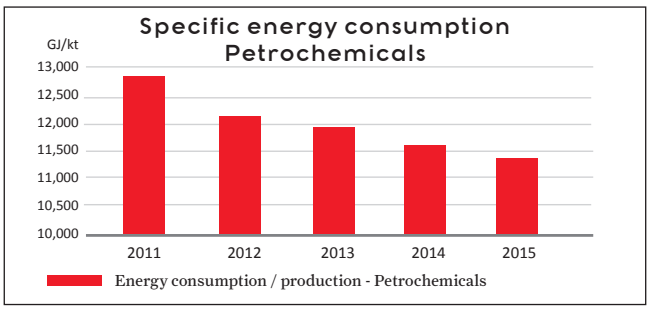
Ensure all sites move up one decile from current positions in their sectoral CO_2 benchmarks

PERFORMANCE:

- Refining and petrochemical operations are the primary sources of MOL Group's GHG emissions
- Next Downstream Program brought 49 thousand tonnes of energy and CO_2 emissions savings
- GHG target challenged by 4% increase in emissions recorded in 2015

ENERGY





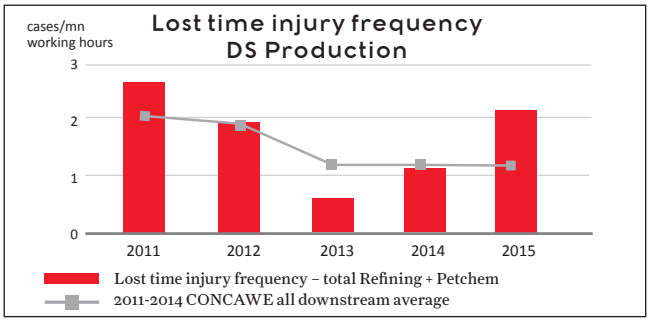
STRATEGIC GOAL:

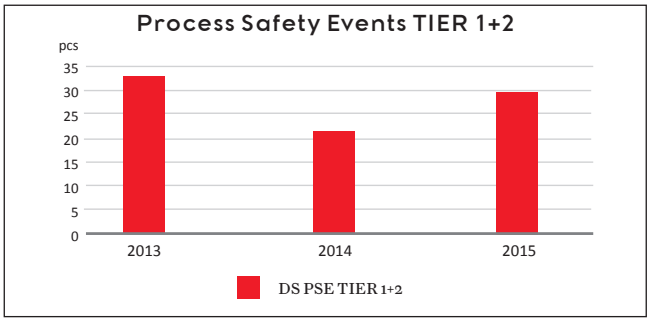
Decrease downstream production energy consumption by min. 5%

PERFORMANCE:

- MOL Petrochemicals Plc, INA d. d., MOL Plc obtained ISO 50001 certification
- Energy consumption in refineries increased due to an increase in production
- Specific energy-consumption of petrochemicals reduced by 12% compared to 2011 as a results of energy efficiency programs

SAFETY





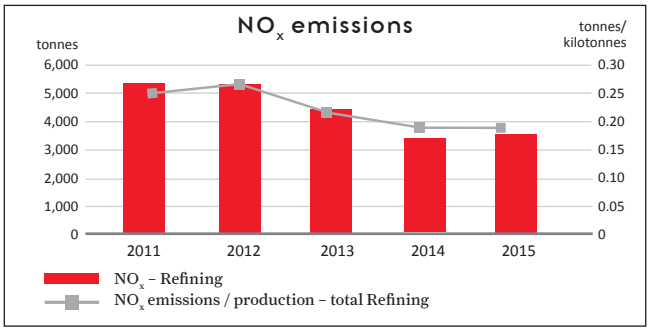
STRATEGIC GOAL:

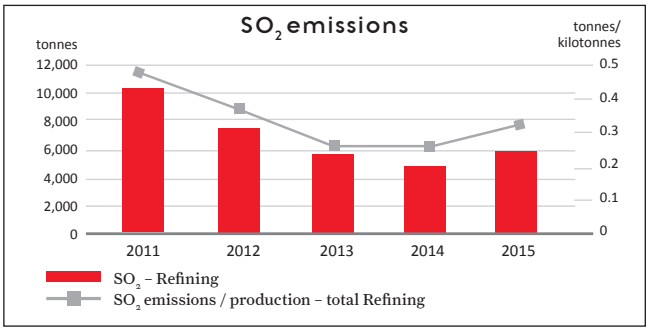
Implement programs that aim for zero incidents

PERFORMANCE:

- The construction of Slovnaft LDPE plant and Butadiene Extraction Unit at MOL Petrochemicals Plc recorded outstanding level of safety performance
- Increased number of LTIs in Hungarian and Croatian refineries
- Relatively high number of LTI mainly caused by slip and trip incidents
- Number of process safety events decreased by 12% compared to 2013, but indirect financial impact increased due to unit shutdown in 2015

AIR EMISSIONS





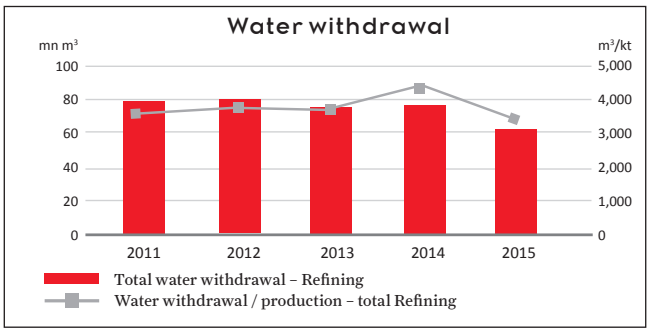
STRATEGIC GOAL:

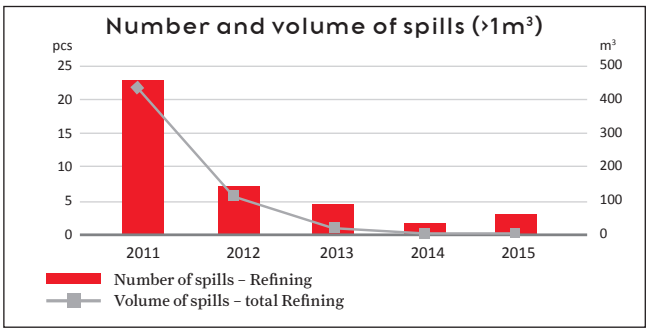
Decrease environmental footprint

PERFORMANCE:

- Increases in SO_2 and NO_x was a result of increased fuel oil consumption instead of natural gas in refineries
- Five-year air emissions trends show significant improvements primarily as a result of legal compliance related developments

WATER AND SPILLS





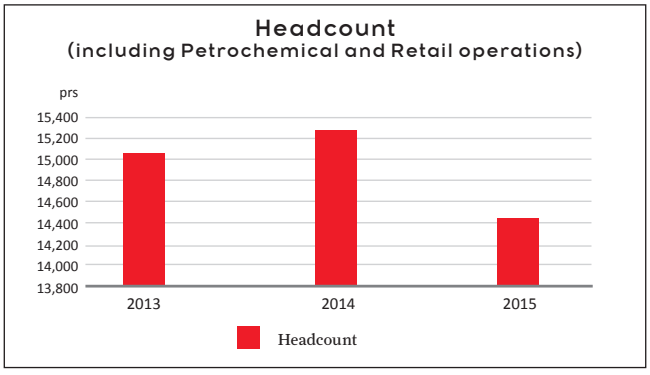
STRATEGIC GOAL:

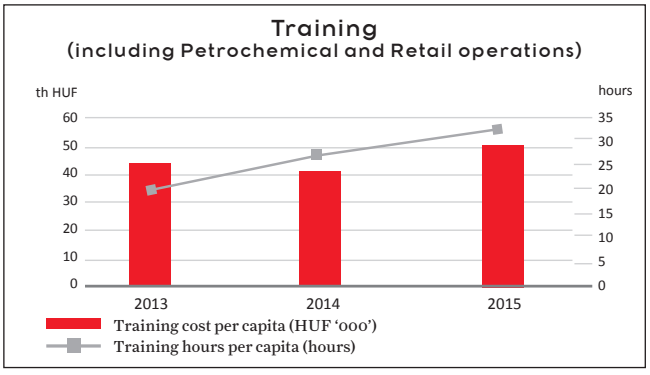
Reduce total water withdrawals in DS Production by 5%

PERFORMANCE:

- Decrease in water withdrawal is not the result of efficiency improvements, but reduced operation of certain units
- The volume of hydrocarbon content of spills above 1 m³ increased to 12.9 m³ compared to 2014

HUMAN CAPITAL





STRATEGIC GOAL:

Enhance business critical competencies and leadership skills

PERFORMANCE:

- Total headcount of downstream includes petrochemical, logistics and retail businesses
- Change in implementation of retail business operating model brought about decreasing head-count figures
- Increased focus on technical skills and leadership development spurred increased training activity

OUTLOOK

Fundamentals may still remain above mid-cycle levels in 2016: With a cautious approach we forecast refinery margins of around 4-5 USD/bbl and the petrochemical margin of around 500 EUR/t or even slightly below. It implies that downstream macro condition retreat somewhat from exceptional 2015 levels, but overall they remain supportive versus mid-cycle levels. 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. Commissioning of more complex and more competitive refineries in the US and the Middle East put Europe into a vulnerable position since additional import volumes of diesel pushed crack spreads lower. Although in 2015 gasoline crack spread have been performing better compared with diesel ones due to high global demand growth mainly driven by the US and Asia, the Group expects that this trend might not continue in the future.

Following that motor fuel demand increased by 5% in 2015, consumption approached pre-crisis highs in some countries of the region. Motor fuel demand is expected to stabilise with an approximate 2-3% growth in the CEE region during 2016. Further diesel demand growth might be affected by the extent of economic growth (GDP growth) and the potential changes of the regulatory framework which might not support the trend of further dieselisation.

Next Downstream continues to target USD 500mn EBITDA improvement by 2017, USD 210mn already delivered: Although the current business environment is very favourable, we expect the external environment to fade during 2016 compared to 2015. Therefore we are aiming to partially offset any negative effects by continuing the Next Downstream Program in 2016 and 2017 as well. The overall target of Downstream is to achieve USD 1.3-1.4bn EBITDA and around USD 900mn normalized cash flow generation by the end of 2017 on the base of our 2014 performance and external environment. If there is an upside in external conditions that would elevate the above mentioned EBITDA figure further. Ultimately the target of program is to reach an incremental USD 500mn EBITDA from internal efforts.

USD 350mn coming from asset and market efficiencies: Altogether more than 150 individual actions are included in this part of the program, tackling efficiency improvement in production and commercial areas. As a result MOL

will improve its 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, gradually increase crude intake from through seaborne purchases. Following the successful rehabilitation and expansion of the Friendship I pipeline connecting the Danube and Bratislava refineries in the first half of 2015, from 2016 we are launching seaborne crude oil deliveries to the Bratislava refinery as well. Number of tested crudes in the complex refineries will increase in the future and decision on supply will be made based on economics of different available crude types.

Higher fuel sales are planned for 2016 driven by the acquisitions and country concept actions targeting enhanced captive positions. As a supply & trading priority we are aiming further growth in 3rd party product supply to ensure market coverage and flexibility.

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 program covers the constructed new 130,000 tons per annum capacity butadiene extraction unit at our MOL Petrochemicals site and the finalization of the new low density polyethylene plant (LDPE) in Bratislava which will not only replace 3 out-of-date production units currently in operation, but also significantly increase the quality of produced LPDE. From sales perspective we are targeting to reach effective placement of products of the above mentioned new units.

With more than 250 initiatives and major strategic projects coming on stream (e.g. LDPE 4 unit in Slovnaft Petrochemicals), an additional USD 140mn EBITDA improvement is targeted for 2016.

Pursing inorganic opportunities in the region and developing our retail network: Following the aggressive inorganic network expansion of the previous years, according to new strategic directions 2015-2017 which sets MOL Group Retail to become first customer's choice in fuel and convenience retailing we continue to further investigate inorganic growth opportunities across the CEE region within the supply radius of our refineries. Such potential steps are going to enhance our captive market positions and support overall margin capture of our Downstream business. Our new non-fuel FRESH CORNER concept has been developed according to the needs of the modern customer. The plan for 2016 is to roll out the concept in more than 300 stations across 8 different countries.

In 2016, significant efforts will be put in training, developing and motivating our staff and partners on the stations to create unique host culture and make our customers smile and feel welcome and understood.

GAS MIDSTREAM OVERVIEW

HIGHLIGHTS

- a 5,782 km long pipeline system
- 24 entry points, nearly 400 gas exit points
- 6 regional centers, 6 compressor stations
- World-class control center in Siófok

OVERVIEW OF 2015

FGSZ Földgázszállító Zrt. (hereinafter FGSZ) is the largest transmission system operator in Hungary. It performs its activities under regulated market conditions. Aside from domestic natural gas transmission, FGSZ also engages in transit activities for Serbia, Bosnia-Herzegovina, Romania and Croatia, Ukraine, and towards the system of MGT Zrt./ Slovakia. In international comparison, the Company's grid is one of those that operated according to the highest technological standards. FGSZ ranks among the companies of strategic importance within the region. Its dynamism and efficiency make the company one of Europe's most significant natural gas TSOs.

The pipeline developments of strategic importance implemented by FGSZ in recent years serve as a solid ground for the Company's future, the performance of the company's role as a regional distributor, as well as Hungary's safe, environment friendly and competitively priced gas supply. FGSZ is prepared to face the challenges, tasks and requirements arising from the establishment of a market which is liquid, integrated, diversi-

fied regarding its resources, and which is also supported by the European Union. Our strategic goals require further efficient and well-planned infrastructure developments.

The Regional Booking Platform (RBP) of FGSZ is a capacity allocation IT application developed pursuant to Regulation (EU) 984/2013 on 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. Subject to the Hungarian legal and regulatory background as from 11 May 2015 both cross-border capacity allocations and allocations on national network points in Hungary take place through the RBP. At the same time this application is suitable for conducting capacity allocation procedures under the CAM NC not only at the cross-border and domestic network points within the system of FGSZ, but also at any other network point, even those independent of the integrated national natural gas transmission system. In 2015, apart from FGSZ, the RBP was used by four other natural gas transmission companies (Eustream (Slovakia), Transgaz (Romania), Plinacro (Croatia) and MGT (Hungary)), and in 2016 further TSOs are expected to join.

PORTFOLIO ELEMENTS

TOTAL PERFORMANCE IN 2015

(Volume data at 15 °C)	2015 (cubic meter)
Total quantity of natural gas measured at the entry and exit points:	**18.6394 billion**
Injection through cross-border pipelines:	8.6125 billion
Beregszász:	5.8393 billion
HAG:	2.7732 billion
Csanádpalota:	0.0000 billion
System interconnector Vecsés 4 (MGT>FGSZ)*	0.0239 billion
Delivery from storage at receipt points:	**4.8295 billion**
Injection:	1.8547 billion
Withdrawal:	2.9748 billion
At upstream pipeline connections:	**2.7163 billion**
Injection:	2.1317 billion
Injection circuit withdrawal:	0.5846 billion
Delivery through cross-border pipelines:	**2.4352 billion**
Transit and export:	2.4352 billion
System interconnector Vecsés 4 (FGSZ>MGT)*	0.022 billion

* quantity of natural gas during test period

UKRAINIAN/HUNGARIAN INTERCONNECTOR

(Testvériség, Összefogás)

Entry point	(cubic meter)
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 meter)
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 meter)
Annual firm capacity	4.8 billion
Daily firm peak capacity	13.2 million

HUNGARIAN/ROMANIAN INTERCONNECTOR

Exit point	(cubic meter)
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

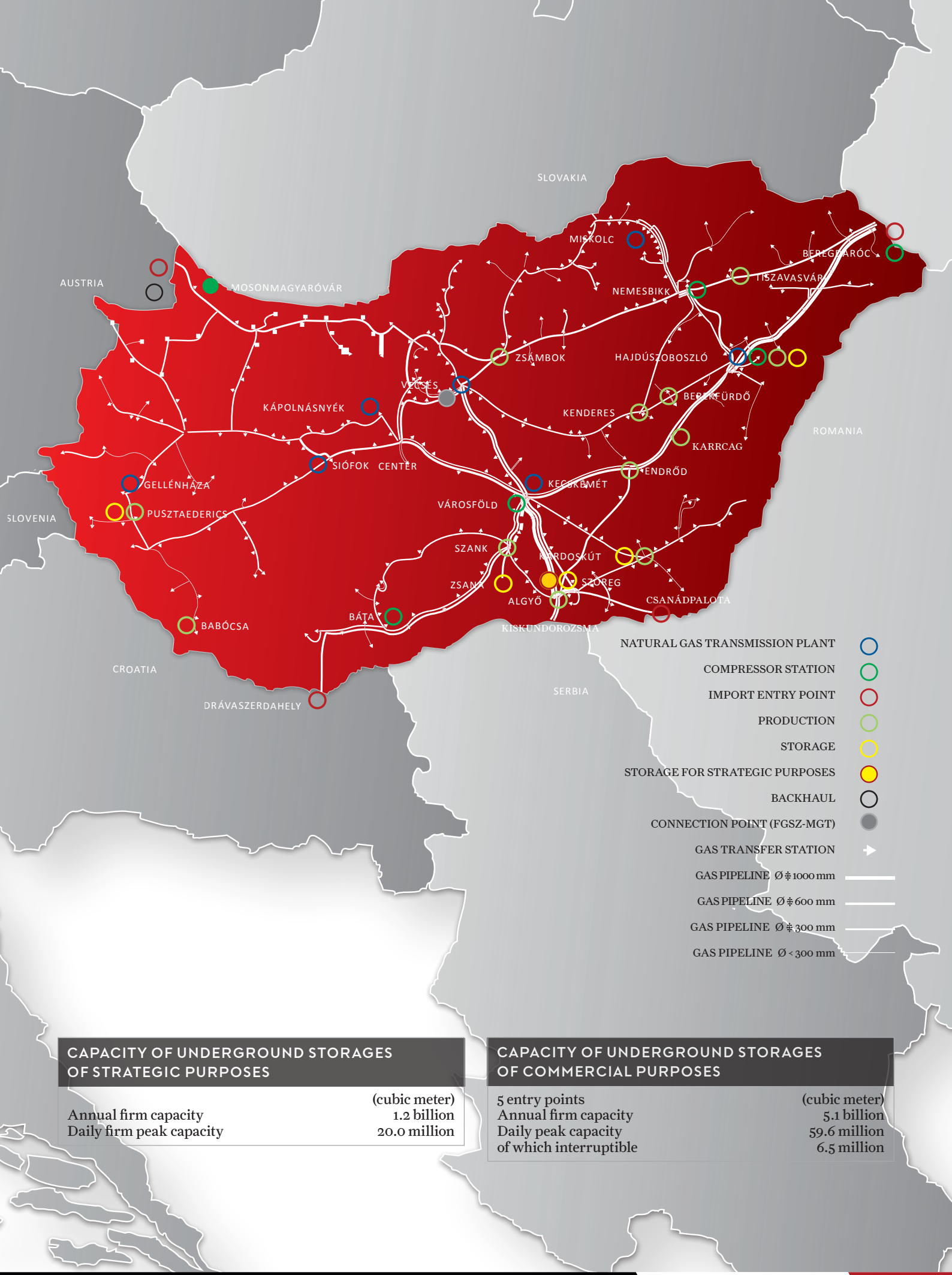
Exit point	(cubic meter)
Annual firm capacity	2.6 billion
Annual interruptible capacity	4.4 billion
Daily firm peak capacity	7.2 million
Daily interruptible peak capacity	12.0 million
Entry point	
Annual firm capacity	0 billion
Annual interruptible capacity	7 billion
Daily firm peak capacity	0 million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

CONNECTION POINT (MGT→FGSZ)

Entry point	(cubic meter)
Annual firm capacity	4.4 billion
Daily firm peak capacity	12.0 million
Exit point	
Annual firm capacity	1.7 billion
Daily firm peak capacity	4.8 million

MAXIMUM AVAILABLE NET PRODUCTION

14 Entry points	(cubic meter)
Annual firm capacity	1.6 billion
Daily firm peak capacity	7.8 million



CAPACITY OF UNDERGROUND STORAGES OF STRATEGIC PURPOSES

	(cubic meter)
Annual firm capacity	1.2 billion
Daily firm peak capacity	20.0 million

CAPACITY OF UNDERGROUND STORAGES OF COMMERCIAL PURPOSES

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

COMPETITIVE ADVANTAGES

Geographic location

FGSZ also plays a key role in terms of regional transit transmissions.

Integrated Management System

Since 1997 FGSZ has been operating audited and certified quality management systems. Since 2014 these systems have been joined in an integrated system constituting the following: Quality Management System (QMS), Technical Safety Management System (TSMS), Information Security Management System (ISMS), Calibration Laboratory Management System (CLMS) and Welding Management System (WMS) and Energy Management System (EMS). The certifications of such systems maintained by FGSZ in 2015, and also others were also added, and further accredited systems were also included as follows:

- In 2015 the Quality Management System (QMS) was re-accredited, and the Information Security Management System (ISMS) was revised (pursuant to the ISO27001 standards published in October 2013).
- The Hungarian Office for Mining and Geology has issued a resolution in which approved the modifications of the policies regarding the Technical Safety Management System (TSMS) to be implemented by FGSZ.
- FGSZ has passed the statement of production review performed by TÜV according to MSZ EN ISO 3834-2:2006.
- In 2015 FGSZ passed the accreditation audit performed by SGS according to the ISO 50001:2011 standards, and was awarded with the EMS certificate for a period of 3 years.
- At the beginning of 2015 the Company performed well and passed the revision accreditation visit by the National Accredition Board with respect to the Calibration Laboratory Management System.

Reliable cash flow

The operation of FGSZ's high-pressure natural gas transmission grid of approximately 5,800 kilometers which covers the entire territory of Hungary, and the discrimination-free sale of the grid capacities and the supplementary services provide a reliable cash-flow for MOL Group.

KEY ACHIEVEMENTS

Five time winner of the title "Best place to work"

FGSZ took part for the sixth time at the Aon Hewitt Best Place to Work competition. It is now a five-time winner of the title "Best Place to Work in Hungary" and the three-time winner of the title "Best Place to Work in East Central Europe".

OPERATING REVIEW OF 2015

Similar operating profit level – despite of changing external environment

Operating profits of FGSZ in 2015 were similar to prior year figures, the unfavourable effect of changed domestic regulatory environment was mainly compensated by the effect of changes in macro environment. The effect of decrease of public utility charges (valid from 2013) still has an overall unfavourable effect, therefore operating profit is lower. The combined effect of changes in regulatory environment from 01.07.2015 resulted in a changed structure of domestic revenues, but total regulated revenues did not change significantly.

Decreased domestic gas transmission, decreasing operating revenues

Revenues from domestic transmission services totalled HUF 59bn which is lower by 2% than base period figures. Lower revenues are due to the combined effect of decreased annual capacity demands and the lower volume-driven revenues in line with lower transmission volumes and decreased turnover fee tariff which was partly compensated by the effect of significantly higher short-term capacity bookings.
Domestic transmission volumes are slightly lower by 7% than base period figures mainly due to the lower level of injection volumes.

Higher transit transmission revenues in line with favourable external environment

Revenue from natural gas transit is HUF 21bn, increased by 8% compared to the base period. Favourable FX changes could over-compensate the negative effect of lower transit tariffs. Total transit transmission volumes were lower by 6% than prior year mainly

due to the lower transmission volumes to Romania and Ukraine, transit transmission volumes to Serbia, Bosnia and Herzegovina were somewhat above base period figures.

Strict control of operating costs

Level of operating costs were similar to prior year. Gas consumption of the transmission system and pressure increase fees were lower, in line with lower domestic and transit transmission volumes, and compensated the negative effect of certain year-end other expenditures. Cost of maintenance activities and other costs were slightly lower than prior year as a result of strict cost control.

Regulated transmission tariff changes

The transmission tariffs regarding FGSZ essentially remained the same both in content and in size in 2015. 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 network usage regulations (operational and commercial code regulating capacity allocation mechanisms) which entered 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 the entry and exit charges, which did not increase the total earnings of FGSZ, but can facilitate more effective cost management for the network users. In addition to this, the regulation now includes new product implementation (quarterly and within-day capacity booking), and also the new method of pricing within-year standard capacity products. In legal terms in 2015 the natural gas transmission market became a two player market with respect to which the regime of balancing payments regarding the sharing of revenues from system usage fees has been implemented on the one hand, and on the other the nominal tariff has increased in a way to ensure that the performance position of FGSZ remained unchanged as a result of the two events.

The official cost review that began in 2013 was not finished in 2015, instead it will be replaced by a new cost review procedure in 2016. Thus in terms of regulation the regulatory cycle that began on 1 January 2010 is still in effect, the new price regulation cycle is expected to enter into force on 1 January 2017.

OUTLOOK

European dimensions

The interests of FGSZ require a more efficient gas market which rests on several pillars to be established. 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 allows domestic consumers to access gas sources competing against each other in the region, and thus to optimise their purchasing portfolios in line with their possibilities.

As the first step of the strategic investments, between 2006 and 2010 FGSZ significantly increased its Eastern import capacity, in line with the development of the strategic storage facility. The Hungarian-Croatian and Hungarian-Romanian interconnectors have been constructed.

The second stage of the strategic investments projected for the period 2011-2020 focuses on the development of transmission route running from south-east to north-west. FGSZ has commenced the 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 Ukrtransgas, as the result of which it has provided the option of interruptible natural gas transmission to Ukraine since the spring of 2013. As the first EU transmission system operator in 2015 FGSZ entered into a cooperation agreement with Ukrtransgas complying with EU regulations by this undertaking the pioneering role in natural gas distribution at the eastern borders of the European Union.

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

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

CAPITAL EXPENDITURE PROGRAM

CAPITAL EXPENDITURES (HUF BN)	FY 2014 RESTATED	FY 2015
Upstream	328.4	232.1
of which inorganic:	121.0	33.5
Downstream	186.9	180.3
of which inorganic:	13.7	50.9
Gas Midstream	3.8	5.7
Corporate & intersegment	14.9	19.5
Total	**534.1**	**437.7**
of which inorganic:	134.7	84.4

Total CAPEX decreased during 2015 compared to the previous year, primarily driven by lower Upstream spending. Despite the decrease, Upstream continued to absorb the majority of Group CAPEX with 53%, while Downstream was responsible for 41% of the spending. The remaining 6% or HUF 25.2bn of capital expenditures targeted Gas Midstream and other corporate projects.

Organic Upstream CAPEX remained at similar levels compared to 2014, while inorganic spending decreased substantially. Overall Downstream CAPEX was below base as strategic projects reached their completion phase during 2015, while inorganic spending saw a substantial increase driven by Retail acquisitions.

UPSTREAM CAPEX

FY 2015 (HUF BN)	HUNGARY	CROATIA	KURDISTAN REGION OF IRAQ	RUSSIA	PAKISTAN	UK	NORWAY	OTHER	TOTAL
Exploration	14.5	3.0	27.9	1.0	11.9	1.9	3.6	15.5	79.3
Development	14.0	22.3	3.4	6.0	1.5	52.1	0.0	9.4	108.7
Acquisition	0.3	0.0	0.0	0.0	0.0	11.0	22.1	0.0	33.4
Consolidation & other	7.1	2.4	0.1	0.0	0.1	0.8	0.2	0.0	10.7
Total	**35.9**	**27.7**	**31.4**	**7.0**	**13.5**	**65.8**	**25.9**	**24.9**	**232.1**

In 2015, Upstream CAPEX amounted to HUF 232bn, the biggest contributor of which was HUF 33bn inorganic CAPEX, mostly driven by the acquisition of two North Sea assets. Other major investments excl. acquisitions were in the North-Sea Region (28%), in Hungary (18%), in the Kurdistan Region of Iraq (16%) and in Croatia (14%).

DOWNSTREAM CAPEX

CAPEX (IN BN HUF)	FY 2014 RESTATED	FY 2015	CH. %	MAIN PROJECTS IN FY 2015
R&M CAPEX and investments excluding retail	70.7	63.3	(10)	▸ Final phase of Laura depot conversion project in IES was carried over ▸ Major turnarounds only at MOL ▸ Strategic INA Logistics projects started in 2015, main CAPEX spending expected in 2016
Retail CAPEX and investments	29.7	74.2	150	▸ 208 sites were acquired from ENI in Romania, Slovakia and Czech Republic ▸ Rebranding of ex-Lukoil and ex-ENI sites on-going ▸ 28 new non-fuel concept pilot projects were completed region wide
Petrochemicals CAPEX	85.0	40.1	(53)	▸ Peak CAPEX in 2014 related to the butadiene and LDPE4 units' construction followed by lower spending in 2015
Power and other	1.5	2.7	80	
Total	**186.9**	**180.3**	**(4)**	

Downstream CAPEX decreased year-on-year mostly driven by a sharp decline in petrochemical spending as strategic projects (e.g. LDPE4 and Butadiene) reached completion phase. Retail more than doubled its capital expenditures, primarily driven by the inorganic expansion of the network. In Refining & Marketing, due to major turnarounds, maintenance related activities absorbed a substantial amount of capital expenditures.

FINANCING OVERVIEW

MOL 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 2015 MOL maintained its strong financial position and enjoyed EUR 3.4bn available liquidity at year end, after the repayment of the 2015 October bond maturity in the value of EUR 750mn. Indebtedness decreased to 0.73 (simplified Net Debt to EBITDA) from last year's 1.31, whilst the gearing ratio increased from 19.6% to 20.6% 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

In December 2015 INA signed its USD 300mn revolving credit facility to partially refinance its earlier existing USD 400mn credit facility, and to utilize better market conditions.
The tenor of the facility is 3 years with an extension option of 2 additional years.

The Group also decreased its cost of funding and enhanced its maturity profile via the extension of the maturity by one year for the USD 150mn loan agreement with the European Bank for Reconstruction and Development signed on 2 July 2012.

Indebtedness

	2014	2015
Simplified Net debt/EBITDA	1.31	0.73
Net gearing	19.6%	20.6%

Proportion and amount of total debt denominated in the following currencies

31 DEC 2014 (BN OWN CURRENCY)	31 DEC 2014 (BN HUF)	PORTION %	CURRENCY	31 DEC 2015 (BN OWN CURRENCY)	31 DEC 2015 (BN HUF)	PORTION %
0.9	242	25	**USD**	0.9	253	38
2.2	693	72	**EUR**	1.3	392	59
N.A.	27	3	**HUF AND OTHER***	N.A.	23	3
N.A.	**962**	**100**	**TOTAL**	**N.A.**	**668**	**100**

* includes also HRK and PLN denominated debt

NOTES TO THE PROFIT & LOSS STATEMENT

Sales, Operating Expenses and Operating Profits

Group net sales revenue decreased in 2015 by 16% to reach HUF 4,103bn as revenue decreased in Upstream by 27%, in Downstream by 15% and in Gas Midstream by 3%.

Other operating income increased by 227% to HUF 87bn, while other operating expenses decreased by 11% to HUF 258bn in 2015 compared to prior year.

In 2015, depreciation expenses increased by 134% to HUF 864bn compared to 2014, mainly as a result of one-off impairment charges recognized in 2015.

In 2015 the economic events treated as special items mainly related to block exit costs and impairments in Upstream and Corporate&Other segment in total amount of HUF 507bn. Impairment of UK off-shore assets amounted to HUF 218bn, Akri-Bijell block exit costs amounted to HUF 131bn, INA Group impairments amounted to HUF 119bn, Cameroon exit costs

amounted to HUF 17bn, other impairments amounted to HUF 20bn. Furthermore the MOL Plc. mining royalty penalty claw-back based on the decision of Court of Justice of the EU (HUF 35bn) and the provision for redundancy at INA (HUF 9bn) were also considered as special items in 2015.

In 2014 impairment charges on INA assets amounted to HUF 70bn in total. Special items in operating expenses occurred due to the restructuring of IES in amount of HUF 4bn. Personnel expenses also included a special item provision for redundancy at INA of HUF 5bn. Further special items were the gain on divestiture of 49% of Baitex in the amount of HUF 13bn, negative cost of disputed gas purchase price differential in amount of HUF 6bn and INA tax penalty in amount of HUF 9bn.

Financial results

A net financial expense of HUF 93bn was recorded in 2015, compared to HUF 104bn in 2014. The decrease of HUF 11bn was mainly driven by lower foreign exchange losses. A foreign exchange loss of HUF 28bn and a loss of HUF 39bn were booked on trade and other receivables and payables, in 2015 and in 2014 respectively. Foreign exchange loss of HUF 16bn and a loss of HUF 32bn were booked on borrowings, in 2015 and in 2014 respectively. In 2015 HUF 13bn foreign exchange loss on bank loans and a loss of HUF 2bn on FX forwards designated as net investment hedging instruments were accounted for in the translation reserve, within equity. In 2014 a HUF 49bn foreign exchange loss 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 2bn in 2015 versus the unrealised gain of HUF 1bn in 2014.

Income from associates

Income from associates amounted to HUF 6bn in 2015, mainly as the result of the contribution from MET Zrt. (HUF 2bn) and from MOL's 10% share in the operations of the Pearl Petroleum Company (HUF 3bn).

Profit before taxation

As a result of the above-mentioned items, the Group's loss before taxation in 2015 was HUF 303bn, compared to a loss of HUF 45bn in 2014.

Taxation

Income tax expenses amounted to HUF 22bn in 2015 compared to HUF 5bn in 2014. This year-on-year change was mainly driven by the following factors:

- HUF 13bn decrease in deferred tax income mainly due to significant one-off impairment expenses recognized in 2015 on UK Upstream assets, because of which the previously recognized deferred tax assets were derecognized from the Balance Sheet;
- HUF 5bn increase of current tax expense mainly driven by the increased tax base of Slovnaft compared to prior year;
- HUF 3bn increase of industry tax income due to the industry tax reclaimable by the new Upstream subsidiary in Norway.

Cash flow

CONSOLIDATED CASH FLOW	2014	2015
	(HUF mn)	(HUF mn)
Net cash provided by operating activities	434,528	592,184
of which: movements in working capital	47,116	(27,437)
Net cash used in investing activities	(558,459)	(218,299)
Net cash provided by/(used in) financing activities	(257,036)	(444,732)
Net increase/(decrease) in cash and cash equivalents	(360,427)	(71,529)

Operating cash inflow in 2015 increased to HUF 592bn from HUF 435bn in 2014. Operating cash flow, before movements in working capital, increased by 53% to HUF 644bn in 2015. Income taxes paid amounted to HUF 24bn.

Net cash used in investment activities amounted to HUF (218bn) in 2015, which was mainly driven by the cash outflows relating to capital expenditures, exploration and development costs (HUF 378bn). This was partially offset by cash inflow on short-term investments (HUF 163bn).

Net financing cash outflow totaled HUF (445bn) in 2015, primarily as a result of the net repayment of long-term notes and long-term debts.

APPENDIX

APPENDIX I

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

MOL GROUP	FY 2014	FY 2015
OPERATING PROFIT EXCLUDING SPECIAL ITEMS	**109,069**	**264,816**
UPSTREAM	**(35,026)**	**(460,441)**
Gain on divestiture of Russian companies	12,679	
Impairment in INA Group	(52,426)	(109,469)
Impairment in UK		(218,168)
Other impairment		(20,122)
Provision for redundancy at INA	(1,715)	
Disputed gas price differential	6,436	
MOL Plc. mining royalty penalty claw-back		35,227
Akri-Bijeel block exit		(130,603)
Cameroon exit		(17,306)
DOWNSTREAM	**(31,273)**	**(9,203)**
Impairment in INA Group	(15,990)	
Tax penalty of INA	(9,095)	
Provision for redundancy at INA	(2,005)	(9,203)
IES provision for dismantling	(4,145)	
Compensation for damages by CMEPS s.r.o.	(38)	
CORPORATE AND OTHER	**(2,690)**	**(11,170)**
Akri-Bijeel block exit		(1,538)
Impairment in INA Group	(1,336)	(9,632)
Provision for redundancy at INA	(1,354)	
TOTAL IMPACT OF SPECIAL ITEMS ON OPERATING PROFIT	**(68,989)**	**(480,814)**
OPERATING PROFIT	**40,080**	**(215,998)**

MOL GROUP	FY 2014	FY 2015
EBITDA EXCLUDING SPECIAL ITEMS	**410,221**	**614,293**
UPSTREAM	**15,403**	**43,914**
Gain on divestiture of Russian companies	12,679	
Impairment in INA Group	(1,997)	
Provision for redundancy at INA	(1,715)	
Disputed gas price differential	6,436	
MOL Plc. mining royalty penalty claw-back		35,227
Cameroon exit (Cumulative Translation Adjustments)		8,687
DOWNSTREAM	**(15,283)**	**(9,203)**
Tax penalty of INA	(9,095)	
Provision for redundancy at INA	(2,005)	(9,203)
IES provision for dismantling	(4,145)	
Compensation for damages by CMEPS s.r.o.	(38)	
CORPORATE AND OTHER	**(1,977)**	**(1,538)**
Akri-Bijeel block exit		(1,538)
Impairment in INA Group	(623)	
Provision for redundancy at INA	(1,354)	
TOTAL IMPACT OF SPECIAL ITEMS ON EBITDA	**(1,857)**	**33,173**
EBITDA	**408,364**	**647,466**

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.

[3] Special items affected operating profits and EBITDA is 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] Figures have been calculated by converting the results of each month in the period on its actual monthly average HUF/USD MNB rate.

Corporate Governance

CORPORATE GOVERNANCE

MOL Hungarian Oil and Gas Public Limited Company (hereinafter: "MOL" or "Company") 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 inevitably necessary to enhance the generation of exceptional value for MOL's shareholders and people.

Among other things, the voluntary approval of the declaration on the Budapest Stock Exchange Corporate Governance Recommendations by the Annual General Meeting in 2006, before the official deadline, served as testament to the Company's commitment to corporate governance. In addition, MOL made a declaration concerning the application of the corporate governance recommendations of the Warsaw Stock Exchange prior to the admission of its shares to the Warsaw Stock Exchange in December 2004. The Company submits its declaration on this topic to both stock exchanges each year.

MOL's corporate governance practice meets the requirements of the regulations of the Budapest Stock Exchange and the relevant capital market regulations. 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, furthermore remuneration and ethical issues. The Corporate Governance Code has been published on the homepage of the Company.

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 considerations onto other stakeholders' interest; improving efficiency and profitability and ensuring transparency in corporate activities and sustainable operation. It also aims to ensure appropriate risk management, environmental protection and conditions for safety at work.

Given that MOL and its subsidiaries effectively operate as a single economic 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 2015 (professional CVs of the members are available on Company homepage):

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
József Molnár	non-independent	Elected by the Annual General Meeting to be member of the Board of Directors from 12 October, 2007
Zsigmond Járai	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. László Parragh	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010
Dr. Martin Roman	independent	Elected by the Annual General Meeting to be member of the Board of Directors from 29 April, 2010

NAME	STATUS	MANDATE
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

OPERATION OF THE BOARD OF DIRECTORS

The Board acts and adopts 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 Deputy Chairman,
- order and preparation of Board meetings and the permanent items of the agenda, and
- decision-making mechanism and the manner in which the implementation of resolutions is monitored,
- rules on conflict of interest.

Members of MOL Board of Directors shall sign an Annual Declaration on Conflict of Interest in accordance with the form approved by the Board of Directors simultaneously assuming their membership, and in every calendar year 30 days prior to the date of the annual general meeting which is to be submitted to the Corporate Governance and Remuneration Committee. If any conflict of interest specified in the Charter of the Board of Directors occurs with respect to the member of the Board of Directors, such member shall report in Ad hoc Declaration on Conflict of Interest to the Corporate Governance and Remuneration Committee.

The Board of Directors prepares a formal evaluation of its own and its Committees' performance on a yearly basis and it continuously reviews its activity.

Report of the Board of Directors on its 2015 activities

In 2015, the Board of Directors held 6 meetings with an average attendance rate of 95%.

Attendance to the Board of Directors meetings during 2015 is set out in the table below:

MEMBERS	NUMBER OF MEETINGS	ATTENDANCE RATIO
TOTAL	**6**	**95%**
Zsolt HERNÁDI	6	100%
Dr. Sándor CSÁNYI	4	67%
József MOLNÁR	6	100%
Zsigmond JÁRAI	6	100%
Dr. László PARRAGH	5	83%
Martin ROMAN	4	67%
Dr. Oszkár VILÁGI	6	100%
Dr. Anthony RADEV	6	100%
Dr. Anwar AL-KHARUSI	6	100%
Dr. János MARTONYI	6	100%

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 and individually evaluated the performance of each of the company's business units.

The Board of Directors respectively paid attention to the follow-up of the industry macro trends, the treatment of the challenges driven by the external environment, the financial, operational and efficiency improvement challenges regarding INA 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 for decision-making. The Committees are bodies for preparation, advising, opinion-forming and proposal-preparing support concerning issues specified in the List of Decision-making Authorities, which sets out the division of authority and responsibility between the Board and the executive management.

The responsibilities and the order of procedure 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 chairmen 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 Company homepage):

- Dr. Sándor Csányi – chairman, 17 November, 2000
- Zsolt Hernádi, 8 September, 2000
- Dr. Martin Roman, 4 June, 2010
- Dr. Anthony Radev, 30 May, 2014
- Dr. János Martonyi, 1 July, 2014

The Chairman of the Board of Directors is a permanent member of the Corporate Governance and Remuneration Committee.

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 and compensation and incentive systems and making recommendations on the introduction of best practice standards.

Report of the Corporate Governance and Remuneration Committee on its 2015 activities

In 2015 the Corporate Governance and Remuneration Committee held 4 meetings with a 100% average attendance rate. Attendance to the Committee meetings during 2015 is set out in the table below:

MEMBERS	NUMBER OF MEETINGS	ATTENDANCE RATIO
TOTAL	**3**	**100%**
Dr. Sándor CSÁNYI	3	100%
Zsolt HERNÁDI	3	100%
Dr. Martin ROMAN	3	100%
Dr. Anthony RADEV	3	100%
Dr. János MARTONYI	3	100%

In addition to the issues of corporate governance, remuneration and the composition of the management, the Committee discussed a number of key strategic and results-related topics prior to their presentation to the Board of Directors for discussion.

Finance and Risk Management Committee:

Members and dates of appointment to the Committee (professional backgrounds of members are available on Company homepage):

- Zsigmond Járai – Chairman, 4 June, 2010
- Dr. László Parragh, 20 February, 2014
- Dr. Anthony Radev, 30 May, 2014
- Dr. Anwar al-Kharusi, 30 May, 2014

The Chairman of the Board of Directors is a permanent invitee to the meetings of Finance and Risk Management Committee.

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 the risk management,
- monitoring the liquidity position of the Company, the financial and operational risks as well as the methodology and strategy of management thereof, review of the operation of Enterprise Risk Management (ERM) system,
- ensuring the independence and objectivity of the external auditor.

Report of the Finance and Risk Management Committee on its 2015 activities

In 2015, the Finance and Risk Management Committee held 5 meetings with a 100% average attendance rate. Attendance to the Committee meetings during 2015 is set out in the table below:

MEMBERS	NUMBER OF MEETINGS	ATTENDANCE RATIO
TOTAL	**5**	**100%**
Zsigmond JÁRAI	5	100%
Dr. László PARRAGH	5	100%
Dr. Anthony RADEV	5	100%
Dr. Anwar AL-KHARUSI	5	100%

In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance to the auditor's work and the regular monitoring of internal audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial position and the status reports on risk management actions attached to these factors.

Sustainable Development Committee:

Members and dates of appointment (professional backgrounds of members are available on Company homepage):

- Dr. László Parragh – Chairman, 30 May, 2014
- József Molnár, 5 September, 2013 (interim Chairman between 20 February and 30 May, 2014)
- Dr. Anwar al-Kharusi, 30 May, 2014
- Dr. János Martonyi, 1 July, 2014
- Dr. Oszkár Világi, 30 May, 2014

The Chairman of the Board of Directors is a permanent invitee to the meetings of Sustainable Development Committee.

The Chairman and the Deputy Chairman of the Supervisory Board are permanent invitees to the Sustainable Development Committee meetings.

Responsibilities:

- To review, evaluate and comment for the Board of Directors on all proposals related to sustainable development (SD),
- to monitor the development and implementation of all SD related policies (e.g. HSE, Code of Ethics, etc.) and discuss ethical issues,
- to supervise the progress on the strategic focus areas of SD in MOL Group,
- to request and discuss reports from business divisions and subsidiaries about their SD performance,
- to review sustainability related data and information of the external reports.

Report of the Sustainable Development Committee on its 2015 activities

In 2015, the Sustainable Development Committee held 4 meetings with a 80% attendance rate. Attendance to the Committee meetings during 2014 is set out in the table below:

MEMBERS	NUMBER OF MEETINGS	ATTENDANCE RATIO
TOTAL	**4**	**80%**
Dr. László PARRAGH	3	75%
József MOLNÁR	3	75%
Dr. Anwar AL-KHARUSI	4	100%
Dr. János MARTONYI	4	100%
Dr. Oszkár VILÁGI	3	75%

The Committee evaluated the accomplishment of the actions taken in 2015, formed opinion on Sustainable Development Report and decided on the approval of MOL Group's Sustainability Plan for 2016-2020. The Committee considered with highlighted attention the achieved results of 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 the integrated corporate governance by defining the responsibilities and accountabilities of the Executive Board ("EB"), established by the Board and securing the corporate operative activities, operating and organisational procedures, as well as standardised system for target-setting, reporting and audit (performance control system and business control system).

A consistent document prescribes the distribution of decision-making authorities between the Board of Directors and the company's organisations, defining the key control points required for efficiently developing and operating MOL Group processes.

Control and management of MOL Group will be implemented through business and functional organisations. The EB will be responsible for harmonising their activities.

The EB is a forum for decision preparation that has the role to provide a direct link between the Board of Directors and the Company's staff and at the same time canalize the matters submitted to the full Board. The EB renders preliminary opinions on certain proposals submitted to the Board and is also responsible for the oversight of the execution of the Board's resolutions.

On the EB meetings each member has an obligation to express their opinion, on the basis of which the final decision is made by the Chairman-CEO. In case of a difference of opinion between the Chairman-CEO, GCEO or GCFO, the decision shall be made by the Board of Directors.

THE EXECUTIVE BOARD (EB) MEMBERS IN 2015:

Zsolt Hernádi	Chairman-CEO (C-CEO)
József Molnár	Group Chief Executive Officer (GCEO)
József Simola	Group Chief Financial Officer (GCFO)
Ferenc Horváth	Executive Vice President, Downstream
Zoltán Áldott	Executive Vice President, President of the Management Board, INA d.d.
Dr. Oszkár Világi	Executive Vice President, C-CEO, Slovnaft a.s.
Sándor Fasimon	Executive Vice President, MOL Hungary (COO)
Alexander Dodds*	Executive Vice President, Exploration and Production

*until 30.09.2015

In 2015, the Executive Board held 29 meetings and discussed 10 issues on a meeting on average.

ANNUAL REMUNERATION FOR THE MEMBERS OF THE BOARD OF DIRECTORS

As of January 1, 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 times) 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 the members of Board of Directors, which supports further commitment of the participants and takes the Company's profitability and long term growth into consideration. This can ensure that the interests of the participants in the compensation program coincide with the interests of the shareholders.

Main principles of the incentive scheme for the Board of Directors were approved by the Annual General Meeting (AGM) on April 26, 2012 and it has been effective since 2012.

Incentive based on share allowance

From January 1, 2012 the Profit Sharing Incentive Plan based on the value added method has been replaced by the incentive based on share allowance as the long-term incentive for the 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 of the long-term stock price growth and maintain motivation in addition to the dividend payment for which 1 year retention obligation (restraint on alienation) has been also 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 the Members of the Board of Directors: 150 pieces of "A" series of MOL ordinary shares per month
- for the Chairman of the Board of Directors: additional 50 pieces of "A" series of MOL ordinary 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 (50 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, that is the Company ensures to pay the 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 with 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 part of the incentive system.
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, including also the tax difference and contributions incurring in the country of tax-residence in case of non-Hungarian members of the Board of Directors.

Other benefits

Other non-financial benefits include a life and accident, travel- and liability insurance. Besides that, as non-financial benefits,

an annual health screening and an exclusive healthcare package are also available for the members of the Board of Directors.

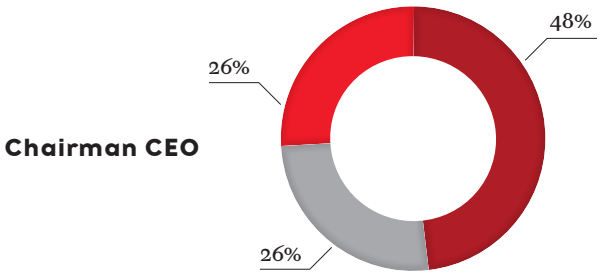
INCENTIVE SYSTEM FOR THE TOP MANAGEMENT, MOL GROUP EXECUTIVE BOARD

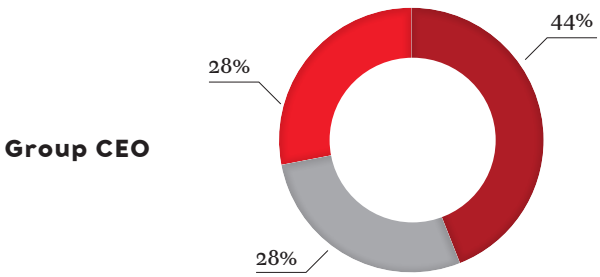
The strategy behind MOL's remuneration is to provide incentives for executives and top management to perform in order to carry out the company's strategy, and reward them for the achievement of strategic goals through a combination of short-term and long-term incentives. The Corporate Governance and Remuneration Committee (CGRC) recognizes 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.

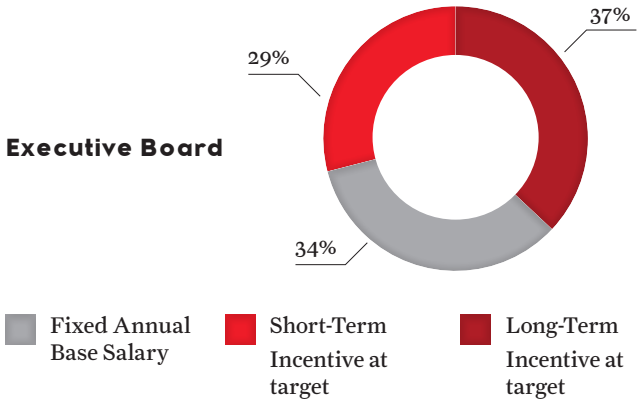
1. The MOL Group Executive Board (EB) Remuneration Matrix consists of three key pillars:

- 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 the focus on the top management team to be aligned with the interests of shareholders

The Remuneration Mix of the Top Management:







The incentive system for the top management in 2015 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 annual performance is evaluated by the Corporate Governance and Remuneration Committee (CGRC) with final approval of the MOL Board of Directors (BoD).

Choice of Performance Measures for the STI

The aim of the MOL STI scheme is to focus the participants on achieving stretching financial, operational and individual performance goals reflecting the delivery of key annual business priorities within the framework of the MOL Group's long term strategy. Furthermore, HSE measures are fully integrated into the incentive schemes, and fully aligned with the four-year public target as set out in MOL Group's Sustainability Plan 2020.

For 2015, the MOL Group Executive Board's STI framework was designed to include key focus areas in a mix of financial and non-financial KPIs in an effort to achieve the targets of the Group.

Financial KPIs:

In 2015, the main focus for the executive Board was to deliver the EBITDA and CAPEX targets. These targets are represented in the C-CEO and G-CEO annual performance plans:

BUSINESS LINE	KPI
MOL Group	Clean CCS EBITDA
	CAPEX

Furthermore, Executive Board members with divisional responsibilities are assessed on a number of operational and financial measures reflecting annual priorities and the strategic

direction of each business division within the framework of the Group's long term strategy.

BUSINESS LINE	KPI
Group Downstream	Clean CCS EBITDA
	CAPEX
	NxDSP EBITDA Impact
Group Exploration & Production	2P Reserves
	CAPEX
	Production Unit Cost
	Production Volume

Non-financial KPIs:

MOL Group Executive Board members are also held accountable to non-financial targets alongside financial ones. Safety is a Group priority, which is why the Corporate Governance and Remuneration Committee (CGRC) has consistently applied a divisional and a corporate HSE related performance indicator. For 2015, MOL Group used Total Reportable Injury rate (TRIR). The reason for the use of TRIR as the key leading indicator as opposed to the Lost Time Injury Frequency Rate (LTIF) is due to the priority of the Group to focus, not only on accidents that result in lost working days, but also on any workplace injury that requires medical attention. The inclusion of HSE measures reflects the Group's overarching priority for conducting safe, reliable and compliant operations at all times.

Challenging targets for these measures were set in order to continue the improving trend of the last years as MOL Group continues to reduce the number of safety events. The targets aim for a ~10% improvement compared to the previous year.

For 2015 HSE targets were:

BUSINESS LINE	KPI
Group Downstream	DS Total Reportable Injury Rate (TRIR)
Group Exploration & Production	US Total Reportable Injury Rate (TRIR)
MOL Group total	Group Total Reportable Injury Rate (TRIR)

STI Outcome

The choice of the aforementioned performance measure reflects a desire from the CGRC to assess the participants based on a broad range of corporate and divisional measures that mirrors the corporate strategy and its related KPIs.

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 not to create an 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 against the performance measures are a reflection of the underlying performance of MOL Group.

3. Long Term Incentive system

The overreaching purpose of the current long-term incentive systems is to drive and reward the delivery of sustainable value creation and to provide full alignment between MOL Group executive team and MOL shareholders.

The Long Term Incentive system at MOL Group consists of two elements: a Stock Option Plan and a Performance Share Plan.

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 realizing a profit with the difference between the two prices. The incentive scheme has the following characteristics:

- It covers a 5-year period starting annually, with the period being split into a 1-year granting period, a 1-year vesting period (when exercising Stock Options is not possible) and a 3-year exercising period. The Stock Option lapses if not exercised by December 31st of the last year.
- The strike price for Stock Options is defined before the granting period begins. The strike price is the average MOL share price in HUF on the Budapest Stock Exchange weighted with turnover. Observation period is the last quarter of the year which precedes the granting period.
- The exercise price is the average price of MOL shares in HUF on the Budapest Stock Exchange on the day of exercising. The trading day is freely selected by the eligible senior manager albeit limited by applicable insider trading prohibitions.
- While the Stock Option entitlement is defined based on the position grade, the actual Stock Option unit number is granted each year to the eligible managers based on their individual short-term performance evaluation during the granting period.
- The individual performance evaluation is linked to the STI framework, as the individual short-term performance evaluation factor (between 0 and 2) acts as a multiplier of the grants defined by job categories.

Eligibility of stock option units is determined by the Individual Factor of the granting period:

INDIVIDUAL EVALUATION		% OF STOCK OPTIONS
0	→	x0%
Between 0 and 2	→	Multiplier according to individual evaluation
2	→	x200%

Managers who are entitled to the long-term incentive scheme are also eligible for an annual one-time payout, in case the Annual General Meeting decides that dividend payment shall be paid for the given year. The amount thereof is equal to the product of the dividend paid for one share and of the numbers of Stock Option awarded to the given the manager. The purpose 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 (PSP) is a 3-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 3-year vesting period. Payments are due after the 3rd year.
- The target is the development of MOL's share price compared to relevant and acknowledged CEE regional and industry specific indexes: the CETOP20 Index and the Dow Jones Emerging Market Titans Oil & Gas 30 Index.
- MOL's share price performance is compared to the two abovementioned benchmark indices. 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. Comparisons are made on a USD basis. There are defined payout ratios which are based on the measured difference in MOL's share price performance compared to the two indices, noticed in each year. Final payout ratio will be determined by the average of the three noticed payout ratios over the vesting period.
- The expected payout amount of the PSP is additionally linked to individual short-term performance, as the potential payout is based on three years' individual factors in the annual performance evaluation for each participant. This ensures that constant individual overperformance on a long-term basis is rewarded and the consequences of long term underperformance are managed.
- Therefore, the final payout amount is determined by the PSP payout ratio multiplied by the combination of individual payout multipliers of the 3-year vesting period.

Choice of Performance Measures for the LTI

The choice of LTI awards being linked to the share price and dividend distribution reflects the Board's strategic priority on restoring value creation. Through its long term incentives schemes, MOL prioritizes to provide its shareholders with a return on their investment through both the appreciation of the share price as well as through the payment of dividends.

The choice of CETOP20 and Dow Jones Emerging Market Titans Oil & Gas 30 Index reflects the fact that MOL competes for investor flows on a regional basis (Central and Eastern Europe) as well as with the global emerging market Oil & Gas sector. The choice of these two indexes is therefore consistent with the purpose of incentivizing 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 & gas markets.

Other Fringe Benefits

MOL Group is offering standard benefits in-line with market practice for Executives. These include:

- Dedicated status car for both business and private purposes
- Life and accident insurance
- Travel insurance
- Liability insurance
- Annual health check and upgraded healthcare services

SUPERVISORY BOARD

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the 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 (Civil Code), 1/3 of the members shall be representatives of the employees, accordingly 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:

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
Dr. Norbert Szivek**	independent

* István Töröcskei's mandate expired on 28 April, 2015

**Dr. Norbert Szivek was elected by AGM as member of the Supervisory Board from 29 April, 2015

The Chairman of the Supervisory Board is a permanent invitee to the 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 and besides it is informed and is kept updated on other relevant issues, topics as well. In addition, the Supervisory Board reviews the proposals for the Annual General Meeting. The Supervisory Board reviews its annual activity during the year.

In 2015 the Supervisory Board held 5 meetings with a 91% attendance rate.

Remuneration of the members of the Supervisory Board

Until May 1, 2015 the members of the Supervisory Board received remuneration of EUR gross 3,000/month, while the Chairman of the Supervisory Board received remuneration of EUR gross 4,000/month. From May 1, 2015 members receive EUR gross 4,000/month, while the Chairman receives EUR gross 6,000/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. The Chairman of the Audit Committee is entitled to receive gross EUR 1,500 for participation in Board Committee meeting, up to 15 times per annum.

Besides the monthly remuneration the both Chairman of the Supervisory Board and the members are entitled to receive further EUR 1,500 for each extraordinary meeting that is held in addition to the scheduled annual meetings. This remuneration is provided maximum 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 as non financial benefits. Besides that an annual health screening and an exclusive healthcare package are also available for the members of the Supervisory Board, also as non financial benefit.

AUDIT COMMITTEE

In 2006, the general meeting appointed the Audit Committee comprised of independent members of the Supervisory Board. The Audit Committee strengthens the independent control over the financial and accounting policy of the Company.

The independent Audit Committee's responsibilities include the following activities among others:

- providing assistance to the Supervisory Board in supervising the financial report regime, in selecting an auditor and in working with the auditor;
- carrying out the tasks of the audit committees of its subsidiaries which are consolidated by the Company, operate as public limited companies or issue securities admitted to trading on regulated market, if the relevant laws allow that 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 available on Company homepage):

- Dr. Attila Chikán - Chairman, 27 April, 2006
- John I. Charody, 27 April, 2006
- István Töröcskei 1 May, 2011*
- Dr.sc. Žarko Primorac (as alternate member) – acting from 29 April, 2015**

* István Töröcskei's mandate expired on 28 April, 2015

** As mandate of István Töröcskei expired on 28 April, 2015, Dr.sc. Žarko Primorac, as alternate Audit Committee member, has been invited to the Audit Committee until the AGM elects a new permanent Audit Committee member.

Report of the Audit Committee on its 2015 activities

In 2015, the Audit Committee held 5 meetings with a 100% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance to the auditor's work and the regular monitoring of Internal Audit, the Committee reviewed the major risk factors of the Company, considering the changed international financial position and the status reports on risk management actions attached to these factors. The Audit Committee continuously monitored the Company's financial position. The Audit Committee reviewed the materials of the Annual General Meeting (i.e. financial reports, statements of the Auditor).

INTEGRATED CORPORATE RISK MANAGEMENT FUNCTION

The aim of MOL Group Risk Management is to deal with challenges of the business environment to support a stable and sustainable operation and future growth of the company. MOL Group has developed 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, operational and legal compliance risks along with a wide range of strategic risks, also taking into consideration 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 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. Investors buying oil companies' share are generally willing to take the risk of oil business so commodity price risk should not be fully eliminated from the cash flow. However, commodity hedge deals are considered to eliminate risks other than 'business as usual' risks or general market price volatility.
- **Foreign Exchange (FX) risk:** Business operation is economically driven mainly by USD. The overall operating cash flow exposure of the Group is net long USD, EUR, RON, and net short HUF, HRK, RUB from economic point of view. According to MOL's current FX risk management policy the long FX exposures of the operating cash flow are decreased by the 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 the exploration activity.
- **Equipment breakdown:** Due to the high asset concentration in Downstream business it is a significant risk driver. The potential negative effects are mitigated besides comprehensive HSE activities through a Group wide insurance management program.
- **Market demand uncertainties:** External factors like drop in market demand can affect MOL's results negatively.
- **Reputation risk:** Reputation of energy industry players has been in the focus of media for the past years due to extreme negative events (e.g. BP oil spill, Fukushima nuclear accident). MOL as a major market player in the region operates under special attention from stakeholders.

Some of the risks are managed centrally, while some are dealt by affected MOL Group companies or within the Business Units or Functions, overseen always by nominated risk owners. Risk Management regularly controls the realization of these risk mitigation actions – in a 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. The Risk Map 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. 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 evolution of risks and status of mitigation actions.

To ensure the profitability and the 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).

Transferring of excess operational risks is done by **Insurance Management**. Purchase of insurances 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 of modelling financial risks are applied in ERM as well. Similarly, the accumulated information on operational risks gained through managing insurances is also an important factor in the ERM development. The results of ERM on operational risks (including business continuity management) can give a better direction to insurance management by highlighting areas that shall be covered by insurance as a must and which are those where further analysis is required to make decisions on how to manage the related risks.

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 to take more educated decisions on investments, taking into consideration the risk profile of each project as well. To serve this purpose, Group Risk Management is involved in evaluation of major projects through the utilization of its ERM capabilities by providing opinion on capital allocation and financing headroom.

EXTERNAL AUDITORS

The MOL Group was audited by Ernst & Young ("EY") in both 2015 and 2014, excluding FGSZ Zrt. (audited by PwC) and some other non-significant subsidiaries.

Within the framework of the audit contract, EY performs an audit of statutory financial statements, including interim financial statements of MOL prepared in accordance with Act C of 2000 on Accounting ("Accounting Act") and the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Audits of the above mentioned financial statements are carried out in accordance with the Hungarian National Standards on Auditing, the International Standards on Auditing (ISA), the provisions of Accounting Act and other relevant regulations. The auditors ensure the continuity of the audit by scheduling regular on-site reviews during the year, participating in the meetings of MOL's governing bodies and through other forms of consultation. The auditors also review the stock exchange flash reports issued quarterly; however they do not perform an audit of or issue any opinion on such reports with regards to these.

EY also provided other services to MOL Group. Summary of the fees paid to them in 2015 and 2014 are as follows (HUF mn):

	2015	2014
Audit fee for MOL (including audit fees for interim balance sheets)	151	154
Audit fee for subsidiaries	577	524
Other audit related services	18	15
Other non-audit services	48	152
Tax advisory services	432	303
Total	**1 226**	**1 148**

The increase of Audit fee for subsidiaries was almost entirely resulting from the recent acquisitions (Eni, United Kingdom and Norway) and activities in connection with new legal entities. Other audit-related services includes primarily the assurance services relating to the Sustainable Development Report in both years. In 2015 other non-audit services were related to IT and transaction support services. In 2014 other non-audit services were charged due to the relocation of certain subsidiaries to Netherland. In both years tax advisory services include mainly personal income tax related services and also minor corporate income tax and VAT related services.

The Board of Directors confirms that non-audit services provided by EY complies with auditor independence rules and policies.

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 Regular Announcements, Annual Report, the Half-year Report and the Quarterly Interim Management Reports, and the Extraordinary announcements. Regular and extraordinary announcements are published on MOL's homepage, on the Budapest Stock Exchange (primary exchange) and on the Warsaw Stock Exchange and on the Capital Market Information Disclosure System operated by the National Bank of Hungary (Magyar Nemzeti Bank). Moreover we send e-mail announcements to those who 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 Depository Receipts (DR). Furthermore, investors are able to raise questions or make proposals at any time during the year, including the Company's General Meeting. Investor feedbacks are regularly reported to the Board of Directors.

MOL has an Investor Relations department which is responsible for the organisation of the above activities as well as for the day-to-day management of MOL's relationship with its shareholders (contact details are provided in the "Shareholder Information" section at the end of 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 given special care to provide a considerably wide range of information to the capital markets, in line with international best practice. Therefore Investor Relations Department of MOL is continuously renewing 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, in order to meet the requirements of our shareholders, analysts and other capital market participants.

In 2015 MOL participated in 4 investor roadshows and 14 conferences (1 US and 13 European) having around 320 meetings with potential and existing shareholders. Moreover MOL participated on 3 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 business. Therefore, we require not only full compliance with relevant laws, but also the avoidance of even the appearance of insider trading and consultancy.

In line with the laws and MOL's insider trading regulation:

- it is prohibited to conclude a transaction, directly or indirectly, using inside information involving financial instruments to which the inside information pertains, or to commission the services of others to transact such deals, to convey inside information to others, to make a suggestion to another person to engage in dealing with any financial instrument to which the inside information pertains;
- in case the inside 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 THE SHAREHOLDERS' RIGHTS, GENERAL MEETING PARTICIPATION

Voting rights on the general meeting can be exercised based on the voting rights attached to shares held by the shareholders. Each "A" Series share entitles its holder to one vote. The actual voting power depends on how many shares are registered by the shareholders participating in the general meeting.

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 the Articles of Association: "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 the provisions of Articles 10.1.1 and 10.1.2.

Further, the shareholder shall, on the request of the Board of Directors, immediately identify the ultimate beneficial owner with respect to the shares owned by such shareholder. In case the shareholder fails to comply with the above request or in case there is a reasonable ground to assume that a shareholder made false representation to the Board of Directors, the shareholder's voting right shall be suspended and shall be prevented from exercising it until full compliance with said requirements.

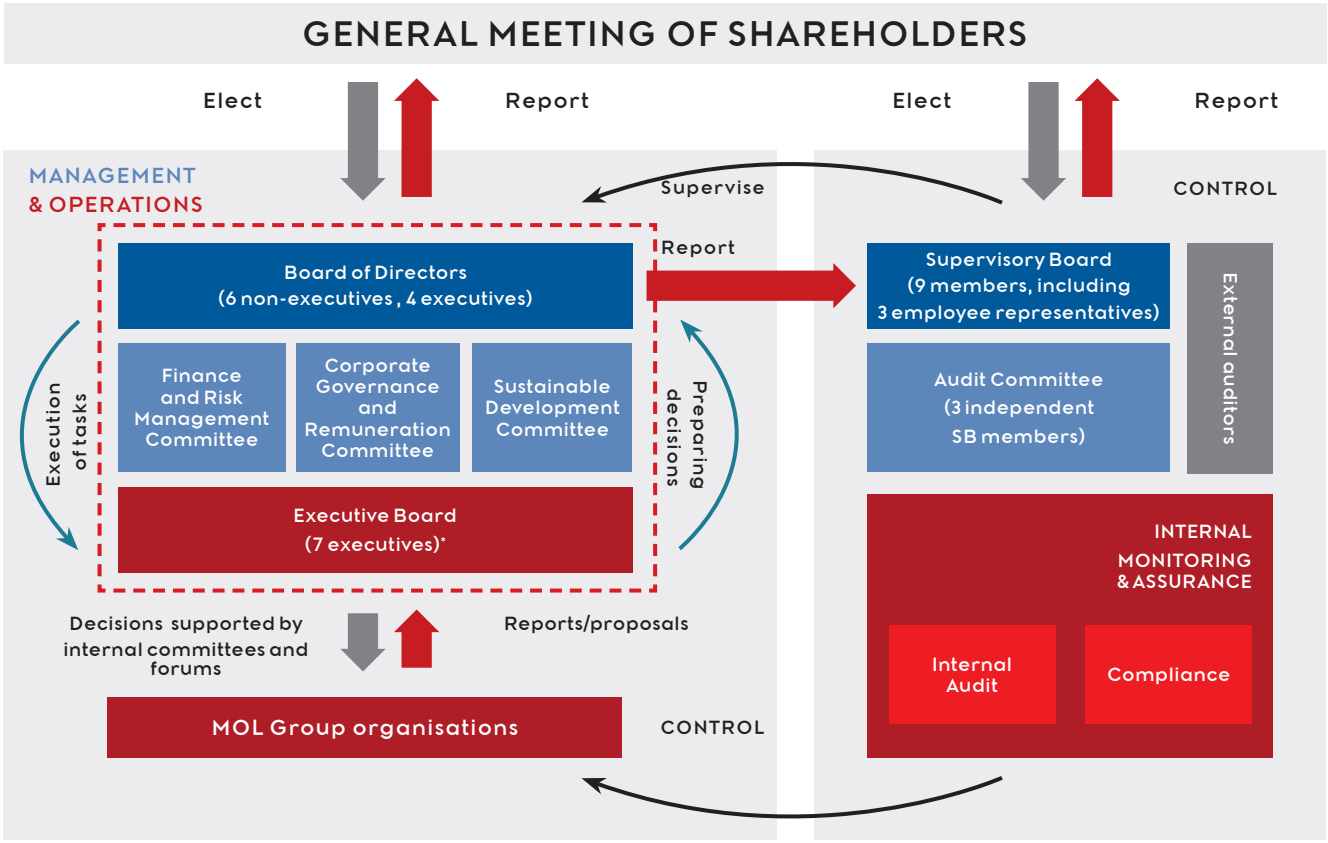
According to Article 10.1.1 of the Articles of Association: „No shareholder or shareholder group (as defined in Article 10.1.2 of Articles of Association) may exercise more than 10% of the voting rights with the exception of the organization(s) acting at the Company's request as depository or custodian for the Company's shares or securities representing the Company's shares (the latter shall be exempted only insofar as the ultimate person or persons exercising the shareholder's rights represented by the shares and securities deposited with them do not fall within the limitations specified here below)."

In accordance with the 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. The shareholders having 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 controlling at least one per cent of the votes in the Company propose certain additions to the agenda in accordance with the provisions on setting the items of the agenda, or table 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 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 company homepage according to the Articles of Association. The ordinary general meeting is usually held in April, in line with the 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 the profit after taxation to be reinvested into the Company and the amount to be paid out as dividends. Based upon the decision of the general meeting, dividend can be paid in a non-cash form as well.

The starting date for the payment of dividends shall be defined by the Board of Directors in such way as to ensure a period of at least 10 working days between the first publication date of such announcement and the initial date of dividend distribution. Only those shareholders are entitled to receive dividend, who are registered in the share register of the Company on the basis of shareholders identification executed on the date defined by the Board of Directors and published in the announcement on the dividend payment. Such date relevant to the dividend payment determined by the Board of Directors may deviate from the date of the general meeting deciding on the payment of dividend.

MOL GROUP GOVERNANCE FRAMEWORK



* As of 1 October 2015 it decreased from 8 to 7 due to the departure of Alexander Dodds.

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 become 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. Since March, 2016 he has become honorary citizen of Százhalombatta.

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 a 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. Since March 2015, he is a member of UEFA's Executive Committee.

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 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
- Chairman 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 2009-2014, he has been Chairman of KAVOSZ Venture Development Plc. since 2009. Between 2003 and 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. Since 2014 he has been member of the Supervisory Board of MEHIB Ltd. and the EXIM Bank Plc. He has also been member of the State Reform Committee since 2014 and Chairman of the Supervisory Board of MKB since 2015. 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 and Member of the World Chambers Federation General Council.

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, he served as a member of the Supervisory Board of the Prague Stock Exchange between 2005 and 2015, 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 Director 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, Orange Sovensko, a.s., 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 and also a member of the Slovak Chamber of Business and Industry. He became a member of the Board of Trustees at the Selye János University Komarno in November 2010 and from 2015 he is a member of the Board of Trustees at the Comenius University in Bratislava.

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 led 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 Bristol (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 and the Sustainable Development Committee

Prof János Martonyi has finished his second term as Minister for Foreign Affairs of Hungary in 2014. From 1999 to 2009 he was a Professor and Head of the Institute for Private International Law and International Trade Law at the University of Szeged. Between 1994 and 1998 he was teaching at the College of Europe in Brugge and Natolin and the Central European University (Budapest). From 1994 to 1998 as well as from 2002 to 2009 he was managing partner at the law firm Baker & McKenzie, Budapest. He was government commissioner in charge of privatization in 1989-1990; he served as State Secretary in the Ministry of International Economic Relations in 1990-1991, as State Secretary at the Ministry of Foreign Affairs in 1991-1994 and Foreign Minister in 1998-2002.
He is a member of the European Academy of Sciences and Arts, he is an international arbitrator and member of the Panel of Arbitrators of ICSID (International Centre for Settlement of Investment Disputes), and author of numerous studies, articles and essays in the field of international trade law, competition policy and law, European integration and international politics.

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 become 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. Since March, 2016 he has become honorary citizen of Százhalombatta.

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. 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 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
- 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. He was member of the Board of Directors of TVK Plc. between 1 May, 2011 and 15 April, 2015.

Mr. Áldott ZOLTÁN

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 Director 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, Orange Sovensko, a.s., 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 and also a member of the Slovak Chamber of Business and Industry. He became a member of the Board of Trustees at the Selye János University Komarno in November 2010 and from 2015 he is a member of the Board of Trustees at the Comenius University in Bratislava.

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. 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 Committee
- Chairman of the Supervisory Board of MOL Petrochemicals Co. Ltd. since 1 September, 2015.
- 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 is Vice President in charge of International Affairs of the Hungarian Chamber of Commerce and Industry and member of the Joint Venture Association's Presidium. He was 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 and 2011 he was Chairman of the Sustainable Development Committee he was Chairman of the Board of Directors of TVK until 15 April, 2015.

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 Economic 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 organizations 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 Board of Directors of BIATEC GROUP, a.s. Mr. Hatina is a citizen of Slovakia.

Dr.sc. Zarko PRIMORAC

MOL Group positions:

- Member of the MOL Supervisory Board since 27 April, 2012

Dr. Primorac graduated in 1964 in Sarajevo, obtained Master's degree in 1968 at Economic Faculty in Skopje, Macedonia and Doctor's degree in Economy in 1976 at Economics faculty in Sarajevo. Between 1968-1991 he professionally occupied various leading positions in Energoinvest, Sarajevo. At the same period Dr. Primorac was member and Chairman of the Boards of leading former Yugoslav banks and production companies, namely: YUBMES, the Yugoslav bank for international cooperation Belgrade, Privredna Banka Sarajevo, Jugobanka Belgrade, FAMOS, Sarajevo, PETROL invest Sarajevo and others. He was member of the Presidency of the former Yugoslav Chamber of Commerce, President of Sarajevo Chamber of Commerce, Member of the Organizing Committee of the XIV. Winter Olympic Games 1984. held in Sarajevo, Chairman of Executive Board of IBA – The International Bauxite Association in Kingston, Jamaica, member of Parliament and Minister of Finance of Bosnia and Hercegovina. Besides above Dr. Primorac was lecturing at the Economic faculty in Sarajevo from 1976 to 1992 and on some other the economic high school in former Yugoslavia. After 1993. Dr Primorac has worked in Croatia. Among other, he was owner and director of Inzenjerski biro – revizija Zagreb, member of the management Board of the PriceWaterhouseCoopers Zagreb, Regional Chairman in Deloitte Zagreb and others. Dr. Primorac is President of the Accounting Committee and the Supervisory Board of HEP – Croatia Electro – Energy Company Zagreb, member of BAC – Business Advisory Council for South East Europe, member of the Presidency of Croatian Economic Association and others.

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 coordinator 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 Group Exploration & Business Development R&D Department at the Exploration and Production Division of MOL Group in Algyő, Hungary. He has 30 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.

Dr. Norbert SZIVEK

MOL Group positions:

- Member of the Supervisory Board since 29 April, 2015

Dr. Norbert Szivek is a law school graduate who pursued his studies in Germany and then graduated in Hungary. After working in the Hungarian public sector for a while, he continued his career at a company which is well-known for its real estate investments, where he was in charge of the newly established energy division. The next step in his career was the foundation of his own asset management company. Appointed by the Minister of National Development, Dr. Szivek is the general manager and member of the Board of the Hungarian National Asset Management Inc. from 16 February, 2015. He is the chairman of the Board of Volánbusz Zrt., Member of the Board of Panrusgáz Gas Trading Plc. of the MVM Hungarian Electricity Ltd. and also of the Hungarian Hydrocarbon Stockpiling Association.

REPORT OF THE SUPERVISORY BOARD ON THE 2015 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

The Supervisory Board and the Audit Committee performed their duties in full accordance with their statutory obligations; 5 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, Group Compliance and Ethics 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 2015, 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 a market capitalization of USD 5.1 billion at end of 2015, is one of the leading integrated companies in the CEE region.

The Company's 2015 financial statements - in accordance with Accounting Act - 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 the IFRS rules as adopted by the EU 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 133 companies were fully, and a further 9 companies partially, consolidated in MOL Group, using the equity method. Last year, the ownership structure changed to a limited extent: at the end of 2015, compared to the end of the prior year, the shareholding of foreign institutional investors increased to some extent, whereas the ownership of both domestic institutional investors and domestic private investors decreased slightly during the year, while Dana Gas sold its entire holding. 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 2015. MOL's largest shareholder is the Hungarian State which holds 24.7% of MOL shares. The Company held 1.46% treasury shares at the end of December 2015, almost halving its size compared to the year before.

Despite a challenging external environment, MOL Group delivered a strong performance in 2015 and reported a HUF 648 billion EBITDA, a substantially higher figure (up 59%) compared to 2014 despite the falling oil price. Additionally, MOL generated operating cash flows greatly in excess of its capital expenditures, while keeping gearing and indebtedness at relatively low levels. These results are the reflection of the strength and resilience of the integrated business model, having managed to strike the right balance between Upstream and Downstream. Sizeable impairments totaling HUF 525 billion, mostly driven by the low oil price, did however negatively affect the reported net profit for the group.

The Upstream division financial results decreased compared to 2014, as oil prices continued their slide during the year. EBITDA amounted to HUF 245 billion while operating losses reached HUF 468 billion on the back of the impairment charges. Despite the lower financial performance, there were several key positive results achieved during the year, including an increase in hydrocarbon production of 7% and lower unit operating expense by 7% compared to the previous year.

As for Downstream, it delivered very strong financial and operational performance. Full year EBITDA more than tripled compared to 2014 as it reached HUF 375 billion, with Petrochemicals and Retail contributing with over half of the total. The overall improvement was attributed to a favorable external environment, as well as the contribution of internal efficiency measures. The Next Downstream Program, which started in

György Mosonyi
Chairman of the Supervisory Board

Dr. Attila Chikán
Chairman of the Audit Committee

2015, successfully closed the first of its three year program with a contribution ahead of the plans.

Overall in 2015 MOL managed to maintain its strong financial position due to its resilient integrated business model, supported by a high quality, low-cost asset base. Looking forward, despite all the difficulties faced by the current external environment, MOL remains committed to maintain its strong cash flow generating ability to be able to cover organic investment needs as well as the dividends for shareholders, whilst maintaining a strong balance sheet, the latter being a key priority. Although the combination of a low oil price and a normalization of the downstream macro environment pose a considerable challenge, MOL is confident that the company is going to successfully navigate through the challenges supported by the resilience of the integrated business model and the strong financial discipline pursued during the last years.

The Supervisory Board proposes that the General Meeting approve the audited financial statements of MOL Plc. for 2015, with a balance-sheet total of HUF 2,794 billion, net loss of HUF 190 billion and tied-up reserve of HUF 8 billion and the audited consolidated financial statements of MOL Group for 2015, with a balance sheet total of HUF 3,928 billion and loss attributable to equity holders of HUF 257 billion.

The Supervisory Board endorses the recommendation of the Board of Directors to pay out HUF 55 billion dividend in 2016 based on the year ended 31 December 2015. 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 supports all proposals and materials of the Board of Directors to be submitted to the General Meeting and recommends to the General Meeting to approve the proposals.

The Audit Committee provided assistance to the Supervisory Board in supervising the financial report regime and the 2015 financial statements and supported the report of the Supervisory Board.

Budapest, 23 March 2016

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.: October 1, 1991. Registered by the Budapest Court of Justice acting as Court of Registration on June 10, 1992 with effect as of October 1, 1991, under file number 01-10-041683.

Legal predecessor: Országos Kőolaj- és Gázipari Tröszt (OKGT National Oil and Gas Trust) and its subsidiaries.

The effective Articles of Association were accepted at the Annual General Meeting (AGM) held on 24 April 2014. Following that the Board of Directors amended the list of business premises and branch offices in Annex 2 of Articles of Association with the effect of 19 February 2015 and 17 March 2016. 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 2015: 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

	31.12.2015		31.12.2014	
	Par value of shares (HUF th)	%	Par value of shares (HUF th)	%
Foreign investors	23,395,798	22.4	20,697,734	19.8
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.	5,010,826	4.8	5,014,924	4.8
OTP Fund Management	1,100,984	1.1	1,143,253	1.1
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	3,000,000	2.9	3,161,116	3.0
Dana Gas PJSC	0	0.0	1,136,116	1.1
UniCredit Bank AG	5,380,496	5.1	4,080,496	3.9
Credit Agricole	2,129,666	2.0	2,129,666	2.0
Domestic institutional investors	5,892,303	5.6	6,429,677	6.2
Domestic private investors	4,999,317	4.8	5,804,341	5.6
MOL Plc. (treasury shares)	1,530,659	1.5	2,842,726	2.7
Total	**104,519,064**	**100.0**	**104,519,064**	**100.0**

Please note, that data above do not fully reflect the ownership structure in the Share Registrar. It is based on the received request for registration of the shares and the published shareholders notifications. The registration is not mandatory. The shareholder may exercise its rights towards the company, if the shareholder is registered in the Share Registrar. According to the Articles of Association no shareholder or shareholder group may exercise more than 10% of the voting rights.

SHARE INFORMATION

MOL share prices are published by the majority of Hungarian daily newspapers and available on BSE web site (**www.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 one of the US OTC market, Pink Sheet.

MOL share prices on the Budapest Stock Exchange can be followed on Thomson Reuters using the RIC code MOLB.BU or on Bloomberg using code MOL HB.

The following table shows trading data on MOL shares each quarter of 2015.

PERIOD	BSE VOLUME (NO. OF SHARES)	BSE CLOSING PRICE (HUF/SHARE)
1st quarter	5,701,939	12,120
2nd quarter	11,181,275	14,480
3rd quarter	7,587,262	12,220
4th quarter	5,715,025	14,255

TREASURY SHARES

During 2015 the following treasury shares transactions happened:

REASONS FOR CHANGE	NUMBER OF "A" SERIES SHARES	NUMBER OF "C" SHARES
Number of Treasury shares on 31 December 2014	**2,842,147**	**578**
Modification of the option agreement with UniCredit Bank AG and share sale with option rights.	**(1,300,000)**	
Share distribution for the members of the Board of Directors	**(12,067)**	
Number of Treasury shares on 31 December 2015	**1,530,080**	**578**

CHANGES IN ORGANISATION AND SENIOR MANAGEMENT

Senior Management change in MOL Group Upstream:

Alexander Dodds, Executive Vice President of Group Exploration & Production (E&P) left his position for personal reasons as of 21 September 2015.

Dr. Berislav Gaso had been nominated to manage the E&P segment of MOL Group in his current capacity as Chief Operating Officer.

The Annual General Meeting on 16 April 2015 made the following resolutions:

- re-elected Mr. Zsigmond Járai to be a member of the Board of Directors from 29 April 2015 to 28 April 2020.
- re-elected Dr László Parragh to be a member of the Board of Directors from 29 April 2015 to 28 April 2020.
- re-elected Dr Martin Roman to be a member of the Board of Directors from 29 April 2015 to 28 April 2020.
- elected Dr. Norbert Szivek as member of the Supervisory Board from 29 April 2015 to 28 April 2020.

The mandate of Mr. István Töröcskei as a member of the Supervisory Board expired.

MOL securities held by Directors and Officers of the company as of 31 December 2015

NAME	CURRENT POSITION	NUMBER OF MOL SHARES	NUMBER OF MAGNOLIA BOND
Zsolt Hernádi	Chairman of the Board of Directors, Chairman-CEO (C-CEO)	192,891	19
Dr. Sándor Csányi	member of the Board of Directors, Vice-Chairman	9,500	86
József Molnár	member of the Board of Director, Group Chief Executive Officer (GCEO)	13,600	3
Zsigmond Járai	member of the Board of Directors	3,600	0
Dr. Anwar al-Kharusi	member of the Board of Directors	809	0
Dr. János Martonyi	member of the Board of Directors	605	0
Dr. László Parragh	member of the Board of Directors	3,670	0
Dr. Anthony Radev	member of the Board of Directors	809	0
Dr. Martin Roman	member of the Board of Directors	3,600	0
Dr. Oszkár Világi	member of the Board of Directors, Chairman of the Board of Directors and CEO of Slovnaft a.s.	14,810	5
György Mosonyi	Chairman of the Supervisory Board	39,588	0
Dr. Attila Chikán	Deputy-Chairman of the Supervisory Board	0	0
John I. Charody	member of the Supervisory Board	0	0
Slavomir Hatina	member of the Supervisory Board	0	0
Andrea Hegedűs	member of the Supervisory Board, representative of the employees	0	0
Attila Juhász	member of the Supervisory Board, representative of the employees	0	0
Dr. Sándor Puskás	member of the Supervisory Board, representative of the employees	0	0
Dr. sc. Žarko Primorac	member of the Supervisory Board	0	0
Zoltán Áldott	Executive Vice President, President of the Management Board, INA d.d.	60,000	2
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	6

* Perpetual exchangeable capital security, issued by Magnolia Finance Ltd, exchangeable into "A" Series MOL Ordinary Shares with nominal value EUR 100,000

** Mr József Simola owns 2 pieces of MOL GROUP FINANCE USD bond expiring on 26 September 2019 with nominal value USD 200,000

Summary of Significant Accounting Policies and Other Explanatory Information

Financial Statements and Notes

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY

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

31 December 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders MOL Hungarian Oil and Gas Plc.

Report on financial statements

1.) We have audited the accompanying 2015 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2015 – showing a balance sheet total of HUF 3,928,002 million and a loss for the year of HUF 324,956 million -, the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows 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.

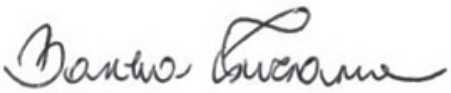
Opinion

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 2015 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

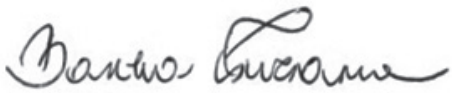
Other reporting requirement – Report on the consolidated business report

7.) We have reviewed the consolidated business report of MOL Hungarian Oil and Gas Plc. for 2015. 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 2015 corresponds to the disclosures in the 2015 consolidated annual financial statements of MOL Hungarian Oil and Gas Plc.

Budapest, 17 March 2016



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



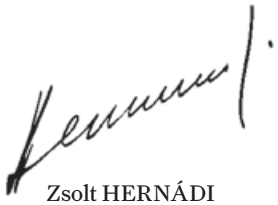
Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

MOL HUNGARIAN OIL AND GAS PLC.

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

31 December 2015

Budapest, 17 March 2016



Zsolt HERNÁDI
Chairman of the Board of Directors
Chief Executive Officer

József SIMOLA
Group Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — 31 DECEMBER 2015

	NOTES	2015	2014
ASSETS		**HUF million**	**HUF million**
Non-current assets			
Intangible assets	4	235,412	371,236
Property, plant and equipment	5	2,229,059	2,513,014
Investments in associated companies and joint ventures	10	189,969	165,776
Available-for-sale investments	11	28,103	20,796
Deferred tax assets	30	113,467	75,000
Other non-current assets	12	64,687	101,692
Total non-current assets		**2,860,697**	**3,247,514**
Current assets			
Inventories	13	349,177	364,591
Trade receivables	14	378,749	450,985
Securities	33	63,147	222,467
Other current assets	15	137,967	144,252
Income tax receivable	30	6,051	15,973
Cash and cash equivalents	16,36	132,214	203,743
Total current assets		**1,067,305**	**1,402,011**
TOTAL ASSETS		**3,928,002**	**4,649,525**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	79,241	79,229
Reserves		1,634,082	1,666,438
Profit/(loss) for the year attributable to equity holders of the parent		(256,554)	4,078
Equity attributable to equity holders of the parent		**1,456,769**	**1,749,745**
Non-controlling interests		364,349	445,993
Total equity		**1,821,118**	**2,195,738**
Non-current liabilities			
Long-term debt	19	461,681	455,039
Provisions	20	415,974	393,192
Deferred tax liabilities	30	67,209	49,820
Other non-current liabilities	21	30,633	28,637
Total non-current liabilities		**975,497**	**926,688**
Current liabilities			
Trade and other payables	22	857,201	969,738
Income tax payable	30	15,258	5,542
Provisions	20	52,947	44,703
Short-term debt	19, 23	205,981	507,116
Total current liabilities		**1,131,387**	**1,527,099**
TOTAL EQUITY AND LIABILITIES		**3,928,002**	**4,649,525**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

31 DECEMBER 2015

	NOTES	2015	2014
		HUF million	HUF million
Net revenue	3, 24	4,102,578	4,866,607
Other operating income	25	87,000	26,598
Total operating income		**4,189,578**	**4,893,205**
Raw materials and consumables used		3,032,450	3,910,598
Personnel expenses	26	267,271	260,242
Depreciation, depletion, amortisation and impairment	3, 4, 5	863,464	368,284
Other operating expenses	27	258,286	288,681
Change in inventories of finished goods and work in progress		41,022	73,533
Work performed by the enterprise and capitalized		(56,917)	(48,213)
Total operating expenses		**4,405,576**	**4,853,125**
Operating (loss)/profit		**(215,998)**	**40,080**
Finance income	28	19,772	35,300
Finance expense	28	112,646	139,764
Finance expense, net		**92,874**	**104,464**
Income from associates	10	5,773	18,902
Loss before tax		**(303,099)**	**(45,482)**
Income tax expense	30	21,857	5,384
Loss for the year		**(324,956)**	**(50,866)**
Attributable to:			
Equity holders of the parent		(256,554)	4,078
Non-controlling interests		(68,402)	(54,944)
Basic earnings per share Attributable to ordinary equity holders of the parent (HUF)	**31**	**(2,877)**	**(39)**
Diluted earnings per share Attributable to ordinary equity holders of the parent (HUF)	**31**	**(2,877)**	**(39)**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

31 DECEMBER 2015

	NOTES	2015	2014
		HUF million	HUF million
Loss for the year		**(324,956)**	**(50,866)**
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	10,375	144,208
Net investment hedge, net of tax	29	(13,113)	(42,249)
Available-for-sale financial assets, net of deferred tax	29	3,881	4,788
Cash-flow hedges, net of deferred tax	29	(3,136)	(2,088)
Share of other comprehensive income for associates	29	14,589	24,168
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**12,596**	**128,827**
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	1,248	(1,541)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,248**	**(1,541)**
Other comprehensive income for the year, net of tax		**13,844**	**127,286**
Total comprehensive income for the year		**(311,112)**	**76,420**
Attributable to:			
Equity holders of the parent		(254,394)	91,507
Non-controlling interest		(56,718)	(15,087)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	FAIR VALUATION RESERVE	TRANS-LATION RESERVE	EQUITY COMPONENT OF DEBT AND DIFFERENCE IN BUY-BACK PRICES
	HUF million	HUF million	HUF million	HUF million	HUF million
Closing balance 31 December 2013 – Restated	**79,215**	**(325,669)**	**2,563**	**159,724**	**(8,074)**
Retained profit for the year					
Other comprehensive income for the year			269	82,280	
Total comprehensive income for the year	-	-	269	82,280	-
Transfer to reserves of retained profit for the previous year					
Dividends					
Dividends to non-controlling interests					
Equity recorded for share based payments	**14**				
Net change in balance of treasury shares held, net of tax					
Disposal of subsidiaries					
Transactions with non-controlling interests					
Closing balance 31 December 2014	**79,229**	**(325,669)**	**2,832**	**242,004**	**(8,074)**
Retained profit for the year					
Other comprehensive income for the year			(1,586)	1,573	
Total comprehensive income for the year	-	-	(1,586)	1,573	-
Transfer to reserves of retained profit for the previous year					
Dividends					
Dividends to non-controlling interests					
Equity recorded for share based payments	**12**				
Net change in balance of treasury shares held, net of tax					
Disposal of subsidiaries					
Transactions with non-controlling interests					
Reclassification				2,299	8,074
Closing balance 31 December 2015	**79,241**	**(325,669)**	**1,246**	**245,876**	**-**

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
1,776,343	**1,604,887**	**21,901**	**1,706,003**	**473,517**	**2,179,520**
	-	4,078	**4,078**	(54,944)	**(50,866)**
4,880	**87,429**		**87,429**	39,857	**127,286**
4,880	87,429	4,078	91,507	(15,087)	76,420
21,901	**21,901**	(21,901)	**-**		**-**
(49,710)	**(49,710)**		**(49,710)**	(11,852)	**(61,562)**
	-		**-**		**-**
152	**152**		**166**		**166**
1,693	**1,693**		**1,693**		**1,693**
	-		**-**	(413)	**(413)**
86	**86**		**86**	(172)	**(86)**
1,755,345	**1,666,438**	**4,078**	**1,749,745**	**445,993**	**2,195,738**
	-	(256,554)	**(256,554)**	(68,402)	**(324,956)**
2,173	**2,160**		**2,160**	11,684	**13,844**
2,173	2,160	(256,554)	(254,394)	(56,718)	(311,112)
4,078	**4,078**	(4,078)	**-**		**-**
(40,903)	**(40,903)**		**(40,903)**		**(40,903)**
	-		**-**	(16,613)	**(16,613)**
148	**148**		**160**		**160**
	-		**-**		**-**
	-		**-**		**-**
2,161	**2,161**		**2,161**	(8,313)	**(6,152)**
(10,373)	**-**		**-**		**-**
1,712,629	**1,634,082**	**(256,554)**	**1,456,769**	**364,349**	**1,821,118**

CONSOLIDATED STATEMENT OF CASH FLOW

31 DECEMBER 2015

	Notes	2015 HUF million	2014 RESTATED HUF million
Loss before tax		(303,099)	(45,482)
Depreciation, depletion, amortisation and impairment		863,464	368,284
Write-off of inventories, net		15,611	25,907
Increase / (decrease) in provisions		18,893	4,796
Net (gain) / loss on sale of property, plant and equipment		(2,150)	(1,394)
Write-off / (reversal of write-off) of receivables		9,302	3,596
Net (gain) / loss on sale of subsidiaries		(1,301)	(12,679)
Release of translation reserves	25	(27,794)	-
Interest income		(7,858)	(10,788)
Interest on borrowings		39,521	42,433
Net foreign exchange (gain) / loss		41,372	65,120
Fair valuation difference of conversion option	28	(2,431)	(601)
Other financial (gain) / loss, net		9,217	(2,333)
Share of net profit of associate and a joint venture	10	(5,773)	(18,902)
Other non cash items		(3,006)	3,896
Operating cash flow before changes in working capital		643,968	421,853
Decrease in inventories		4,359	90,903
Decrease in trade receivables		76,990	96,594
Decrease in other receivables		20,282	7,043
Decrease in trade payables		(75,351)	(181,447)
(Decrease) / increase in other payables		(53,717)	34,023
Total working capital adjustments		(27,437)	47,116
Income taxes paid		(24,347)	(34,441)
Net cash provided by operating activities		**592,184**	**434,528**
Capital expenditures	36	(378,426)	(478,334)
Proceeds from disposals of property, plant and equipment		4,790	3,423
Acquisition / sale of subsidiaries (net of cash) and other financial investments	8, 36	(58,404)	37,317
Changes in loans given and long-term bank deposits		32,760	55,914
Purchase / sale of financial investments held for sale	32	163,131	(202,385)
Interest received and other financial income		9,207	15,815
Dividends received		8,643	9,791
Net cash used in investing activities		**(218,299)**	**(558,459)**

	Notes	2015 HUF million	2014 RESTATED HUF million
Issuance of notes		-	-
Repayment of long-term notes		(234,908)	(33,487)
Long-term debt drawn down		693,246	228,149
Repayments of long-term debt		(772,086)	(266,594)
Changes in short-term debt		(35,322)	(60,642)
Interest paid and other financial costs		(30,602)	(62,425)
Dividends paid to shareholders		(40,837)	(49,685)
Dividends paid to non-controlling interest		(17,941)	(11,854)
Acquisition of non-controlling interests		(6,282)	(86)
Equity withdrawn by non-controlling interest		-	(412)
Net cash used in financing activities		**(444,732)**	**(257,036)**
Decrease in cash and cash equivalents		**(70,847)**	**(380,967)**
Foreign exchange differences related to cash and cash equivalents		(682)	20,540
Cash and cash equivalents at the beginning of the year		203,743	564,170
Cash and cash equivalents at the end of the year		132,214	203,743

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

31 December 2015

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 2015 and 2014 was 25,959 and 27,499, 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 17 March 2016.

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 IFRS Interpretations Committee.

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 statement of profit or loss. 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 2015.

MOL Plc. prepares its statutory separate 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 statement of financial positions and the consolidated statement of profit or loss, 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 statement of profit or loss. 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 statement of financial position 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 statement of profit or loss 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 statement of financial position or the statement of profit or loss, none of which has resulted in a significant impact on the financial statements.

CHANGE IN THE PRESENTATION OF NON-HEDGING DERIVATIVES

Fair value changes of derivatives economically hedging operating activities but not designated as hedging instruments in hedge accounting programs should be recorded as other operating income/expense instead of financial income/expense both in the Individual Financial Statements of the Group entities and in the Consolidated Financial Statement of the Group. Prior period data has not been restated, since the effect proved to be insignificant (both by year and in total). Fair valuation gain of HUF 2.1 billion relating to derivatives economically hedging operating activities but not designated as hedging instruments in hedge accounting programs was recorded in Other operating income in 2015.

VALUATION OF SLOW MOVING NON-HYDROCARBON INVENTORIES

Based on the current year's change in the accounting policy of the Group, impairment on slow moving non-hydrocarbon inventories like general maintenance, production, well-construction and other materials, should be recorded on a portfolio basis by estimating the future usage based on the historical pattern of consumption. One maintenance cycle with the length of 4 years should be examined and certain percentage of write-off should be accounted for those levels of inventories which exceed the level derived from historical consumption data. Due to the nature of inventories, reversal of impairment should take place only upon selling the product or when the business begins to consume the product. However, on a case by case basis, a reversal can be made in order to present a true and fair view, if the amount of the reversal of impairment is material by item or by inventory type.

IFRS AND IFRIC INTERPRETATIONS ADOPTED IN CURRENT YEAR

Following standards being applicable from 2015 or later has been applied by MOL Group already in 2014 with no significant effect on the financial statements of the Group:

- IAS 19 – Employee Benefits – Amendment to clarify the way how contributions from employees or third parties that are linked to service should be attributed to periods of service
- IFRIC 21 – Levies

There were no further obligatory changes in IFRS, effective from 1 January 2015, which should have been adopted by the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Please see the issued but not yet effective International Financial Reporting Standards in the Appendix I.

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 statement of 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 statement of 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 statement of 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 statement of 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 statement of profit or loss.

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. Gains or losses on investments held for trading are recognized as finance income or finance expense in the statement of profit or loss.

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.

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss.

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. Fair value changes of derivatives not designated in any hedge relationship but economically hedging an operating activity shall be recorded among other operating result instead of financial result.

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 statement of profit or loss.

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 statement of profit or loss. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.

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 hedges 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 statement of profit or loss. 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 statement of profit or loss.

Amounts taken to other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects the statement of profit or loss, 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 statement of profit or loss. 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 statement of profit or loss.

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 statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized as other comprehensive income is transferred to the statement of profit or loss.

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 statement of profit or loss.

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 statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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 statement of profit or loss, is transferred from other comprehensive income to the statement of profit or loss. 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 statement of profit or loss; 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 statement of profit or loss.

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 statement of profit or loss.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs. Estimated 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 statement of profit or loss 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

An intangible asset is recognised initially at cost. For intangible assets acquired in a business combination, the cost is the fair value at the acquisition date. 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 –12 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 prospectively. Transport systems used by several fields and other

assets are calculated on the basis of the expected useful life, using the straight-line method. Amortisation of leasehold improvements is provided using the straight-line method over the term of the respective lease or the useful life of the asset, whichever period is less. Periodic maintenance costs are depreciated until the next similar maintenance takes place.

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

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. If there are proved reserves of oil or natural gas and the 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 statement of profit or loss 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 statement of financial positiond 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 statement of profit or loss.

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 statement of profit or loss 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 statement of profit or loss 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.

XXVI) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. 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 statement of profit or loss 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 calculated 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 (e.g. excise duty), except:

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

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

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 statement of profit or loss 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 statement of financial position and at the weighted average exchange rates for the year with respect to the statement of profit or loss. 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 statement of profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to statement of 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 statement of 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 statement of 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:

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 79,218 million and HUF 77,005 million, while field abandonment provision amounts to HUF 278,727 million and HUF 265,273 million as of 31 December 2015 and 2014, 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 136,376 million and HUF 260,994 million as of 31 December 2015 and 2014, respectively (see Note 4).

SOURCES OF ESTIMATE UNCERTAINTY

The preparation of consolidated 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. 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 information on financial risk management objectives and policies are detailed on Note 32 and 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% (2014: 3.5%). Consequently, the carrying amount of these obligations (see Note 20 and in "Scope of environmental and field abandonment provision" paragraph above) 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. The models and the assumptions used for impairment testing of Goodwill and Property, plant and equipment in current year can be found in more detail in notes 4 and 5, under Impairment paragraph, respectively.

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. 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 86,272 million and HUF 140,879 million as of 31 December 2015 and 2014, 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 long term employee benefit is HUF 21,666 million and HUF 23,184 million at 31 December 2015 and 2014, 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 25,218 million and HUF 24,610 million at 31 December 2015 and 2014, respectively (see Note 20 and 34).

3. SEGMENTAL INFORMATION

2015	UPSTREAM	DOWNSTREAM	GAS MIDSTREAM	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	218,629	3,738,417	100,572	44,960		**4,102,578**
Inter-segment sales	205,899	11,220	3,070	160,858	(381,047)	**-**
Total revenue	**424,528**	**3,749,637**	**103,642**	**205,818**	**(381,047)**	**4,102,578**
Results						
Profit/(loss) from operations	(468,276)	263,439	45,612	(66,674)	9,901	**(215,998)**
Finance expense, net						**92,874**
Income from associates				5,773		**5,773**
Loss before tax						**(303,099)**
Income tax expense						**21,857**
Loss for the year						**(324,956)**

2014 RESTATED	UPSTREAM	DOWNSTREAM	GAS MIDSTREAM	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	303,602	4,399,575	106,011	57,419		**4,866,607**
Inter-segment sales	273,995	10,896	757	159,801	(445,449)	**-**
Total revenue	**577,597**	**4,410,471**	**106,768**	**217,220**	**(445,449)**	**4,866,607**
Results						
Profit/(loss) from operations	75,784	(31,579)	45,080	(43,525)	(5,680)	**40,080**
Finance expense, net						**104,464**
Income from associates				18,902		**18,902**
Loss before tax						**(45,482)**
Income tax expense						**5,384**
Loss for the year						**(50,866)**

ASSETS AND LIABILITIES

2015	UPSTREAM	DOWNSTREAM	GAS MIDSTREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment	693,295	1,189,176	228,153	131,198	(12,763)	**2,229,059**
Intangible assets	143,194	67,681	2,146	24,599	(2,208)	**235,412**
Inventories	22,774	311,859	2,523	24,422	(12,401)	**349,177**
Trade receivables	30,355	335,700	4,108	45,975	(37,389)	**378,749**
Investments in associated companies and joint ventures				189,969		**189,969**
Not allocated assets						**545,636**
Total assets						**3,928,002**
Trade payables	57,240	288,912	7,792	51,378	(37,389)	**367,933**
Not allocated liabilities						**1,738,951**
Total liabilities						**2,106,884**

OTHER SEGMENT INFORMATION

2015	UPSTREAM	DOWNSTREAM	GAS MIDSTREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Capital expenditure:	**199,637**	**129,643**	**5,718**	**24,763**		**359,761**
Property, plant and equipment	112,045	125,437	4,882	20,186		**262,550**
Intangible assets	87,592	4,206	836	4,577		**97,211**
Depreciation and amortization	**713,426**	**111,245**	**14,015**	**29,912**	**(5,134)**	**863,464**
From this: impairment losses recognized in statement of profit or loss	515,730	3,321	140	10,050	(3,802)	**525,439**
From this: reversal of impairment recognized in statement of profit or loss	(1,282)	(3,145)		(75)		**(4,502)**

The summary of significant accounting policies and other explanatory information are integral part of these consolidated financial statements

ASSETS AND LIABILITIES

2014	UPSTREAM	DOWNSTREAM	GAS MIDSTREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
Property, plant and equipment	1,006,500	1,143,875	235,818	136,124	(9,303)	**2,513,014**
Intangible assets	285,700	65,729	2,196	26,327	(8,716)	**371,236**
Inventories	21,523	336,493	2,791	23,650	(19,866)	**364,591**
Trade receivables	47,737	381,710	8,903	46,773	(34,138)	**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	70,552	350,792	10,352	44,095	(34,138)	**441,653**
Not allocated liabilities						**2,012,134**
Total liabilities						**2,453,787**

OTHER SEGMENT INFORMATION

2014	UPSTREAM	DOWNSTREAM	GAS MIDSTREAM	CORPORATE AND OTHER	INTER-SEGMENT TRANSFERS	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million	HUF million
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	**210,544**	**127,091**	**13,453**	**20,016**	**(2,820)**	**368,284**
From this: impairment losses recognized in statement of profit or loss	75,730	19,095	196	1,007	(1,333)	**94,695**
From this: reversal of impairment recognized in statement of profit or loss	(1,872)	(1,793)				**(3,665)**

Starting from 1 January 2015, the Group merged company Prirodni Plin d.o.o., subsidiary of INA Group from Gas Midstream to INA Upstream segment. Also, the company Croplin d.o.o. has been reclassified from Gas Midstream segment to Upstream segment. Comparative periods have been restated accordingly.

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 and other 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.

ASSETS BY GEOGRAPHIC AREAS

31 DECEMBER 2015	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES
	HUF million	HUF million	HUF million
Hungary	61,008	728,075	36,175
Croatia	79,462	669,753	-
Slovakia	8,059	477,071	1,481
Rest of European Union	25,138	186,523	-
Rest of Europe	13,928	35,787	-
Rest of the World	47,817	131,850	152,313
Total	**235,412**	**2,229,059**	**189,969**

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 the World	125,913	127,030	134,839
Total	**371,236**	**2,513,014**	**165,776**

SALES BY GEOGRAPHICAL AREA

	2015	2014
	HUF million	**HUF million**
Hungary	1,104,296	1,366,520
Croatia	470,374	593,352
Italy	393,908	434,215
Slovakia	372,707	424,889
Czech Republic	346,500	321,988
Austria	277,980	430,718
Romania	219,137	295,561
Poland	148,168	172,367
Serbia	133,985	90,487
Germany	133,043	151,376
Bosnia-Herzegovina	104,128	129,439
Switzerland	77,568	82,554
Slovenia	69,328	85,165
United Kingdom	56,674	37,928
Russia	20,666	22,097
Rest of Central-Eastern Europe	23,535	34,461
Rest of Europe	60,042	99,150
Rest of the World	90,539	94,340
Total	**4,102,578**	**4,866,607**

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 2015 and 2014.

4. INTANGIBLE ASSETS

	RIGHTS	SOFTWARE	EXPLORATION AND EVALUATION ASSETS	GOODWILL	TOTAL
	HUF million	HUF million	HUF million	HUF million	HUF million
At 1 January 2014					
Gross book value	129,762	54,173	274,930	86,243	**545,108**
Accumulated amortization and i mpairment	(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 subsidiary		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**
Year ended 31 December 2015					
– additions	7,313	4,342	86,571		**98,226**
– acquisition of subsidiaries	391	176			**567**
– amortization for the year	(9,437)	(2,655)	(682)		**(12,774)**
– impairment	(14,402)	(7)	(152,806)	(1,263)	**(168,478)**
– disposals	(566)				**(566)**
– revaluation of emission quotas	2,307				**2,307**
– disposal of subsidiaries					**-**
– exchange adjustment	527	(23)	5,715	(38)	**6,181**
– transfers and other movements	3,795	(1,666)	(63,416)		**(61,287)**
Closing net book value	**51,204**	**10,745**	**136,376**	**37,087**	**235,412**
At 31 December 2015					
Gross book value	148,632	48,592	218,588	89,146	504,958
Accumulated amortization and impairment	(97,428)	(37,847)	(82,212)	(52,059)	**(269,546)**
Net book value	**51,204**	**10,745**	**136,376**	**37,087**	**235,412**

EXPLORATION AND EVALUATION ASSETS

In 2015 the amount of write-off of capitalized expenses related to exploration activities qualified unsuccessful was HUF 7,498 in Hungary, in case of Margala North-1 and Malgin wells in Pakistan HUF 8,325 million, in case of Maisoorah well in Oman HUF 3,050 million, Myrhauk well in Norway HUF 2,365 million, Cepelovac North and Hrastilnica-5 wells in Croatia HUF 938 million. In 2014 the amount of write-off of capitalized expenses related to exploration activities qualified unsuccessful was HUF 9,046 million

in Hungary, in case of SK-1 well in Kazakhstan HUF 2,652 million and in case of Novomatjushkinskaya-103 and Zapadno-Kedrovskaya-121 wells in Russia HUF 1,938 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 2.4 xv.).

In addition to these exploration and evaluation assets, a further HUF 7,140 million and HUF 15,951 million exploration expenses were incurred in 2015 and 2014, 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 statement of profit or loss as incurred.

Other research and development costs are less significant compared to exploration expenses. These research and development costs were HUF 1,794 million in 2015 and HUF 1,261 million in 2014.

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:

	2015 NET BOOK VALUE	2014 NET BOOK VALUE
	HUF million	**HUF million**
Downstream	**35,068**	**35,099**
– Roth Group	7,969	8,013
– Romanian retail network	4,545	4,612
– Croatian retail network	15,247	15,302
– Czech retail network	6,830	6,695
– MOL Petrochemicals	477	477
Upstream	**2,019**	**3,289**
– Rotary (former DrillTrans)	2,019	3,289
Total goodwill	**37,087**	**38,388**

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired 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 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 pre-tax weighted average cost of capital (WACC) rates used to discount the forecast cash flows reflecting risks specific to the Downstream segment and specific to the certain countries vary between 8.1% and 13.1% in current year.

The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets of Retail segment approved by management for financial year 2016-2018 and extrapolates cash flows for the following years based on an estimated growth rates varying between 1 and 3.5 %.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGUs subject to goodwill impairment test to materially exceed their recoverable amount.

Based on the above assumptions, subsequent to impairment tests performed at the end of 2015, impairment was recognized on Goodwill only relating to the activities of Rotary, drilling subsidiary of INA d.d., in amount of HUF 1,263 million.

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, as it 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 14,101 million and HUF 14,153 million as of 31 December 2015 and 2014, respectively.

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 2014					
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**
Year ended 31 December 2015					
- additions and capitalizations	144,809	227,749	11,782	(110,166)	**274,174**
- acquisition of subsidiaries	27,410	5,337	575	90	**33,412**
- depreciation for the year	(161,698)	(158,810)	(9,245)		**(329,753)**
- impairment	(102,838)	(169,061)	(523)	(84,539)	**(356,961)**
- reversal of impairment	3,203	1,107	178	14	**4,502**
- disposals	(1,358)	(632)	(103)	(44)	**(2,137)**
- disposal of subsidiaries		(3)	(54)	(10)	**(67)**
- exchange adjustment	7,459	21,343	162	877	**29,841**
- transfers and other movements	(7,476)	36,470	(471)	34,511	**63,034**
Closing net book value	**1,306,785**	**587,681**	**36,386**	**298,207**	**2,229,059**
At 31 December 2015					
Gross book value	3,087,774	2,345,161	170,105	384,768	**5,987,808**
Accumulated depreciation and impairment	(1,780,989)	(1,757,480)	(133,719)	(86,561)	**(3,758,749)**
Net book value	**1,306,785**	**587,681**	**36,386**	**298,207**	**2,229,059**

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.

ASSET ACQUISITIONS IN 2015

North Sea asset acquisition from Ithaca Petroleum Limited

The Group extended its portfolio in Norway by acquiring of Ithaca Petroleum Norge from Ithaca Petroleum Limited in 2015. It consists of additional off-shore assets in 14 licences. The portfolio includes operated equity stakes in the Eidsvoll Upper & Lower (35% Working Interest), Faberg (40% WI), Storekvina (60% WI) and non-operated equity stakes in the Kark (20% Working Interest), Trell discovery Angeya (10% WI), PL 506 BS (25% WI), Tetrao (10% WI), Myrhauk Berkak (8% WI), Rovarkula (10% WI), Caramello (20% WI), Snomus (25% WI), Hirokkin (10% WI), Ymmelstind (30% WI), Thakk (30% WI). The transaction is completed. The deal is treated as asset acquisition and an addition of HUF 14,390 million was recognised as Property, plant and equipment and Intangibles.

ASSET ACQUISITIONS IN 2014

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. 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 name of the new subsidiaries containing these licenses are MOL Growest I. and II. Ltd. The transaction was completed on 24 March 2014. The deal was treated as asset acquisition and an addition of HUF 106,796 million was recognised as Property, plant and equipment and Intangibles.

On 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 included 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 name of the new subsidiary containing these licenses is MOL Operations UK Ltd. The deal was 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

Impairment test of Upstream International assets

The impairment tests performed by MOL Group were performed using the following assumptions:

- Determination of recoverable amount: as the assets which were impairment tested, are planned to be used on a long-term in the future, the recoverable amount is defined as their value in use.
- Discount rates: the value in use calculations take into account the time value of money and the risks specific to the asset. The rate of return expected by the market is the return that investors would require if they chose an investment that would generate cash flows of the same amounts, timing and risk profile as those that the entity expects from the asset or CGU under review. It is estimated from current market transactions for similar assets or from the 'weighted average cost of capital' (WACC) of a listed entity that has a single asset or portfolio of assets that are similar in terms of service potential and risks to the asset under review.
- The WACC used in the value in use models is calculated as the total of the WACC of Exploration & Production segment used in the 2016 Business Plans of MOL Group (8.1 %) plus Country Risk Premium of the related country. Based on the above, the WACC rates used for the impairment tests in 2015 were in the range from 8.1 % to 17.1 %.
- Oil and gas price assumptions used in the value in use models used for impairment testing were the following: 40 to 60 USD / barrel for the years from 2016 to 2018 and the long term oil price assumed for the years after 2018 was 60 USD / barrel real.

In 2015 impairment in the Upstream international portfolio was driven by:

- worsening of economic environment and the substantial decrease in the oil and gas prices. Impairment on UK assets were HUF 218,168 million (assets within MOL Growest I. and II. Ltd.: HUF 167,102 million, assets within MOL Operations UK Ltd.: HUF 51,066 million), impairment on other international Upstream assets was HUF 13,107 million;
- unsuccessful exploration activities in Akri-Bijeel block in Kurdistan (HUF 131,090 million), in the Ngosso block in Cameroon (HUF 25,633 million), and in case of other international Upstream assets (HUF 7,249 million);

Impairment test on Upstream assets of INA Group

In current year HUF 109,470 million impairment was recorded for Upstream assets in INA.

Syria

Based on multiple-scenario discounted cash-flow calculations the Group has recorded impairment in amount of HUF 18,610 million and HUF 50,429 million in Syria in 2015 and in 2014, respectively (of which HUF 18,610 million and HUF 50,327 million relates to PP&E).

Other impairments within Upstream segment of INA Group

Driven by the worsening of economic environment and the substantial decrease in the oil and gas prices further impairment in amount of HUF 72,486 million was also recorded in Upstream segment.

Impairment of assets in Corporate and Other segment of INA Group

Impairments were also recorded within INA Group in Corporate and Other segment in total amount of HUF 9,632 million.

LEASED ASSETS

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

	2015	2014
	HUF million	HUF million
Cost	7,334	7,415
Accumulated depreciation	(3,612)	(3,540)
Net book value	**3,722**	**3,875**

BORROWING COSTS

Property, plant and equipment include borrowing costs incurred in connection with the construction of qualifying assets. Additions to the gross book value of property, plant and equipment include borrowing costs of HUF 3,204 million and HUF 5,139 million in 2015 and 2014, respectively. In 2015 and 2014 the applicable capitalisation rates (including the impact of foreign exchange differences) were 2.6% and 5.2% respectively.

GOVERNMENT GRANTS

Property, plant and equipment include assets with a value of HUF 12,477 million and HUF 11,957 million in 2015 and 2014 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 net book value of HUF 677 million have been pledged by the Group as collateral for loans utilized by Tisza-WTP Kft. As of 31 December 2014 the net book value of pledged assets was HUF 22,318 million, the majority of which related to the assets of IES S.p.A.

6. SUBSIDIARIES AND JOINT ARRANGEMENTS

COMPANY NAME	COUNTRY (INCORPORATION / BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2015	OWNERSHIP 2014
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%
CEGE Közép-európai Geotermikus Energia Termelő Zrt.	Hungary	Geothermal energy production	100%	65%
CEGE Geothermikus Koncessziós Kft.	Hungary	Geothermal energy production	100%	65%
CROPLIN, d.o.o.	Croatia	Natural gas trading	49%	49%
EMSZ Első Magyar Szénhidrogén Koncessziós Kft.	Hungary	Exploration and production activity	100%	100%
Hawasina GmbH	Switzerland / Oman	Exploration and production activity	100%	100%
INA Naftaplin International Exploration and Production Ltd.	United Kingdom	Exploration and production activity	49%	49%
Kalegran B.V. [4]	Netherlands	Exploration financing	100%	-
Kalegran Ltd.	Cyprus / Iraq	Exploration investment management / Exploration and production activity	100%	100%
KMSZ Koncessziós Kft. [4]	Hungary	Exploration and production activity	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%

COMPANY NAME	COUNTRY (INCORPORATION / BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2015	OWNERSHIP 2014
MK Oil and Gas BV. (joint operation)	Netherlands	Exploration investment management	51%	51%
BaiTex LLC	Russia	Exploration and production activity	51%	51%
MNS Oil and Gas B.V.	Netherlands	Exploration financing	100%	100%
MOL ENERGY UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGROWEST (I) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOLGROWEST (II) Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL OPERATIONS UK Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL UK FACILITIES Ltd.	United Kingdom	Exploration and production activity	100%	100%
MOL Cameroon B.V.	Netherlands	Exploration financing	100%	100%
MOL Central Asia Oil and Gas Co. B.V.	Netherlands / Syria / Kazakhstan	Exploration and production activity	100%	100%
MOL (FED) Kazakhstan B. V. [4]	Netherlands	Exploration financing	100%	-
MOL (FED) Kazakhstan B.V. Rep. Office [4]	Kazakhstan	Exploration financing	100%	-
MOL (FED) Kazakhstan B.V. BO	Kazakhstan	Exploration investment management	100%	100%
Ural Group Ltd. (joint operation)	British Virgin Island	Exploration and production activity	28%	28%
Ural Oil and Gas LLP (joint operation)	Kazakhstan	Exploration and production activity	28%	28%
MOL Group International Services B.V.	Netherlands	Financial and accounting services	100%	100%
MOL (MV) Russia B.V.	Netherlands	Exploration financing	100%	100%
MOL Matjushkinskaya B.V.	Netherlands	Exploration financing	100%	100%
Matjushkinskaya Vertical LLC	Russia	Exploration and production activity	100%	100%
MOL Nordsjön B.V .[4]	Netherlands	Exploration financing	100%	-
MOL Norge AS [4]	Norway	Exploration and production activity	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%	100%
Panfora Oil and Gas S.r.l.	Romania	Exploration and production activity	100%	100%
Platounko Investments 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%
Gas Midstream				
FGSZ Földgázszállító Zrt.	Hungary	Natural gas transmission	100%	100%

COMPANY NAME	COUNTRY (INCORPORATION / BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2015	OWNERSHIP 2014
Downstream				
Dunai Gőzfejlesztő Kft.	Hungary	Steam and hot water supply	100%	100%
Energopetrol d.d.	Bosnia and Herzegovina	Retail trade	50%	50%
Holdina (Guernsey) Ltd.[2]	United Kingdom	Trading of oil products	-	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.[2]	Italy	Refinery and marketing of bitumen products	-	100%
Greengas S.r.l.[1]	Italy	Hydrogen plant operation	49%	49%
Nelsa S.r.l.	Italy	Trading of oil products	74%	74%
Nelsa Gas S.r.l.[4]	Italy	Energy services	70%	70%
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 Maloprodajni servisi d.o.o.	Croatia	Trade agency in the domestic and foreign market	49%	49%
INA Maziva Ltd.	Croatia	Lubricants production and trading	49%	49%
INA-Osijek – Petrol d.d.[5]	Croatia	Trading of oil products	49%	49%
Interina d.o.o. Ljubljana	Slovenia	Trading of oil products	49%	49%
Leodium Investment Kft.	Hungary	Financial services	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%
MOL Commodity Trading Kft.	Hungary	Financial services	100%	100%
MCT Slovakia s.r.o.	Slovakia	Financial services	100%	100%
MOL Germany 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 Retail Holding Kft.[4]	Hungary	Real estate management	100%	-
MOL Kiskereskedelmi Ingatlan Kft.[4]	Hungary	Real estate management	100%	-
MOL Romania PP s.r.l.	Romania	Retail and wholesale trade of fuels and lubricants	100%	100%
MOL Romania Downstream Investment B.V.[4]	Netherlands	Investment management	100%	-
MOL Retail Comert s.r.l.[4]	Romania	Retail trade	100%	-

COMPANY NAME	COUNTRY (INCORPORATION / BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2015	OWNERSHIP 2014
MOL Serbia d.o.o.	Serbia	Retail trade of fuels and lubricants	100%	100%
MOL Slovakia Downstream Investment B.V.[4]	Netherlands	Investment management	100%	-
MOL Slovenia 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%
MOL CZ Downstream Investment B.V.[4]	Netherlands	Investment management	100%	-
MOL Čerpací stanice s.r.o.[4]	Czech Republic	Retail trade	100%	-
Pap Oil s.r.o.	Czech Republic	Retail trade	100%	100%
Slovnaft Ceska Republika s.r.o.	Czech Republic	Wholesale and retail trade	100%	100%
MOL Retail Česká s.r.o.	Czech Republic	Retail trade	100%	100%
MOL Ukraine LLC	Ukraine	Wholesale and retail trade	100%	100%
MULTIPONT Program Zrt.	Hungary	Marketing agent activity	83%	83%
Petrol d.d.	Croatia	Trading of oil products	49%	41%
Polybit d.o.o. [2]	Croatia	Production and trading	-	49%
SLOVNAFT a.s.	Slovakia	Refinery and marketing of oil and petrochemical products	99%	99%
CM European Power Slovakia s.r.o.[1]	Slovakia	Operation of thermo-power plant	50%	50%
Slovnaft Polska S.A.	Poland	Wholesale and retail trade	99%	99%
Slovnaft Retail s.r.o.[4]	Slovakia	Retail trade	99%	-
Slovnaft Trans a.s.	Slovakia	Transportation services	99%	99%
SWS s.r.o.	Slovakia	Transport support services	51%	51%
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%
MOL Petrolkémia Zrt. (former: TVK Nyrt.)	Hungary	Petrochemical production and trading	100%	95%
Tisza-WTP Kft. [1]	Hungary	Feed water and raw water supply	0%	0%
TVK-Erőmű Kft.	Hungary	Electricity production and distribution	100%	25%
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%
Crosco International Ltd.	United Kingdom	Oilfield services	49%	49%

COMPANY NAME	COUNTRY (INCORPORATION / BRANCH)	RANGE OF ACTIVITY	OWNERSHIP 2015	OWNERSHIP 2014
Crosco S.A. DE C.V	Mexico	Maintaining services	49%	49%
Mideast Integrated Drilling & Well Services Co. LLC[3]	Oman	Integrated drilling and completion services	-	24%
Rotary Zrt.	Hungary	Oilfield services	49%	49%
Sea Horse Shipping Inc.	Marshall Islands	Platform ownership	49%	49%
Geoinform Kft.	Hungary	Hydrocarbon exploration	100%	100%
Hostin d.o.o.	Croatia	Tourism	49%	49%
ITR d.o.o.[3]	Croatia	Car rental	-	49%
Magnolia Finance Ltd.[1]	Jersey	Financial services	0%	0%
MOL Cyprus Co. Ltd. (former: MOL Reinsurance Ltd.)	Cyprus	Captive insurance	100%	100%
MOL Group Finance S.A.	Luxemburg	Financial services	100%	100%
MOL Investment Kft.	Hungary	Financial services	100%	100%
MOL Magyarország Szolgáltató Központ[1]	Hungary	Business services	26%	-
MOL Csoportszintű Pénzügyi Szolgáltató Kft.[1]	Hungary	Accounting services	26%	-
MOL Magyarország HR Szolgáltató Kft.[1]	Hungary	HR services	26%	-
MOL Magyarország Informatikai Szolgáltató Kft.[1]	Hungary	IT services	26%	-
MOL Magyarország Pénzügyi Szolgáltató Kft.[1]	Hungary	Accounting services	26%	-
MOL Magyarország Társasági Szolgáltató Kft. [1]	Hungary	Company services	26%	-
MOL Reinsurance Co. Ltd.[4]	Ireland	Captive insurance	100%	-
MOL Vagyonkezelő Kft.	Hungary	Investment management	100%	100%
Petrolszolg Kft.	Hungary	Repairs and maintenance services	100%	100%
PLAVI TIM d.o.o.[4]	Croatia	IT services	49%	-
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	100%	95%

1) Consolidated as required by "IFRS 10 – Consolidated Financial Statements"
2) Liquidated in 2015
3) Merged to STSI d.o.o. in 2015
4) Fully consolidated from 2015
5) Merged to INA d.d. in 2015

7. BUSINESS COMBINATIONS, TRANSACTIONS WITH NON-CONTROLLING INTERESTS

ACQUISITIONS IN 2015

MOL Group has completed the acquisition of ENI´s Romanian, Czech and Slovak downstream business, including retail networks under Agip brand. The acquisition included altogether 208 service stations, 42 in Romania, 125 in the Czech Republic and 41 in Slovakia. The acquisition also included the companies' wholesale activities in all three countries and the aviation business in Czech Republic and Slovakia as well; excluded, however, the ENI branded wholesale lubricants and specialties businesses.

With these acquisitions MOL Group further expanded in CEE. This step contributes greatly to the Group's Downstream strategy of increasing retail market presence, country coverage and customer base.

ACQUIRED ENI SUBSIDIARIES	HEADQUARTERS	PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF SHARES (%)	CONSIDERATION TRANSFERRED
MOL Čerpací stanice s.r.o.	Czech Republic	Retail trade	31 July 2015	100%	
Slovnaft Retail s.r.o.	Slovakia	Retail trade	31 July 2015	100%	50,246
MOL Retail Comert s.r.l.	Romania	Retail trade	02 February 2015	100%	

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

	PROVISIONAL FAIR VALUE ON ACQUISITION
	HUF million
Current assets	
Inventories	3,622
Trade and other recivables	5,915
Other current assets	974
Prepaid taxes	39
Cash and cash equivalents	3,105
Non-current assets	
Intangible assets	406
Property, plant and equipment	33,741
Deferred tax assets	13,612
Other non-current assets	178
Current liabilities	
Trade payables	8,223
Taxes and contributions	318
Other current liabilities	772
Non-current liabilities	
Long-term debt	229
Provisions	862
Other long-term liabilities	521
Deferred tax liabilities	290
Acquired net assets	**50,377**
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	50,246
Less: cash and cash equivalent balances acquired	(3,105)
Net cash outflow on acquisition	**47,141**

The difference between the consideration transferred and the fair value of the acquired net assets was immaterial, therefore it was allocated to the fair value of the acquired net assets.

The Net revenue and the Profit / (loss) for the period of the acquired entities since the acquisition date included in the consolidated statement of comprehensive income for the reporting period are the following:

ACQUIRED SUBSIDIARY	NET REVENUE	PROFIT / (LOSS) FOR THE PERIOD
	HUF million	HUF million
MOL Čerpací stanice s.r.o.		
Slovnaft Retail s.r.o.	50 472	694
MOL Retail Comert s.r.l.		

As the pre-acquisition net revenue and profit / loss for the period of the entities were presented based on accounting framework and policies not consistent with that of MOL Group, therefore only the post-acquisition net revenue and profit / (loss) for the year is disclosed.

ACQUISITIONS IN 2014

MOL Retail Ceska Republica s.r.o.

During 2015 the Group has updated the fair values of the net assets acquired in December 2014. No significant difference has been detected during this revision compared to the fair values accounted for at previous year end.

8. DISPOSALS

There were no significant disposals of subsidiaries in 2015.

9. MATERIAL PARTLY-OWNED SUBSIDIARIES

INA GROUP

Proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2015	2014
INA-Industrija nafte d.d.	Croatia	51%	51%

	2015	2014
	HUF million	HUF million
Accumulated balances of material non-controlling interest	317,206	378,960
Loss allocated to material non-controlling interest	(57,926)	(18,089)

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

SUMMARISED STATEMENT OF PROFIT OR LOSS

	2015	2014
	HUF million	HUF million
Total operating income	780,249	968,013
Total operating expenses	(934,922)	(1,085,588)
Finance expense, net	(17,171)	(21,691)
Loss before income tax	**(171,844)**	**(139,266)**
Income tax expense	33,619	26,558
Loss for the year	**(138,225)**	**(112,708)**
Total comprehensive income	**(113,763)**	**(35,525)**
Attributable to non-controlling interests	(57,926)	(18,089)
Dividends paid to non-controlling interests	(3,147)	-

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2015	2014
	HUF million	HUF million
Current assets	173,484	209,729
Non-current assets	920,541	1,056,239
	1,094,025	**1,265,968**
Current liabilities	(243,479)	(281,439)
Non-current liabilities	(227,573)	(240,274)
	(471,052)	**(521,713)**
Total Equity	**622,973**	**744,255**
Attributable to:		
Equity holders of the parent	305,768	365,295
Non-controlling interests	317,205	378,960

SUMMARISED CASH FLOW INFORMATION

	2015	2014
	HUF million	**HUF million**
Net cash provided by operating activities	81,735	152,280
Net cash used in investing activities	(61,364)	(59,484)
Net cash provided by / (used in) financing activities	(26,571)	(89,572)
(Decrease) / increase in cash and cash equivalents	**(6,200)**	**3,224**

MAGNOLIA FINANCE LTD.

Proportion of equity interest held by non-controlling interests:

NAME	COUNTRY OF INCORPORATION AND OPERATION	2015	2014
Magnolia Finance Limited.	Jersey	100%	100%

	2015	2014
	HUF million	**HUF million**
Opening value of equity attributable to non-controlling interests	42,249	53,370
Change (coupon and dividend payments)	(10,492)	(11,121)
Closing value of equity attributable to non-controlling interests	**31,757**	**42,249**

On 4 February 2016 MOL Plc. informed the capital market participants, that with the effective date of 20 March 2016 MOL terminates the Swap Agreement concluded between MOL and Magnolia Ltd. ("Magnolia") on 20 March 2006 and exercises its call option right to purchase 6,007,479 pieces of MOL series "A" ordinary shares at market price set out in the agreement.

10. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

COMPANY NAME	COUNTRY	RANGE OF ACTIVITY	OWNER-SHIP 2015	OWNER-SHIP 2014	NET BOOK VALUE OF INVESTMENT 2015	NET BOOK VALUE OF INVESTMENT 2014
					HUF million	**HUF million**
Investment in associated companies						
Pearl Petroleum Ltd.	Iraq	Exploration of gas	10%	10%	152,313	134,839
MET Holding AG. (MET)	Hungary	Natural gas trading	40%	40%	19,954	21,507
Mazzola & Bignardi S.r.l. [1]	Italy	Retail trade	0%	50%	-	1,838
Mazzola & Bignardi Commerciale S.r.l. [1]	Italy	Marketing of oil products	0%	40%	-	1,184
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	25%	25%	762	886
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	49%	49%	719	715
Other associated companies					163	441
Investment in joint ventures						
CM European Power International B.V. [2]	Nether-lands	Power plant investment management	50%	50%	-	-
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	49%	49%	13,183	1,672
Rossi Biofuel Zrt.	Hungary	Biofuel component production	25%	25%	2,875	2,694
Total					**189,969**	**165,776**

1) MOL Group disposed of investments in Mazzola & Bignardi companies in 2015 without material effect on the profit & loss statement
2) Fully impaired

COMPANY NAME	COUNTRY	RANGE OF ACTIVITY	CONTRIBUTION TO NET INCOME 2015	CONTRIBUTION TO NET INCOME 2014
			HUF million	**HUF million**
Investment in associated companies				
Pearl Petroleum Ltd.	Iraq	Exploration of gas	2,951	12,859
MET Holding AG. (MET)	Hungary	Natural gas trading	1,969	6,825
Mazzola & Bignardi S.r.l.	Italy	Retail trade	-	185
Mazzola & Bignardi Commerciale S.r.l.	Italy	Marketing of oil products	-	40
Meroco a.s.	Slovakia	Production of bio-diesel component (FAME)	244	23
Messer Slovnaft s.r.o	Slovakia	Production of technical gases	53	42
Other associated companies			102	89
Investment in joint ventures				
CM European Power International B.V.	Netherlands	Power plant investment management	55	(1,794)
JSR MOL Synthetic Rubber Zrt.	Hungary	Production of synthetic rubber	(213)	(11)
Rossi Biofuel Zrt.	Hungary	Biofuel component production	612	644
Total			**5,773**	**18,902**

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 grants 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 2015 in Pearl was as follows:

	2015	2014
	HUF million	**HUF million**
The associate's statement of financial position:		
Non-current assets	196,722	178,672
Current assets	608,385	528,110
Non-current liabilities	(65,498)	(64,286)
Current liabilities	(25,286)	(25,312)
Net assets	**714,323**	**617,184**
Proportion of the Group's ownership at year end	10%	10%
Group's share of assets	**71,432**	**61,718**
Fair value adjustment	80,880	73,121
Carrying amount of the investment	**152,312**	**134,839**
The associate's statement of profit or loss:		
Net revenue	99,782	143,849
(Loss) / Profit from operations	(52,394)	121,967
Net income attributable to equity-holders	29,505	128,589
Group's share of profit for the year	**2,951**	**12,859**

The financial data representing the Group's interest in Pearl above has been prepared in accordance with IFRS.

MET HOLDING AG. (MET)

The Group's interest (40%) as of 31 December 2015 in MET was as follows:

	2015	2014
	HUF million	**HUF million**
The associate's statement of financial position:		
Non-current assets	11,759	12,988
Current assets	232,478	208,442
Non-current liabilities	5,407	3,951
Current liabilities	186,595	160,346
Net assets	**52,235**	**57,133**
Proportion of the Group's ownership at year end	40%	40%
Carrying amount of the investment	**19,954**	**21,507**
The associate's statement of profit or loss:		
Net Revenue	986,503	1,115,344
Profit from operations	8,411	17,412
Net income attributable to equity-holders	4,922	17,063
Group's share of profit for the year	**1,969**	**6,825**

In 2015 and 2014 the Group received dividend on its 40% interest held in MET in the amount of HUF 2,961 million and HUF 4,887 million, respectively.

The financial data representing the Group's interest in MET above has been prepared in accordance with IFRS.

11. AVAILABLE-FOR-SALE INVESTMENTS

	NET BOOK VALUE OF INVESTMENT 2015	NET BOOK VALUE OF INVESTMENT 2014
	HUF million	**HUF million**
Quoted – Jadranski Naftovod d.d.	21,835	17,021
Other ordinary shares – unquoted	6,268	3,775
Total	**28,103**	**20,796**

MOL Group's investment in Jadranski Naftovod d.d. (JANAF), operator of Adria pipeline represents 11.795% 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 2015. 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

	2015	2014
	HUF million	HUF million
Obligatory level of inventory required by state legislations	28,532	30,832
Loans given (see Note 33)	11,540	12,159
Advance payments for assets under construction	2,159	5,380
Prepaid mining royalty	2,248	3,127
Advance payments for intangible assets	1,910	2,052
Prepaid fees of long-term rental	1,668	1,548
Advances given for purchase of business combinations	556	-
Long-term bank deposit	-	31,489
Other	16,074	15,105
Total	**64,687**	**101,692**

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, which was preterminated as per option of the counterparty due to the significant changes of market interest rates.

Loans given primarily contain the HUF 6,022 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 (see note 10.). The loan has a market-based interest rate of LIBOR + 2%.

13. INVENTORIES

	2015 AT COST	2015 LOWER OF COST OR NET REALISABLE VALUE	2014 AT COST	2014 LOWER OF COST OR NET REALISABLE VALUE
	HUF million	HUF million	HUF million	HUF million
Work in progress and finished goods	199,817	188,982	252,103	229,694
Other raw materials	76,175	55,139	72,409	55,531
Purchased crude oil	69,941	63,095	67,133	55,137
Other goods for resale	43,958	41,961	26,621	24,229
Total	**389,891**	**349,177**	**418,266**	**364,591**

Impairment of HUF 15,611 million was recorded in 2015, mainly on raw materials and HUF 25,907 million in 2014.

14. TRADE RECEIVABLES

	2015	2014
	HUF million	HUF million
Trade receivables	424,367	489,652
Provision for doubtful receivables	(45,618)	(38,667)
Total	**378,749**	**450,985**

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

Movements in the provision for doubtful receivables were as follows:

	2015	2014
	HUF million	**HUF million**
At 1 January	38,667	36,203
Additions	13,696	13,937
Reversal	(8,077)	(13,386)
Amounts written off	791	(2,234)
Foreign exchange differences	541	4,147
At 31 December	**45,618**	**38,667**

As at 31 December 2015 and 2014 the analysis of the recoverable amount of trade receivables that were past due is as follows:

	2015	2014
	HUF million	**HUF million**
Neither past due nor impaired	333,215	398,771
Past due but not impaired	45,534	52,214
Within 90 days	23,920	32,034
91 - 180 days	2,418	3,452
Over 180 days	19,196	16,728
Total	**378,749**	**450,985**

15. OTHER CURRENT ASSETS

	2015	2014
	HUF million	**HUF million**
Prepaid and recoverable taxes and duties (excluding income taxes)	53,546	57,281
Derivatives not designated as hedging instruments (see Note 33)	14,793	91
Advances paid	13,791	11,678
Receivables from joint venture partners	13,737	16,845
Derivatives designated as hedges (see Note 33)	10,800	19,867
Prepaid expenses	7,179	5,614
Receivables from closed derivative transactions	6,532	8,369
Margining receivables	1,628	2,423
Current portion of loans given, net (see Note 33)	1,336	1,410
Security deposits	750	1,348
Other	13,875	19,326
Total	**137,967**	**144,252**

In 2015 and 2014 the provision for doubtful loans receivable was HUF 638 millon and HUF 11 million, respectively.

16. CASH AND CASH EQUIVALENTS

	2015	2014
	HUF million	HUF million
Cash at bank – HUF	16,762	29,130
Cash at bank – USD	15,949	23,119
Cash at bank – EUR	14,008	69,826
Cash at bank – CZK	8,664	7,905
Cash at bank – HRK	6,576	9,728
Cash at bank – RON	2,174	5,893
Cash at bank – RUB	346	1,410
Cash at bank – other currencies	5,072	8,525
Short-term bank deposits – EUR	26,375	12,785
Short-term bank deposits – PLN	10,472	1,896
Short-term bank deposits – CZK	10,429	-
Short-term bank deposits – USD	7,555	23,323
Short-term bank deposits – HUF	2,002	212
Short-term bank deposits – other currencies	407	2,489
Cash on hand – HUF	12	1,301
Cash on hand – other currencies	5,093	5,669
Cash equivalents	318	532
Total	**132,214**	**203,743**

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:

	2015	2014
Current accounts		
EUR	0.00% - 0.25%	0.00% - 0.48%
USD	0.01% - 0.25%	0.01% - 0.25%
HUF	0.00% - 2.28%	0.55% - 2.63%
Short-term bank deposits		
EUR	0.00% - 1.65%	0.01% - 2.70%
USD	0.03% - 2.08%	0.03% - 2.00%
HUF	0.10% - 2.35%	0.60% - 3.30%

17. SHARE CAPITAL

There was no change in the number of issued shares in 2015. As of 31 December 2015, 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 2015 and 2014 is HUF 79,241 million and HUF 79,229 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 23 April 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

The option rights arising out of the share option agreement concluded between MOL and ING Bank N.V. (‘ING’) on 22 November 2013, regarding 5,220,000 MOL Series “A” Ordinary shares was cash settled in respect of all the shares on 27 November 2014. The strike price was EUR 47.4444 per share.

Simultaneously, MOL and ING signed a share option agreement on 24 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 option rights was cash settled in respect of all the shares on 27 November 2015. The strike price was USD 49.2122 per share.

MOL and ING signed a share option agreement on 24 November 2015. As a result of the transactions, MOL received American call options and ING received European put options regarding 5,220,000 MOL Series “A” Ordinary shares. The maturity of the options was 1 year with an additional 1 year extension possibility. The strike price of both call and put options was EUR 44.6825 per one share.

Option agreemenst with Unicredit Bank

Based on the agreements between MOL and UniCredit Bank AG (‘Unicredit’), on 23 December 2013 MOL agreed with UniCredit to an extension of the option agreements that it concluded with UniCredit on 7 February 2013 in respect of a total of 4,080,496 pieces of MOL Series “A” Ordinary shares (’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 was 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 was EUR 61.2700 per share at the time of the agreement. The strike price was changed to EUR 60.7569 per share in June 2014.The option rights was cash settled in respect of all the Shares on 13 February 2015.

On 28 January 2015 MOL has agreed with Unicredit to concluded a share purchase agreement, pursuant to which MOL sells up to 1,300,000 pieces of additional Shares (‘Additional Shares’) to Unicredit and Unicredit purchases such number of Additional Shares from MOL. The number of MOL shares to be sold was 1,300,000 pieces of share.

Simultaneously MOL and Unicredit concluded share option agreements regarding up to 4,080,496 Shares as well as regarding any Additional 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 regarding 5,380,496 pieces of MOL shares 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 was USD 41.4376 per one share.

Option agreemants with CA-CIB

The option rights arising out of the share option agreements concluded between MOL and Credit Agricole Corporate and Investment Bank (‘CA CIB’) on 3 December 2013, regarding 2,129,666 MOL Series “A” Ordinary shares, was cash settled in respect of all the shares on 9 December 2014. The strike price was EUR 44.9987 per share.

Simultaneously, MOL and CA CIB signed a share option agreement on 4 December 2014. As a result of the transactions, MOL received an American call option and CA CIB received a European put option regarding the 2,129,666 MOL Series "A" Ordinary shares. The option rights was cash settled in respect of all the shares on 9 December 2015. The strike price was EUR 46.3608 per share.

MOL and CA CIB signed a share option agreement on 7 December 2015. As a result of the transactions, MOL received American call options and CA CIB received European put options regarding the 2,129,666 MOL Series "A" Ordinary shares. The maturity of the options was 1 year. The strike price of both call and put options was EUR 44.1073 per one share.

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

Share swap agreement with OTP

After the lending of 5,010,501 pieces of MOL shares to OTP Bank Plc. ('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 4,637 million as at 31 December 2015 which has been recorded as derivative financial liability (see Note 33). As at 31 December 2014 the fair value of the swap was HUF 1,401 million which was recorded as derivative financial liability (see Note 33).

Termination of, and entering into share lending

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 (see Note 35).

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 7,576 million and HUF 7,577 million in 2015 and 2014, 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 statement of profit or loss. 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 was HUF 37,453 million. The fair value of the conversion option was zero as of 31 December 2015, while it was HUF 2,431 million at 2014 year-end (see Note 21 and Note 33).

The fair valuation impact of the option was HUF 2431 million and HUF 601 million gain in 2015 and 2014, respectively, recorded as finance income in the accompanying consolidated statement of profit or loss.

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, 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	-	-
December 31, 2014	**104,518,485**	**(2,842,147)**	**(22,448,142)**	**79,228,196**	**134,519,063**
Share distribution for the members of the Board of Directors	-	12,067	-	12,067	-
New share purchase agreement with Unicredit Bank A.G.	-	1,300,000	(1,300,000)	-	-
December 31, 2015	**104,518,485**	**(1,530,080)**	**(23,748,142)**	**79,240,263**	**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 2015 approved to pay HUF 50,000 million dividend in respect of 2014, which equals to HUF 485.49 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 1,256,239 million and HUF 1,496,794 million as of 31 December 2015 and 2014, respectively.

19. LONG-TERM DEBT

	WEIGHTED AVERAGE INTEREST RATE 2015	WEIGHTED AVERAGE INTEREST RATE 2014	MATURITY	2015	2014
	%	%		HUF million	HUF million
Unsecured bonds in EUR			2017	243,712	482,730
Eurobond 1	-	3.96		-	238,198
Eurobond 2	5.83	6.15		243,712	244,532
Unsecured bonds in USD	6.47	6.51	2019	144,933	130,422
Unsecured bank loans in USD	2.63	3.39	2019 - 2022	51,637	72,492
Unsecured bank loans in EUR	2.01	2.64	2018 - 2022	17,351	68,340
Unsecured bank loans in HUF	2.69	4.58	2018	15,439	15,033
Secured bank loans in EUR	0.86	0.83	2017	452	6,223
Financial lease payable	5.17	5.91	2027 - 2034	3,105	3,240
Other	1.39	0.28	2018 - 2020	11,707	3,227
Total				**488,336**	**781,707**
Current portion of long-term debt				26,655	326,668
Total long-term debt, net of current portion				**461,681**	**455,039**

	2015	2014
	HUF million	HUF million
Maturity one to five years	459,042	440,853
Maturity over five years	2,639	14,186
Total	**461,681**	**455,039**

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	234,840	7	20 April, 2010	20 April, 2017	5.875%
MOL Group Finance SA	USD	500	143,315	7	26 September, 2012	26 September, 2012	6.250%

EUR bonds

In 2010, MOL Plc. issued a fixed rate note (Eurobond) with notional of EUR 750 million. The bond matures in April 2017 and pays 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 INA.

INA smoothly accomplished the pre-financing of its USD 400 million revolving credit facility agreement that would have expired in April 2016 with a USD 300 million revolving credit facility, with which INA was able to utilize favourable market conditions. The tenor of the facility is 3 years which can be extended by further 1+1 years.

In August 2015 Slovnaft cancelled its not utilized EUR 200 million revolving credit facility agreement contracted in December 2013.

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 300 million multicurrency revolving club facility of INA

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, which was extended by 1 year in 2015. 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. The pricing of this EBRD facility has been favourably decreased in December 2014. In 2015 the ICF Dept POOL part of the facility (EUR 50 million) was repaid and cancelled.

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 2015 and 2014 respectively are as follows:

	2015 MINIMUM LEASE PAYMENTS	2015 PRESENT VALUE OF PAYMENTS	2014 MINIMUM LEASE PAYMENTS	2014 PRESENT VALUE OF PAYMENTS
	HUF million	**HUF million**	**HUF million**	**HUF million**
Maturity not later than 1 year	728	588	654	563
Maturity two to five years	1,476	1,044	1,710	1,289
Maturity over five years	1,880	1,473	1,835	1,388
Total minimum lease payments	**4,084**		**4,199**	
Less amounts representing financial charges	(979)		(959)	
Present values of financial lease liabilities	**3,105**	**3,105**	**3,240**	**3,240**

20. PROVISIONS FOR LIABILITIES AND CHARGES

	ENVIRON-MENTAL	REDUNDANCY	LONG TERM EMPLOYEE BENEFITS	FIELD ABAN-DONMENT	LEGAL CLAIMS	OTHER	TOTAL
	HUF million	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**	**HUF million**
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 revaluation	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**
Acquisition / (sale) of subsidiaries	(35)	(54)	(72)		122	943	904
Additions and revision of previous estimates	4,971	10,315	1,520	6,086	2,951	17,267	43,110
Unwinding of the discount	2,018		676	7,492	30		10,216
Currency revaluation	(238)	(155)	134	2,896	(34)	2,428	5,031
Provision used during the year	(4,503)	(8,215)	(3,776)	(3,020)	(2,461)	(6,260)	(28,235)
Balance as of 31 December 2015	**79,218**	**16,063**	**21,666**	**278,727**	**25,218**	**48,029**	**468,921**
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
Current portion 2015	6,691	9,980	2,506	643	14,719	18,408	52,947
Non-current portion 2015	72,527	6,083	19,160	278,084	10,499	29,621	415,974

ENVIRONMENTAL PROVISION

As of 31 December 2015 provision of HUF 79,218 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. 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 2015 also includes a contingent liability of HUF 22,631 million recognized upon acquiring INA Group, representing its present environmental obligations and a further HUF 15,818 million environmental contingent liability regarding the acquisition of IES (see Note 34).

PROVISION FOR REDUNDANCY

As part of continuing efficiency improvement projects, 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 4,867 million remained as of 31 December 2015. In 2015, a provision of HUF 9,804 million was made for redundancy program at INA in the statement of profit or loss. The closing balance of provision for redundancy is HUF 16,063 million and HUF 14,172 million as of 31 December 2015 and 2014, respectively.

PROVISION FOR FIELD ABANDONMENT LIABILITIES

As of 31 December 2015 provision of HUF 278,727 million has been made for estimated total costs of plugging and abandoning wells upon termination of production. Approximately 5% of these costs are expected to be incurred between 2016 and 2020 and the remaining 95% between 2021 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 2015 the Group has recognized a provision of HUF 21,666 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 MOL Petrolkémia Zrt. 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 which 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.

	2015	2014
	HUF million	HUF million
Present value of total long-term employee benefit obligation at the beginning of the year	**23,184**	**17,664**
Past service cost not accounted for at the beginning of the year	-	-
Balance as of the beginning of the year	**23,184**	**17,664**
Acquisitions / (disposals)	(72)	-
Past service cost	(666)	936
Current service cost	3,800	2,266
Interest costs	676	757
Provision used during the year	(3,776)	(1,021)
Net actuarial (gain)/loss	(1,614)	1,851
from which:		
Retirement benefit (see note 29)	(1,624)	1,860
Jubilee benefit	10	(9)
Exchange adjustment	134	731
Balance as at year end	**21,666**	**23,184**
Present value of total long-term employee benefit obligation at year end	**21,666**	**23,184**

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

	2015	2014
	HUF million	HUF million
Current service cost	3,800	2,266
Net actuarial (gain)/loss	10	(9)
Past service cost	(666)	936
Net benefit expense (see note 26)	**3,144**	**3,193**

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

	2015	2014
Discount rate in %	2.0 - 3.7	2.0 - 3.7
Average wage increase in %	0.0 - 2.0	0.0 - 2.0
Mortality index (male)	0.05 - 3.57	0.05 - 3.57
Mortality index (female)	0.02 - 1.53	0.02 - 1.53

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

	RETIREMENT BENEFITS		JUBILEE BENEFITS	
	2015	2014	2015	2014
	HUF million	HUF million	HUF million	HUF million
Actuarial (gains) and losses arising from changes in demographic assumptions	(849)	-	(520)	-
Actuarial (gains) and losses arising from changes in financial assumptions	86	189	(60)	26
Actuarial (gains) and losses arising from experience adjustments	(861)	1,671	590	(35)
Total actuarial (gains) and losses	**(1,624)**	**1,860**	**10**	**(9)**

LEGAL AND OTHER PROVISIONS

Legal and other provisions include provision for emission quotas, legal claims and for other future payment obligations. In 2015, other provisions of HUF 4,079 million was made in relation to upstream operations in Africa and of HUF 3,994 million in relation to upstream operations in Middle East. As of 31 December 2015 provision of HUF 25,218 million has been made for estimated total costs of litigations. As of 2015 MOL Group has been granted 4,427,304 emission quotas by the Hungarian, Croatian and Slovakian authorities. The total use of emission quotas amounted to 6,380,111 tons in 2015. In 2015 the amount of provision for the shortage of emission quotas increased to HUF 7,001 million (in 2014 provision was HUF 2,486 million).

21. OTHER NON-CURRENT LIABILITIES

	2015	2014
	HUF million	**HUF million**
Government grants received (see note 22 and 25)	11,808	11,161
Deferred compensation for property, plant and equipment	4,902	4,626
Received and deferred other subsidies	3,734	3,741
Net payable from currency risk hedging derivatives as cash-flow hedge (see note 33)	3,212	1,710
Liabilities to government for sold apartments	1,832	2,094
Deferred income for apartments sold	1,321	1,360
Trade payable to exploration partners	1,095	129
Conversion option of exchangeable capital securities issued by Magnolia Finance Ltd. (see note 17 and 33)	-	2,431
Payable from currency risk hedging derivatives as fair value hedge (see note 33)	-	208
Other	2,729	1,177
Total	**30,633**	**28,637**

22. TRADE AND OTHER PAYABLES

	2015	2014
	HUF million	**HUF million**
Trade payables	367,933	441,653
Transferred "A" shares sold with put and call options attached (see notes 32 and 33)	164,526	171,042
Taxes, contributions payable (excluding corporate tax)	152,457	170,239
Amounts due to employees	33,038	32,011
Derivatives not designated as hedging instruments (see Note 33 – current portion only)	16,222	3,285
Liabilities to joint venture partners	16,297	15,749
Margining liability	11,622	1,500
Derivatives designated as hedges (see note 33 – current portion only)	10,780	20,413
Custom fees payable	10,463	10,043
Fair value of firm commitments as hedged item under commodity price transactions	9,991	33
Advances from customers	8,909	16,160
Payables from closed derivative transactions	8,246	5,430
Discount payable to customers	5,917	5,783
Fee payable for strategic inventory storage	4,243	7,019
Financial collateral and bail received	3,733	2,958
Other accrued incomes (short-term)	2,759	2,922
Bank interest payable	833	2,042
Government subsidies received and accrued (short term) (see note 25)	669	796
Liability from reimbursed mining royalty	-	35,226
Other	28,563	25,434
Total	**857,201**	**969,738**

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 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, the amount reimbursed was presented as other payables (revenue is not recognised in statement of profit or loss till 2015). Because of a final court decision, this payable was reversed in 2015, recorded as other income (see Note 25).

23. SHORT-TERM DEBT

	2015	2014
	HUF million	**HUF million**
Unsecured bank loans in EUR	115,906	131,559
Unsecured bank loans in USD	52,949	38,725
Unsecured bank loans in HRK	5,884	5,905
Unsecured bank loans in PLN	48	3,812
Unsecured bank loans in other currencies	196	447
Other	4,343	-
Total short-term debts	**179,326**	**180,448**
Current portion of long-term debt	26,655	326,668
Total	**205,981**	**507,116**

24. SALES BY PRODUCT TYPES

	2015	2014
	HUF million	**HUF million**
Sales of oil products	2,755,870	3,411,547
Sales of petrochemicals	660,273	678,786
Sales of natural gas and gas products	286,788	355,959
Sales revenue of services	205,608	214,762
Sales of other products	118,899	96,132
Sales of crude oil	75,140	109,421
Total	**4,102,578**	**4,866,607**

25. OTHER OPERATING INCOME

	2015	2014
	HUF million	**HUF million**
Reimbursed mining royalty (see note 22)	35,226	-
Release of translation reserves (decomissions)	27,794	-
Penalties, late payment interest, compensation received	3,702	5,050
Gain on sales of intangibles, property, plant and equipment	2,150	1,394
Gain of non hedge commodity price transactions	2,072	-
Allowances and subsidies received	1,544	378
Net gain realized on disposal of subsidiaries	1,301	12,679
Government grants released	1,074	827
Other	12,137	6,270
Total	**87,000**	**26,598**

In 2015 some upstream licences has been terminated, therefore the corresponding accumulated translation reserve has been released together with the impairment charge recorded for these operations (see Note 4 and 5). 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.

GOVERNMENT GRANTS

	2015	2014
	HUF million	**HUF million**
At 1 January	11,957	12,477
Government grants received	1,617	52
Release of deferred grants	(1,074)	(827)
Foreign exchange differences	(23)	255
At 31 December (see Note 5, 21 and 22)	**12,477**	**11,957**

26. PERSONNEL EXPENSES

	2015	2014 RESTATED
	HUF million	**HUF million**
Wages and salaries	182,371	183,287
Social security	45,422	43,081
Other personnel expenses	35,136	30,199
Long-term employee benefits (see note 20)	3,144	3,193
Expense (reversal of expense) of share-based payments (see note 38)	1,198	482
Total	**267,271**	**260,242**

27. OTHER OPERATING EXPENSES

	2015	2014
	HUF million	**HUF million**
Mining royalties	61,242	90,905
Other services	37,563	32,368
Rental costs	32,329	29,769
Contribution to strategic inventory storage	21,971	30,687
Taxes and contributions	19,209	37,549
Consultancy fees	13,965	9,493
Advertising expenses	11,433	9,789
Provision for doubtful receivables	9,302	3,596
Provision for legal and other claims (see note 20)	8,758	(2,328)
Insurance	8,166	7,473
Subsidies given	7,749	4,630
Site security costs	6,657	5,652
Cleaning costs	5,537	4,960
Environmental provision made during the year	4,971	2,990
Bank charges	4,890	3,974
Provision for greenhouse gas emission over quota allocated free of charge	4,582	1,372
Environmental protection expenses, net	1,907	2,838
Penalties, late payment interest, compensation (net of provision utilized)	1,342	6,165
Provision for field abandonment	(7,645)	(4,191)
Other	4,358	10,990
Total	**258,286**	**288,681**

Significant decrease in mining royalties is a result of recent fall in crude oil prices. Taxes and contributions in 2015 also decreased in connection with lower crude oil prices affecting mainly profit taxes payable by INA after its operations in the North-Adriatic, and also Russian export duties. Comparative figures (in 2014) also contain a non-recurring tax charge of HUF 4,737 million paid to Croatian Tax Authority by INA.

28. FINANCE EXPENSE, NET

	2015	2014
	HUF million	**HUF million**
Interest received	7,858	10,788
Dividends received	5,155	4,107
Realised gain on redemption of securities	3,900	174
Fair valuation gain on conversion option (see Note 17)	2,431	601
Fair valuation gain on trading debt securities	-	13,399
Foreign exchange gain on cash and cash equivalents, net	-	5,945
Other finance income, net	428	286
Total finance income	**19,772**	**35,300**
Interest on borrowings	39,521	42,433
Foreign exchange loss on receivables and payables, net	27,868	38,834
Foreign exchange loss on borrowings	15,567	32,231
Interest on provisions	10,175	10,633
Other costs on borrowings	9,165	8,013
Net loss on derivative transactions	4,544	6,096
Foreign exchange loss on cash and cash equivalents, net	815	-
Impairment of investments	-	465
Fair valuation loss on trading debt securities	90	-
Other finance expenses, net	4,901	1,059
Total finance expenses	**112,646**	**139,764**
Total finance expense, net	**92,874**	**104,464**

The net financial expenses decreased by HUF 11.6 billion in 2015 compared to 2014, which was mainly driven by the decrease in foreign exchange losses due to less volatility of HUF against the major currencies in 2015 compared to prior year.

The decreasing financial losses were partially offset by the result of fair valuation (roughly HUF 13.3 billion loss) of trading debt securities. Realised gain of HUF 3.9 billion was recorded on the redemption of securities in 2015. With regards the interest accruals, both the interest income and expense decreased in 2015 compared to the prior year.

29. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2015	2014
	HUF million	HUF million
Exchange differences on translating foreign operations, net of tax		
Gains / (losses) arising during the year	(17,419)	136,150
Reclassification adjustments for gains and losses included in the statement of profit or loss	27,794	8,058
Income tax effect	-	-
	10,375	**144,208**
Net investment hedge, net of tax		
Gains / (losses) arising during the year	(14,807)	(48,658)
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	1,694	6,409
	(13,113)	**(42,249)**
Available-for-sale financial assets		
Gains / (losses) arising during the year	4,851	5,985
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	(970)	(1,197)
	3,881	**4,788**
Cash-flow hedges		
Gains / (losses) arising during the year	(6,693)	(1,939)
Reclassification adjustments for gains and losses included in the statement of profit or loss	(21,046)	1,092
Reclassification adjustments to initial cost of hedged inventories	24,460	(1,864)
Income tax effect	143	623
	(3,136)	**(2,088)**
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation		
Gains / (losses) arising during the year (see Note 20)	1,624	(1,860)
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	(376)	319
	1,248	**(1,541)**
Share of other comprehensive income for associates		
Gains / (losses) arising during the year	14,589	24,169
Reclassification adjustments for gains and losses included in the statement of profit or loss	-	-
Income tax effect	-	(1)
	14,589	**24,168**

30. INCOME TAXES

Total applicable income taxes reported in the consolidated financial statements for the years ended 31 December 2015 and 2014 include the following components:

	2015	2014
	HUF million	HUF million
Current corporate tax and industry income taxes	(19,731)	(17,273)
Local trade tax and innovation fee	(14,568)	(13,238)
Deferred taxes	12,442	25,127
Total income tax (expense) / benefit	**(21,857)**	**(5,384)**

The Group's current income taxes are determined on the basis of taxable statutory profit of the individual companies of the Group.

CURRENT CORPORATE TAX AND INDUSTRY INCOME TAXES

The applicable corporate income tax rate on the taxable income of the companies of the Group operating in Hungary was 10% up to HUF 500 million tax base and 19% above in 2015 and in 2014, as well. Additional extra tax of 31% was applicable for certain Hungarian entities realizing profit from energy supplier activities since 1 January 2013.

Applicable income tax rates in Slovakia and Croatia were 22% (2014: 22%) and 20% (2014: 20%), respectively.

Italian income tax rate applicable in 2015 was 31.4%, being an aggregate of a corporate income tax of 27.5% (IRES), and local tax rate of 3.9% (in 2014 the total tax rate was 37.9%, being an aggregate of a corporate income tax of 27.5%, extra tax on energy sector of 6.5% and local tax rate of 3.9%). Extra tax of 6,5% (Robin tax) applied for the energy sector has been declared unconstitutional by the Italian Constitutional Court from 12 February 2015. Repeal of the tax was not retroactive.

UK tax rate applicable for oil and gas companies in 2015 was 50%, being an aggregate of (ring fence) corporation tax of 30% and supplementary charge of 20% (reduced from 32 % in previous year). General (non ringe-fence) corporate tax was 20% from 1 April 2015 (21% until 31 March 2015). Enacted changes in tax rates are considered when calculating deferred tax assets and liabilities.

Tax rates applicable for oil and gas companies in Norway consist of corporate income tax (27%) and resource rent tax (51%) both payable on net operating profits derived from extractive activities. Upstream companies in Norway may be refunded for the tax loss of exploration activities incurred for the year.

LOCAL TRADE TAX

Local trade tax represents a revenue-based tax for Hungarian entities, payable to local municipalities. Tax base is calculated by deducting material costs, cost of goods sold and remediated services from sales revenue. Tax rates vary between 1-2% dependent on the regulation of local governments where the entities carry on business activities.

INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2015	2014
	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	1,694	6,409
Revaluations of available-for-sale financial assets	(970)	(1,197)
Revaluations of financial instruments treated as cash-flow hedges	144	623
Equity recorded for actuarial gain/loss on provision for retirement benefit obligation	(376)	319
Revaluations of financial instruments of associated companies	-	(1)
Total income tax recognized in other comprehensive income	**492**	**6,153**

The deferred tax balances as of 31 December 2015 and 2014 in the consolidated statement of financial position consist of the following items:

	STATEMENT OF FINANCIAL POSITION		RECOGNIZED IN STATEMENT OF PROFIT OR LOSS	
	2015	2014	2015	2014
	HUF million	**HUF million**	**HUF million**	**HUF million**
Breakdown of net deferred tax assets / (liabilities)				
Statutory tax losses carried forward	86,272	140,879	(68,993)	30,065
Provisions	112,237	45,584	66,702	4,442
Depreciation, depletion and amortization	(48,557)	(106,168)	61,988	(17,139)
Fair valuation of assets on acquisitions	(53,509)	(76,266)	21,304	9,848
Differences in accounting for domestic oil and gas exploration and development	(14,033)	(16,134)	2,100	994
Capitalization of certain borrowing costs	(5,811)	(8,262)	2,756	(507)
Capitalized periodic maintenance costs	(2,835)	(2,311)	(523)	624
Receivables write off	3,035	1,614	1,431	(172)
Inventory valuation difference	3,898	2,795	(951)	1,032
Elimination of intragroup transactions	(55,537)	15,336	(70,769)	(4,458)
Valuation of financial instruments	7,052	3,075	3,526	(307)
Foreign exchange differences	6,122	12,864	(6,666)	(519)
Other	7,925	12,174	537	1,224
Deferred tax (expense) / income			**12,442**	**25,127**
Net deferred tax asset / (liability)	**46,258**	**25,180**		
Reflected in the statement of financial position:				
Deferred tax assets	113,467	75,000		
Deferred tax liabilities	(67,209)	(49,820)		
Net deferred tax asset / (liability)	**46,258**	**25,180**		

ANALYSIS OF MOVEMENTS IN NET DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

	2015	2014
	HUF million	**HUF million**
Net deferred tax asset / (liability) at 1 January	**25,180**	**(10,299)**
Recognized in statement of profit or loss	12,442	25,127
Recognized directly in equity (as other comprehensive income)	492	7,848
Sale of subsidiaries	-	3,952
Acquisition of subsidiaries	10,886	1,157
Exchange difference	(2,742)	(2,605)
Net deferred tax asset / (liability) at 31 December	**46,258**	**25,180**

The (HUF 55,537 million) balance of deferred tax liability on elimination of intragroup transactions contain primarily the following major items:

- the deferred tax effect of the gas unbundling relating to FGSZ Földgázszállító Zrt. as of 31 December 2015 was HUF 13,990 million. 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;
- the deferred tax effect of the retail filling station sale of MOL Plc. to MOL Kiskereskedelmi Ingatlan Kft. as of 31 December 2015 was HUF 6,792 million. 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;
- the deferred tax effect of consolidation adjustments relating to MOL Plc. as of 31 December 2015 was (HUF 75,552 million) deferred tax liability.

Significant tax losses arose in 2015 at INA and at MOL Plc. in amount of HUF 40,238 million and HUF 115,139 million, respectively.

Due to change in tax legislation in Hungary, the unused tax losses existing up until 2014 can be used until 2025 and the tax losses generated from 2015 onwards can be utilized only within the upcoming 5 years. No deferred tax asset was recognized on the tax losses of MOL Plc. which arose in current year as the utilization of those tax losses on top of the existing tax losses within the next 5 years is reasonably not certain.

Apart from that the UK subsidiaries acquired in 2014 possessed unused tax losses in 2014 which further increased in 2015, however the deferred tax asset on the tax loss carried forward of UK subsidiaries was derecognized in 2015 due to the uncertainty of its recoverability in the future.

No deferred tax assets have been recognized in respect of tax losses elsewhere in the Group due to uncertainty of realisability. The total amount of such tax losses as at 31 December 2015 was HUF 493,345 million.

From the unused tax losses as at 31 December 2015, HUF 589,609 million can be utilised after 5 years or has no expiry, while HUF 340,499 million can be utilized between 2016 and 2020.

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

	2015	2014
	HUF million	**HUF million**
Profit / (loss) before tax per consolidated statement of profit or loss	(303,099)	(45,482)
Tax (expense) / income at the applicable tax rate (10%, 2014: 19%)	30,310	8,642
Tax allowance available	2,775	2,646
Surplus taxes and local trade tax (expense) / income	(11,689)	(12,058)
Permanent differences	47,647	9,698
Effect of different tax rates at subsidiaries	32,550	17,739
Losses not recognized as a deferred tax asset	(124,226)	(60,394)
Non-taxable income	463	5,617
Recognition of prior year tax losses carried forward	313	22,726
Total income tax (expense) / benefit at the effective income tax rate of (7%) (2014: (12%))	**(21,857)**	**(5,384)**

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 2015 and 2014, 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 2014	(3,499)	90,653,661	(39)
Diluted Earnings Per Share 2014	(3,499)	90,653,661	(39)
Basic Earnings Per Share 2015	(264,130)	91,813,076	(2,877)
Diluted Earnings Per Share 2015	(264,130)	91,813,076	(2,877)

	2015	2014
	HUF million	**HUF million**
Net profit attributable to ordinary shareholders	(256,554)	4,078
Coupon payment to holders of capital securities of Magnolia (-)	(7,576)	(7,577)
Net profit attributable to ordinary shareholders for basic earnings per share	**(264,130)**	**(3,499)**
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	**(264,130)**	**(3,499)**

	2015	2014
	HUF million	**HUF million**
Weighted average number of ordinary shares for basic earnings per share	91,813,076	90,653,661
Effect of dilution – Weighted average number of conversion of perpetual exchangeable securities	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	**91,813,076**	**90,653,661**

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 2015 the Net Debt / EBITDA was at 0.73 level while the Net Gearing was 20.6%.

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 control market and credit risks, risk limits (VaR limits, counterparty limits, total commitment limit) 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 MANAGEMENT

MOL Group as an integrated oil and gas company is exposed to commodity price risk on both the purchasing side and the sales side. The main commodity risks stem from long crude oil position to the extent of its Group level production, long refinery margin position to the extent of the refined product volumes and long petrochemical margin position.

MOL can enter into hedging transactions for the above mentioned Corporate Level Objectives and Business Unit Objectives purposes only.

In 2015 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 2015 the fair value of open commodity derivative transactions designated as fair value hedge was receivable of HUF 9,991 million and payable of HUF 2,636 million (see Note 33). The fair value of accompanying firm commitments as hedged items under commodity derivative transaction designated as fair value hedges was a net payable of HUF 7,355 million.

In 2014 and 2015 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 2015 the fair value of open transactions designated as cash-flow hedge was a receivable of HUF 809 million with respect to crude oil swap (see Note 33) and a payable of HUF 1,416 million with respect to diesel swap (see Note 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 2015 the fair value of open commodity derivative transactions not designated as hedges was receivable of HUF 14,367 million and payable of HUF 11,186 million (see Note 33).

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 uses cross currency swaps and foreign exchange derivatives to hedge the foreign exchange exposures. As of 31 December 2015 and 2014 there were no open cross currency transactions. The fair value of foreign exchange options was net receivable of HUF 297 million as of 31 December 2015. There were no foreign exchange options in 2014. The Group decided to hedge the exposure to variability in cash flows that is attributable to the foreign exchange risk associated with one of the issued debt (Eurobond 2017), and also hedge the foreign exchange risk arising on the USD denominated net investments in foreign operations, with EUR/USD foreign exchange forwards. As of 31 December 2015 the fair value of foreign exchange forward transactions designated as hedging instrument in the above mentioned hedges was payable of HUF 6,723 million (see Note 33).

The Group has two long-term international gas transit agreements (expiring in 2017 and 2023) 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 3,212 million (HUF 2,602 million net of deferred tax) as of 31 December 2015 (see Note 21). The corresponding figure as of 31 December 2014 was HUF 1,710 million net payable (HUF 1,385 million net of deferred tax). The decrease in the fair value of this instrument has been recognized in other comprehensive income.

INA has certain long-term contract 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 13 million as of 31 December 2015 (see Note 33). The corresponding figure was HUF 577 million payable as of 31 December 2014.

As of 31 December 2015 the fair value of open foreign exchange forward transactions not designated in any hedge program was a net payable of HUF 7 million (see Note 33), while as of 2014 there were no open foreign exchange forward transactions.

During 2014 the Group acquired Euro denominated sovereign securities in the notional amount of HUF 207,658 million. The transactions are in line with the risk management policy of the Group as significant part of the securities had maturity date in 2015 providing natural hedge for the EUR 750 million fixed rate bond matured in October 2015 (see Note 19 for details on Long-term debt). The Group held securities of HUF 62,205 million as part of natural hedge of liabilities as of 31 December 2015 (see Note 33).

HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

Certain facilities of the Group's long-term debt (USD 522 million and EUR 478 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 12,708 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.

The Group designated forward contracts (notional of USD 357 million) as well to hedge the foreign exchange risk arising on the USD denominated net investments in foreign operations (see Foreign Currency Risk Management section). Fair valuation losses of HUF 2,100 million were 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 maturity in 2015 the fixed portion of the total debt decreased significantly.

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 2015 and 2014, 58.2% and 63.7% of the Group's debt was at fixed rates respectively.

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 CCS-BASED* (CURRENT COST OF SUPPLY) OPERATING PROFIT

	2015	2014
	HUF billion	**HUF billion**
Brent crude oil price (change by +/- 10 USD/bbl ; with fixed crack spreads and petrochemical margin)		
Upstream	+32.2 / -31.6	+23.9 / -25.0
Downstream	-26.0 / +26.0	-19.0 / +19.0
Gas Midstream	+2.6 / -2.6	+1.6 / -1.6
Exchange rates (change by +/- 15 HUF/USD; with fixed crack spreads)		
Upstream	-0.2 / +0.3	+20.2 / -20.2
Downstream	+17.8 / -17.8	+6.1 / -6.1
Gas Midstream	+1.5 / -1.5	+1.6 / -1.6
Exchange rates (change by +/- 15 HUF/EUR; with fixed crack spreads / targeted petrochemical margin)		
Upstream	+1.3 / -1.3	+0.2 / -0.1
Downstream	+26.8 / -26.8	+25.3 / -25.3
Refinery margin (change by +/- 1 USD/bbl)		
Downstream	+31.7 / -31.7	+26.8 / -26.8
Integrated petrochemical margin (change by +/- 10 EUR/t)		
Downstream	+3.1 / -3.1	+2.4 / -2.4

*CCS-based operating profit and its 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 pre-defined 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 2015 consists of the following:

	HUF million
Long-term loan facilities available (general corporate purpose)	869,393
Short-term facilities available	114,239
Total loan facilities available	**983,632**

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 2015 and 2014 based on contractual undiscounted payments.

31 DECEMBER 2015	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			728	1,476	1,880	**4,084**
Floating rate long-term bank loans		3,294	12,743	64,986	10,046	**91,069**
Floating-rate other long-term loans						**-**
Floating-rate short-term bank loans		102,778	76,214			**178,992**
Floating-rate other short-term loans						**-**
Fixed rate bonds			22,754	418,823		**441,577**
Other						**-**
Non-interest bearing long-term liabilities				1,133	620	**1,753**
Transferred "A" shares with put and call options attached (see Note 22 and 33)			164,526			**164,526**
Maximum exposure under financial guarantees	91					**91**
Derivative liabilities		885	14,564	14,773		**30,222**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	**50,915**	**243,914**	**195,587**			**490,416**
Total	**51,006**	**350,871**	**487,116**	**501,191**	**12,546**	**1,402,730**

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)			171,042			**171,042**
Maximum exposure under financial guarantees	107					**107**
Derivative liabilities		181	21,485	6,381		**28,047**
Trade and other payables (excluding Transferred "A" shares with put and call options attached and taxes and contributions)	**61,377**	**311,774**	**201,687**			**574,838**
Total	**61,484**	**414,225**	**845,226**	**562,200**	**21,719**	**1,904,855**

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 2015 and 2014

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

	2015	2014
	HUF million	**HUF million**
Long-term debt	461,681	455,039
Short-term debt	205,981	507,116
Less: Cash and cash equivalents and securities	195,361	426,210
Net debt	**472,301**	**535,945**
Equity attributable to equity holders of the parent	1,456,769	1,749,745
Non-controlling interest	364,349	445,993
Total equity	**1,821,118**	**2,195,738**
Capital and net debt	**2,293,419**	**2,731,683**
Gearing ratio (%)	**20.6%**	**19.6%**

33. FINANCIAL INSTRUMENTS

Financial instruments in the statement of financial position 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 primarily EUR-denominated sovereign securities in both periods.

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

IN HUF MILLION		CARRYING AMOUNT					CARRYING AMOUNT TOTAL	FAIR VALUE TOTAL
FINANCIAL ASSETS	REF. TO NOTES	HELD FOR TRADING	DERIVATIVES USED FOR HEDGING	HELD TO MATURITY INVEST-MENTS	LOANS AND RECEIVA-BLES	AVAILABLE FOR SALE		
		FVTPL	hedge acc.	amor-tised cost	amor-tised cost	FVTOCI		
2015								
Equity investments	Note 11					28,103	**28,103**	**28,103**
Securities		62,205				942	**63,147**	**63,147**
Cash and cash equivalents	Note 16				132,214		**132,214**	**132,214**
Derivatives not designated as hedging instruments	Note 15	14,793					**14,793**	**14,793**
Commodity derivatives		14,367					**14,367**	**14,367**
Foreign exchange derivatives		334					**334**	**334**
Other derivatives		92					**92**	**92**
Derivatives designated as hedges	Note 15		10,800				**10,800**	**10,800**
Commodity derivatives designated in fair value hedges			9,991				**9,991**	**9,991**
Commodity derivatives designated in cash-flow hedges	Note 32		809				**809**	**809**
Trade receivables	Note 14				378,749		**378,749**	**378,749**
Loans given	Note 12,15				12,876		**12,876**	**12,876**
Long-term bank deposits	Note 12						**-**	**-**
Other current assets*	Note 15				36,522		**36,522**	**36,522**

*(excl. items that are not financial instruments)

IN HUF MILLION FINANCIAL ASSETS	REF. TO NOTES	CARRYING AMOUNT					CARRYING AMOUNT TOTAL	FAIR VALUE TOTAL
		HELD FOR TRADING	DERIVATIVES USED FOR HEDGING	HELD TO MATURITY INVEST-MENTS	LOANS AND RECEIVA-BLES	AVAILABLE FOR SALE		
		FVTPL	hedge acc.	amor-tised cost	amor-tised cost	FVTOCI		
2014								
Equity investments	Note 11					20,796	**20,796**	**20,796**
Securities		222,467					**222,467**	**222,467**
Cash and cash equivalents	Note 16				203,743		**203,743**	**203,743**
Derivatives not designated as hedging instruments	Note 15	91					**91**	**91**
Commodity derivatives							-	-
Foreign exchange derivatives							-	-
Other derivatives		91					**91**	**91**
Derivatives designated as hedges	Note 15		19,867				**19,867**	**19,867**
Commodity derivatives designated in fair value hedges							-	-
Commodity derivatives designated in cash-flow hedges	Note 32		19,867				**19,867**	**19,867**
Trade receivables	Note 14				450,985		**450,985**	**450,985**
Loans given	Note 12,15				13,569		**13,569**	**13,569**
Long-term bank deposits	Note 12				31,489		**31,489**	**31,489**
Other current assets*	Note 15				48,311		**48,311**	**48,311**

*(excl. items that are not financial instruments)

IN HUF MILLION FINANCIAL LIABILITIES	REF. TO NOTES	CARRYING AMOUNT			CARRYING AMOUNT TOTAL	FAIR VALUE TOTAL
		HELD FOR TRADING	DERIVATIVES USED FOR HEDGING	LIABILITIES AT AMORTISED COST		
		FVTPL	hedge acc.	amortised cost		
2015						
Derivatives not designated as hedging instruments	Note 22	16,222			**16,222**	**16,222**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	Note 17,21				**0**	**0**
MOL-OTP share swap	Note 17	4,637			**4,637**	**4,637**
Commodity derivatives		11,186			**11,186**	**11,186**
Foreign exchange derivatives		7			**7**	**7**
Other derivatives		392			**392**	**392**
Derivatives designated as hedges	Note 22		14,000		**14,000**	**14,000**
Commodity derivatives designated in fair value hedges	Note 32		2,636		**2,636**	**2,636**
Commodity derivatives designated in cash-flow hedges	Note 32		1,416		**1,416**	**1,416**
Foreign exchange derivatives designated in fair value hedges	Note 32		13		**13**	**13**
Foreign exchange derivatives designated in cash-flow and net investment hedges (EUROBOND)	Note 32		6,723		**6,723**	**6,723**
Foreign exchange derivatives designated in cash-flow hedges	Note 21		3,212		**3,212**	**3,212**
Interest-bearing loans and borrowings	Note 19,23			655,955	**655,955**	**655,955**
Non-interest bearing long-term liabilities	Note 19			11,707	**11,707**	**11,707**
Transferred "A" shares with put and call options attached	Note 22			164,526	**164,526**	**164,526**
Trade and other payables*	Note 22			490,416	**490,416**	**490,416**

*(excl. items that are not financial instruments

IN HUF MILLION FINANCIAL LIABILITIES	REF. TO NOTES	CARRYING AMOUNT			CARRYING AMOUNT TOTAL	FAIR VALUE TOTAL
		HELD FOR TRADING	DERIVATIVES USED FOR HEDGING	LIABILITIES AT AMORTISED COST		
		FVTPL	hedge acc.	amortised cost		
2014						
Derivatives not designated as hedging instruments	Note 22	5,716			**5,716**	**5,716**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	Note 17,21	2,431			**2,431**	**2,431**
MOL-OTP share swap	Note 17	1,401			**1,401**	**1,401**
Commodity derivatives		1,491			**1,491**	**1,491**
Foreign exchange derivatives					**-**	**-**
Other derivatives		393			**393**	**393**
Derivatives designated as hedges	Note 22		22,331		**22,331**	**22,331**
Commodity derivatives designated in fair value hedges	Note 32		1,990		**1,990**	**1,990**
Commodity derivatives designated in cash-flow hedges	Note 32		18,054		**18,054**	**18,054**
Foreign exchange derivatives designated in fair value hedges	Note 32		577		**577**	**577**
Foreign exchange derivatives designated in cash-flow hedges	Note 21		1,710		**1,710**	**1,710**
Interest-bearing loans and borrowings	Note 19,23			958,927	**958,927**	**958,927**
Non-interest bearing long-term liabilities	Note 19			3,227	**3,227**	**3,227**
Transferred "A" shares with put and call options attached	Note 22			171,042	**171,042**	**171,042**
Trade and other payables*	Note 22			574,838	**574,838**	**574,838**

*(excl. items that are not financial instruments

The Group has classified its financial instruments carried at fair value into a three levels hierarchy. Based on the inputs used for the valuation, the fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The explanation of each level follows underneath the tables.

2015	REF. TO NOTES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		HUF million	HUF million	HUF million	HUF million
Financial assets					
Financial assets at FVTPL					
Securities			63,147		**63,147**
Derivatives not designated as hedging instruments	Note 15		14,793		**14,793**
Commodity derivatives			14,367		**14,367**
Foreign exchange derivatives			334		**334**
Other derivatives			92		**92**
Derivatives used for hedging					
Derivatives designated as hedges	Note 15		10,800		**10,800**
Commodity derivatives designated in fair value hedges			9,991		**9,991**
Commodity derivatives designated in cash-flow hedges	Note 32		809		**809**
Available-for-sale financial assets					
Equity investments	Note 11	21,835	6,268		**28,103**
Quoted equity shares – Jadranski Naftovod d.d.		21,835			**21,835**
Unquoted equity shares			6,268		**6,268**
Financial liabilities					
Financial liabilities at FVTPL					
Derivatives not designated as hedging instruments	Note 22		16,222		**16,222**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	Note 17,21				**-**
MOL-OTP share swap	Note 17		4,637		**4,637**
Commodity derivatives			11,186		**11,186**
Foreign exchange derivatives			7		**7**
Other derivatives			392		**392**
Derivatives used for hedging					
Derivatives designated as hedges	Note 22		14,000		**14,000**
Commodity derivatives designated in fair value hedges	Note 32		2,636		**2,636**
Commodity derivatives designated in cash-flow hedges	Note 32		1,416		**1,416**
Foreign exchange derivatives designated in fair value hedges	Note 32		13		**13**
Foreign exchange derivatives designated in cash-flow and net investment hedges (EUROBOND)	Note 32		6,723		**6,723**
Foreign exchange derivatives designated in cash-flow hedges	Note 21		3,212		**3,212**

2014	REF. TO NOTES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		HUF million	HUF million	HUF million	HUF million
Financial assets					
Financial assets at FVTPL					
Securities			222,467		**222,467**
Derivatives not designated as hedging instruments	Note 15		91		**91**
Commodity derivatives					**-**
Foreign exchange derivatives					**-**
Other derivatives			91		**91**
Derivatives used for hedging					
Derivatives designated as hedges	Note 15		19,867		**19,867**
Commodity derivatives designated in fair value hedges					**-**
Commodity derivatives designated in cash-flow hedges	Note 32		19,867		**19,867**
Available-for-sale financial assets					
Equity investments	Note 11	17,021	3,775		**20,796**
Quoted equity shares – Jadranski Naftovod d.d.		17,021			**17,021**
Unquoted equity shares			3,775		**3,775**
Financial liabilities					
Financial liabilities at FVTPL					
Derivatives not designated as hedging instruments	Note 22		5,716		**5,716**
Conversion option of exchangeable capital securities by Magnolia Finance Ltd.	Note 17,21		2,431		**2,431**
MOL-OTP share swap	Note 17		1,401		**1,401**
Commodity derivatives			1,491		**1,491**
Foreign exchange derivatives					**-**
Other derivatives			393		**393**
Derivatives used for hedging					
Derivatives designated as hedges	Note 22		22,331		**22,331**
Commodity derivatives designated in fair value hedges	Note 32		1,990		**1,990**
Commodity derivatives designated in cash-flow hedges	Note 32		18,054		**18,054**
Foreign exchange derivatives designated in fair value hedges	Note 32		577		**577**
Foreign exchange derivatives designated in cash-flow hedges	Note 21		1,710		**1,710**

The Group uses the following categories when it classifies and values the financial instruments carried at fair value according to the fair value hierarchy.

- 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 2015
- 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 which are based 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.

34. COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES

The total value of guarantees undertaken to parties outside the Group is HUF 91 million.

CAPITAL AND CONTRACTUAL COMMITMENTS

The total value of capital commitments as of 31 December 2015 is HUF 37,139 million, from which HUF 12,116 million relates to capital and contractual commitments of INA and HUF 16,133 million relates to MOL Plc. Other significant amounts relate to the construction of the new petrochemical plants of Slovnaft and MOL Petrolkémia Zrt. (HUF 1,916 million and HUF 4,776 million, respectively).

GAS PURCHASES OBLIGATION, TAKE OR PAY CONTRACT

From 1 November 2015 INA d.d. has concluded a flexible natural gas sales agreement with MET International A.G. until 1 April 2017. On 31 December 2015 the value of future liabilities until the termination of the contract was HRK 99 million.

OPERATING LEASES

Operating lease liabilities are as follows:

	2015	2014
	HUF million	HUF million
Due not later than 1 year	5,605	6,481
Due two to five years	84,211	10,832
Due over five years	2,964	2,671
Total	**92,780**	**19,984**

Out of the outstanding operating lease liabilities as of 31 December 2015 HUF 70,511 million were contracted by MOL Growest I. Ltd., HUF 9,888 million by Slovnaft, HUF 3,956 million by INA and HUF 3,446 million by MOL.

AUTHORITY PROCEDURES, LITIGATION

General

None of the litigations described below 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 31,148 million for which HUF 25,218 million provision has been made.

Proceedings with respect to MOL Plc.

CREDITOR procedures

CREDITOR GAMA s.r.o. has submitted a compensation claim against MOL Plc. in connection with the acquisition of SLOVNAFT a.s. shares by MOL in the amount of cca. SKK 380 million (EUR 12.6 million) plus delay interest 14.75% p.a from 28 November 2007. The claim was dismissed by the court on first instance. The claimant has filed an appeal.

CREDITOR BETA s.r.o. 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 delivered an interim judgement, MOL has filed an appeal against it.

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 decision adopted stated that the companies harmonized their commercial activities on the European 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. Several former paraffin customers claimed their private damages before an English (2010) and a Dutch (2012) court. The cartelists have decided to make a settlement offer. In 2013 MOL procured payment of the settlement sum. The English 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 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.

In 2014, the GoC filed preliminary jurisdictional objections and an alternative request but it has been rejected by the Tribunal which for MOL opened the possibility of submitting its detailed Statement of Claim on 14 August 2015.

UNCITRAL arbitration (Croatia vs. MOL)

On 17 January 2014, the Government of Croatia (the "GoC") commenced this arbitration by alleging 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. MOL filed its Response in which it denied all claims put forward by the GoC and requested that the Tribunal dismiss all Claimant's claims. The GoC's representatives have submitted their Statement of Claim request in this same arbitration to which MOL responded with its detailed Statement of Defense. The Government responded with its Reply in 2015 while MOL answered to the newly raised allegations with its Rejoinder."

Hearings of the Permanent Court of Arbitration panel were held in 2015 with factual witnesses, experts and closing presentations from both sides.

Hungarian Horizon Energy Ltd – MOL arbitration

HHE initiated arbitration proceedings against MOL for the breach of the Joint Operating Agreement. HHE sent statement of claim on 25 November 2015. Statement of Defense is submitted. Final decision is awaited around late 2016/early 2017. HHE has not yet quantified its damages claim. Such claims will be quantified during the arbitration process by HHE once certain preliminary questions are clarified.

CEOC-MOL arbitration

MOL has received three notices of arbitration from CEOC Ltd. in relation to three Field Re-development Framework Agreements on 7 May 2015 CEOC submitted its detailed Statement of Claim in late November 2015 claiming USD ~47million. MOL submitted its complete Statement of Defense on 26 February 2015. The court hearings are scheduled for October 2016. Final decision is awaited around late 2016.

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 outcome of the procedure is still uncertain due to the complexity of the legal matter (claims for altered default interest). The Supreme Court has not decided on review to this date, so no legal actions were taken in 2015.

GWDF

In the dispute initiated by GWDF Partnership Gesellschaft Bürgerlicher Rechts and GWDF Limited, Cyprus against INA-INDUSTRIJA NAFTE d.d. and INA-NAFTAPLIN International Exploration, Channel Islands, before the Commercial Court in Zagreb, the plaintiffs claim compensation for damage in the amount of cca EUR 8 million incurred due to ungrounded termination of negotiations. The outcome of the case is at the moment completely uncertain. Last hearing was held on 27 January 2016 on which the main hearing has been closed and the judgment will be rendered on 10 March 2016.

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

SALBATRING ENERGIJA, Međunarodna trgovina, d.o.o. ("SALBATRING") initiated the arbitration procedure. INA received Salbatring's full Statement of Claim on 20 June 2015 by which Salbatring is claiming the amount of USD 27,950,385 plus the interest and costs. INA submitted its Statement of Defence in November 2015 and arbitration procedure is now in documents production phase.

EKOMEDIA d.o.o.

In September 2012 INA entered into an agreement with company Ekomedia d.o.o. ("Ekomedia"). Ekomedia failed to regularly comply with its obligations. INA terminated the agreement with Ekomedia at the beginning of 2014. On 19 December 2014 Ekomedia filed lawsuit against INA. INA filed its official reply to such Ekomedia's lawsuit and filed a counterclaim for the return of unjust enrichment and asked for the issuance of interim measure for prohibition of use of advertising boards.

CONCESSIONS

On 29 July 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". On 29 August 2011, INA filed three administrative lawsuits against the Ministry's Decisions. The Administrative Court annulled the Ministry's Decisions. On 10 November 2014, and on 20 February 2015 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" and "Drava", with the same explanations. INA filed lawsuits against new Ministry Decisions but till now, the Administrative court did not reach any decision regarding INA's new lawsuits.

R.I.G.-TEHNIČKI SERVISI GRUPA d.o.o. c/a CROSCO

R.I.G.-TEHNIČKI SERVISI GRUPA d.o.o. initiated lawsuit against CROSCO, naftni servisi d.o.o. (member of the INA Group, INA is a 100% shareholder) over a value equalling HRK 81,775,674 (cca EUR 10,500,000) with the interest running from 10 March 2010, for damages caused by non-payment of extra and unforeseen works and, to a minor extent, for damages due to loss of computer equipment (cca HRK 520,400/EUR 67,000 with the default interest). The last hearing was held on 27 March 2015. Hearing was postponed, due to the fact that Assembly of creditors (RIG bankruptcy procedure) was scheduled (9 April 2015).

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

In 2012 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. MOL Romania has been fined with RON 80.3 million (i.e. approximately EUR 18.5 million). 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.

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. MOL Romania has also submitted an unconstitutionally exception, which was judged on 23 February 2016 and the court's decision was postponed until 3 March 2016.

In case the legal provision is declared unconstitutional, MOL will have the possibility to submit an annulment complaint against the Decision in the First Court. In case of admittance the whole trial will restart. On 1 July 2015 the High court of Justice partially admitted the recourse in the sense of reducing the fine with 25%. The Decision is definitive.

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 79,218 million for the estimated cost as at 31 December 2015 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 MOL Petrolkémia Zrt. 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 MOL Petrolkémia Zrt. 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 MOL Petrolkémia Zrt. and MOL to jointly perform this plan in order to manage the underground water contamination. The total amount of liabilities 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 2015, on Group level the aggregate amount of environmental liabilities recorded on the statement of financial position was HUF 38.4 billion (HUF 37.7 billion at 31 December 2014).

35. EVENTS AFTER THE REPORTING PERIOD

MOL Plc. announced, that with the effective date of the 20 March 2016 MOL terminates the Swap Agreement concluded between MOL and Magnolia Ltd. ("Magnolia") on the 20 March 2006 and exercises its call option right to purchase 6,007,479 pieces of MOL series "A" ordinary shares at market price set out in the agreement. Magnolia has decided to redeem its perpetual capital securities exchangeable for ordinary shares of MOL at the principal value of EUR 610 million with the effective date of the 20 March 2016.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH-FLOWS

CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING AT 31 DECEMBER

	2015	2014
	HUF million	HUF million
Cash and cash equivalents according to Statement of financial position	132,214	203,743
Cash and cash equivalents as part of Disposal Group	-	-
Total Cash and cash equivalents	**132,214**	**203,743**

ANALYSIS OF NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES, JOINT VENTURES AS BUSINESS COMBINATION

	2015	2014
	HUF million	HUF million
Cash consideration	(50,194)	(14,850)
Cash at bank or on hand acquired	3,122	1,942
Net cash outflow on acquisition of subsidiaries, joint ventures	**(47,072)**	**(12,908)**

NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES AS ASSET-DEALS

	2015	2014
	HUF million	HUF million
Cash consideration	(30,244)	(121,466)
Total	**(30,244)**	**(121,466)**

37. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH ASSOCIATED COMPANIES IN THE NORMAL COURSE OF BUSINESS

	2015	2014
	HUF million	HUF million
Trade and other receivables due from related parties	8,545	9,365
Trade and other payables due to related parties	13,963	16,070
Net sales to related parties	24,435	25,362

The Group purchased and sold goods and services with related parties during the ordinary course of business in 2015 and 2014. 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 125 million and HUF 139 million in 2015 and 2014, 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 116 million in 2015 and HUF 98 million in 2014.

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

	2015	2014
	Number of shares	Number of shares
Board of Directors	243,894	232,971
Senior Management (except executive Board members)	119,508	119,508
Supervisory Board	39,588	39,588
Total	**402,990**	**392,067**

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 OT Industries member entities. No transactions out of the usual conduct of business have been concluded with OTP and OT Industries in 2015 or 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 2015 and 2014 amounted to HUF 4,888 million and HUF 4,673 million respectively and provided services HUF 19 million in 2015, carried out on usual commercial terms and market prices and purchased goods from this company in amount of HUF 11 million and HUF 33 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 2015 and 2014, respectively and purchased goods from this company in amount of HUF 2 million and HUF 2 million in 2015 and 2014, 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 49 million and HUF 47 million in 2015 and 2014, respectively. Slovnaft Group has sold products and goods to Ruzicka Csekes s.r.o for HUF 1 million in 2014. Additionally, Mr. Oszkár Világi has controlling influence in ADC Media a.s. and BOKADA a.s. companies. ADC MEDIA a.s. provided services to the Group in amount of HUF 23 million and BOKADA a.s. in amount of HUF 2 million in 2015.

Mr. Parragh László is the member of the Supervisory Board of MKB Bank. The MKB Bank manages bank accounts of MOL Plc and some of its subsidiaries. No transactions out of the usual conduct of business have been concluded with MKB in 2015 or 2014. All of these transactions are on an arm's-length basis. Furthermore Mr Parragh is the member of the Supervisory Boards of Magyar Export-Import Bank Zrt. (Eximbank) and Magyar Exporthitel Biztosító Zrt (MEHIB). Loan agreements of MOL Petrolkémia Zrt. in the amount of EUR 20 million are contracted based on the refinancing on Eximbank while MEHIB provides credit insurance for MOL Petrolkémia Zrt. and MOL-LUB Kft. The insurance fee paid by these two companies amounted to HUF 20 million in 2015.

KEY MANAGEMENT COMPENSATION

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

	2015	2014
	HUF million	HUF million
Salaries and other short-term employee benefits	1,844	1,813
Other long-term benefits	187	203
Share-based payments	184	173
Total	**2,215**	**2,189**

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:

	2015	2014
	HUF million	HUF million
Expense arising from equity-settled share-based payment transactions	188	203
Expense / (reversal of expense) arising from cash-settled share-based payment transactions	1,010	279
Total expense / (reversal of expense) arising from share-based payment transactions (see Note 26)	**1,198**	**482**

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 31 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 2015	WEIGHTED AVERAGE EXERCISE PRICE 2015	NUMBER OF SHARES IN CONVERSION OPTION UNITS 2014	WEIGHTED AVERAGE EXERCISE PRICE 2014
	share	**HUF/share**	**share**	**HUF/share**
Outstanding at the beginning of the year	479,458	18,373	521,404	18,412
Granted during the year	213,973	12,209	119,422	14,984
Forfeited during the year	(15,520)	18,543	(48,685)	19,156
Exercised during the year	-	-	-	-
Expired during the year	(111,727)	22,839	(112,683)	18,481
Outstanding at the end of the year	**566,184**	**15,374**	**479,458**	**18,373**
Exercisable at the end of the year	259,574	17,808	236,643	20,289

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 2015 expenses amounted to HUF 780 million (HUF 687 million revenue from reversal in 2014). Liabilities in respect of share-based payment plans amounted to HUF 885 million as at 31 December 2015 (31 December 2014: HUF 105 million), recorded in Other non-current liabilities and Other current liabilities.

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

	2015	2014
Weighted average exercise price (HUF / share)	15,374	18,373
Share price as of 31 December (HUF / share)	14,255	11,545
Expected volatility based on historical data	24.91%	28.57%
Expected dividend yield	4.03%	5.65%
Estimated maturity (years)	2.58	2.48
Risk free interest rate	1.78%	2.37%

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.

Expenses arising from the Performance Share Plan program amounted to HUF 230 million in 2015 (HUF 966 million in 2014). Liabilities in respect of the Performance Share Plan program amounted to HUF 1,194 million as at 31 December 2015 (31 December 2014: HUF 966 million) recorded in Other non-current liabilities and Other current liabilities.

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 2015 and 2014 with respect of the share scheme programme, HUF 188 million and HUF 203 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:

	2015	2014
Number of shares vested	12,300	11,462
Share price at the date of grant (HUF / share)	11,313	14,488

APPENDIX I.: 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:

The principal effects of these changes are as follows:

- IFRS 7 Financial Instruments: Disclosures – Amendment requiring disclosures about initial application of IFRS 9 (effective from application of IFRS 9, this amendment has not been approved by EU yet)
- IFRS 7 Financial Instruments: Disclosures – Amendment requiring additional hedge accounting discloJsures related to application of IFRS 9 (effective from application of IFRS 9, this amendJment has not been approved by EU yet)
- IFRS 9 Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018, this standard has not been approved by EU yet)
- IFRS 10 Consolidated Financial Statements – Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date is not defined, this amendment has not been approved by EU yet)
- IFRS 10 Consolidated Financial Statements – Amendment regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016, this amendment has not been approved by EU yet)
- IFRS 11 Joint Arrangements – Amendment regarding the accounting for acquisitions of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016)
- IFRS 12 Disclosure of Interests in Other Entities – Amendment regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016, this amendment has not been approved by EU yet)
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016, this standard has not been approved by EU yet)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018, this standard has not been approved by EU yet)
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019, this standard has not been approved by EU yet)
- IAS 1 Presentation of Financial Statements – Amendment resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2016)
- IAS 7 Statement of cash flows – Amendment resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2017, this amendment has not been approved by EU yet)
- IAS 12 Income taxes – Amendments regarding the recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017, this amendment has not been approved by EU yet)
- IAS 16 Property, Plant and Equipment – Amendment regarding the clarification of acceptable method of depreciation and amortization (effective for annual periods beginning on or after 1 January 2016)
- IAS 16 Property, Plant and Equipment – Amendment bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)
- IAS 27 Separate Financial Statements – Amendment reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for annual periods beginning on or after 1 January 2016)
- IAS 28 Investments in Associates and Joint Ventures – Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date is not defined, this amendment has not been approved by EU yet)
- IAS 28 Investments in Associates and Joint Ventures – Amendment regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016, this amendment has not been approved by EU yet)
- IAS 38 Intangible Assets – Amendment regarding the clarification of acceptable method of depreciation and amortization (effective for annual periods beginning on or after 1 January 2016)
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment defines exceptions to appliJcation of IFRS 9 for hedge accounting (effective from application of IFRS 9, this amendment has not been approved by EU yet)
- IAS 41 Agriculture – Amendment bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)
- Annual improvements to IFRSs (issued in September 2014)

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 reduces categories of financial assets to those measured at amortized cost and those measured at fair value. The classification of financial instruments is made at initial recognition based on the results of business model test and cash flow characteristics test.

IFRS 9 contains an option to designate a financial asset as measured at fair value through statement of profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The entity can make an irrevocable election at initial recognition to measure equity investments, which are not held for trading, at fair value through other comprehensive income with only dividend income recognized in statement of profit or loss. The standard introduces 'expected credit loss' impairment model for financial assets. IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. It is expected that the adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and liabilities, and on hedge accounting.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 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 2018, 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.

IFRS 16 LEASES

In January 2016, the IASB issued the new standard for reporting of leases – IFRS 16 Leases, which replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

In the case of the lessee, the new standard provides a single accounting model, and require recognition of assets and liabilities for all leases. Exceptions are leases contracted for less than 1 year, and leases with low value underlying assets. This removes the present distinction between finance and operative leases for lessee. Lessors continue to classify leases as operating or finance similarly to IAS 17. The Group is currently assessing the impact of IFRS 16 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.

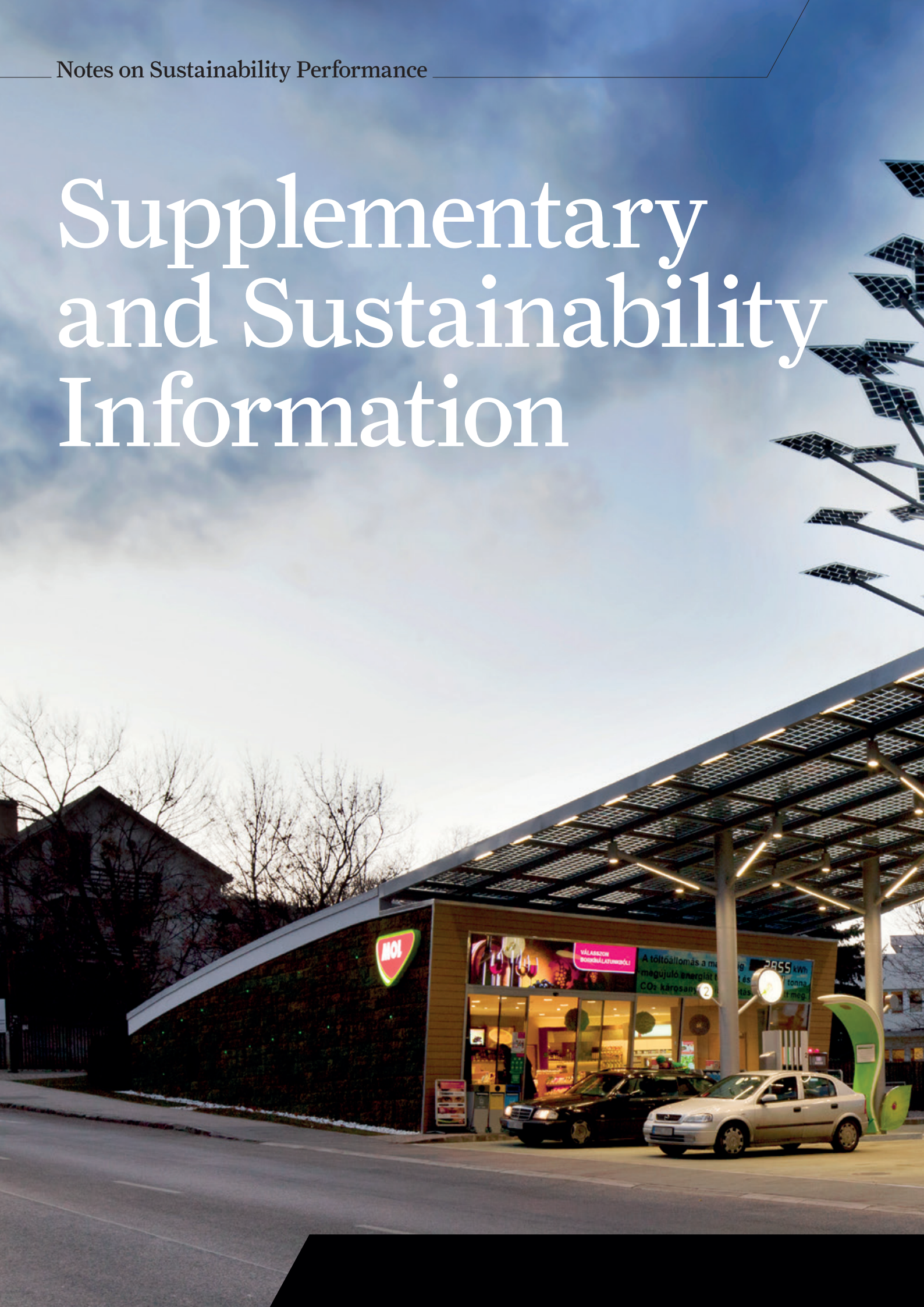
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016. As the members of Group are parties in several 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. 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.

Supplementary and Sustainability Information




MOL

HISTORICAL SUMMARY FINANCIAL INFORMATION (IFRS)

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

	2011 RESTATED	2011 RESTATED	2012	2012
	HUF millions	USD millions*	HUF millions	USD millions***
Net revenue and other operating income	**5,366,485**	**26,712**	**5,536,986**	**24,565**
Total operating expenses	5,113,303	25,452	5,331,691	23,654
Profit from operations	253,182	1,260	205,295	911
Profit for the year attributable to equity holders of the parent	**153,925**	**766**	**151,484**	**672**

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER

	2011 RESTATED	2011 RESTATED	2012	2012
	HUF millions	USD millions**	HUF millions	USD millions****
Non-current assets	3,367,070	13,989	3,170,278	14,352
Current assets	1,626,714	6,758	1,595,929	7,225
Total assets	**4,993,784**	**20,747**	**4,766,207**	**21,576**
Equity attributable to equity holders of the parent	1,652,438	6,865	1,699,116	7,692
Minority interest	591,203	2,456	547,205	2,477
Non-current liabilities	1,344,992	5,588	1,146,314	5,189
Current liabilities	1,405,151	5,838	1,373,572	6,218
Total equity and liabilities	**4,993,784**	**20,747**	**4,766,207**	**21,576**

CONSOLIDATED STETEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

	2011 RESTATED	2011 RESTATED	2012	2012
	HUF millions	USD millions*	HUF millions	USD millions***
Net cash provided by operating activities	**372,950**	**1,856**	**454,033**	**2,014**
Net cash provided by / (used in) investing activities	(198,709)	(989)	(298,509)	(1,324)
Net cash provided by / (used in) financing activities	(188,903)	(940)	(148,992)	(661)
(Decrease)/increase in cash and cash equivalents	**(14,662)**	**(73)**	**6,532**	**29**

* 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 NBH rate
******** 2014 year-end HUF/USD 259.13
********* 2015 average HUF/USD Each month in 2015 is translated on its actual monthly average HUF/USD NBH rate
********** 2015 year-end HUF/USD 286.6

2013	2013	2014	2014	2015	2015
HUF millions	USD millions*****	HUF millions	USD millions*******	HUF millions	USD millions********
5,476,113	**24,480**	**4,893,205**	**21,082**	**4,189,578**	**14,995**
5,494,741	24,563	4,853,125	20,859	4,405,576	15,727
(18,628)	(83)	40,080	223	(215,998)	(732)
21,442	**96**	**4,078**	**47**	**(256,554)**	**(886)**

2013	2013	2014	2014	2015	2015
HUF millions	USD millions******	HUF millions	USD millions********	HUF millions	USD millions**********
2,802,642	12,993	3,247,514	12,532	2,860,697	9,980
1,838,246	8,522	1,402,011	5,410	1,067,305	3,724
4,640,888	**21,515**	**4,649,525**	**17,942**	**3,928,002**	**13,704**
1,687,739	7,824	1,749,745	6,752	1,456,769	5,082
473,517	2,195	445,993	1,721	364,349	1,271
1,078,925	5,002	926,688	3,576	975,497	3,403
1,400,707	6,494	1,527,099	5,893	1,131,387	3,947
4,640,888	**21,515**	**4,649,525**	**17,942**	**3,928,002**	**13,704**

2013	2013	2014 RESTATED	2014 RESTATED	2015	2015
HUF millions	USD millions*****	HUF millions	USD millions*******	HUF millions	USD millions********
614,685	**2,748**	**434,528**	**1,863**	**592,184**	**2,108**
(124,994)	(559)	(558,459)	(2,400)	(218,299)	(799)
(239,251)	(1,070)	(257,036)	(1,146)	(444,732)	(1,566)
250,440	**1,120**	**(380,967)**	**(1,572)**	**(70,847)**	**260**

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, 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
Hungary as of December 31, 2014	8,268.5	43.3	3,781.9	28.6	71.9
Revision of previous estimates	1,017.4	7.8	193.2	1.9	9.8
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,597.2)	(9.3)	(706.5)	(5.3)	(14.7)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2015	**7,688.6**	**41.8**	**3,268.6**	**25.1**	**67.0**
Croatia					
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
Croatia as of December 31, 2014	11,841.7	77.2	9,721.9	72.3	149.5
Revision of previous estimates	(273.2)	(1.4)	92.0	0.7	(0.7)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,335.0)	(8.3)	(614.0)	(4.6)	(12.9)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Croatia as of December 31, 2015	**10,233.5**	**67.5**	**9,199.9**	**68.5**	**136.0**
U.K. (North Sea)					
U.K. (North Sea) as of December 31, 2013	0.0	0.0	0.0	0.0	0.0
U.K. (North Sea) as of December 31, 2014	113.3	0.7	1,920.7	15.5	16.2
Revision of previous estimates	72.0	0.4	(418.0)	(4.5)	(4.1)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(105.3)	(0.6)	(142.3)	(1.2)	(1.8)
Purchase/sale of minerals in place	2.5	0.0	590.8	4.3	4.3
U.K. (North Sea) as of December 31, 2015	**82.4**	**0.5**	**1,951.2**	**14.1**	**14.6**
KRI*					
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
KRI as of December 31, 2014	0.0	0.0	1,791.4	12.0	12.0
Revision of previous estimates	0.0	0.0	23.1	0.2	0.2
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(196.6)	(1.3)	(1.3)
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**	**1,617.8**	**10.8**	**10.8**

PROVED RESERVES (1P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
Russia					
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
Russia as of December 31, 2014	0.0	0.0	6,466.5	45.5	45.5
Revision of previous estimates	0.0	0.0	29.7	0.2	0.2
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(343.1)	(2.4)	(2.4)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Russia as of December 31, 2015	**0.0**	**0.0**	**6,153.1**	**43.2**	**43.2**
Pakistan					
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
Pakistan as of December 31, 2014	390.1	2.6	180.7	1.4	4.0
Revision of previous estimates	142.8	1.0	28.7	0.2	1.3
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(240.2)	(1.6)	(112.5)	(0.9)	(2.5)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Pakistan as of December 31, 2015	**292.7**	**2.0**	**96.9**	**0.7**	**2.8**
Kazakhstan					
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
Kazakhstan as of December 31, 2014	4,962.0	29.2	1,973.1	15.7	44.9
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	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, 2015	**4,962.0**	**29.2**	**1,973.1**	**15.7**	**44.9**
Syria, Egypt and Angola					
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
Syria, Egypt and Angola as of December 31, 2014	2,750.1	16.2	1,123.3	9.3	25.5
Revision of previous estimates	0.0	0.0	90.1	0.7	0.7
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(160.4)	(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, 2015	**2,750.1**	**16.2**	**1,053.0**	**8.8**	**25.0**

Consolidated Operating Performance Data

PROVED RESERVES (1P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
TOTAL MOL Group					
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**
TOTAL MOL Group as of December 31, 2014	**28,325.5**	**169.2**	**26,959.6**	**200.4**	**369.5**
Revision of previous estimates	959.0	7.9	38.8	(0.6)	7.4
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(3,277.7)	(19.9)	(2,275.5)	(16.9)	(36.8)
Purchase/sale of minerals in place	2.5	0.0	590.8	4.3	4.3
TOTAL MOL Group as of December 31, 2015	**26,009.2**	**157.2**	**25,313.7**	**187.0**	**344.3**
INA					
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**
INA as of December 31, 2014	**14,591.7**	**93.4**	**10,845.2**	**81.7**	**175.1**
Revision of previous estimates	(273.2	(1.4)	182.1	1.4	0.0
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,335.0)	(8.3)	(774.4)	(5.8)	(14.1)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
INA as of December 31, 2015	**12,983.6**	**83.7**	**10,252.9**	**77.3**	**161.0**

* 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					
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
Hungary as of December 31, 2014	14,261.4	75.2	6,388.1	48.3	123.5
Revision of previous estimates	882.0	8.3	(127.1)	(0.2)	8.1
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,597.2)	(9.3)	(706.5)	(5.3)	(14.7)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Hungary as of December 31, 2015	**13,546.2**	**74.2**	**5,554.5**	**42.8**	**116.9**
Croatia					
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
Croatia as of December 31, 2014	15,258.1	99.5	12,846.5	95.4	194.9
Revision of previous estimates	(1,658.5)	(10.0)	(68.8)	(0.5)	(10.5)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,335.0)	(8.3)	(614.0)	(4.6)	(12.9)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Croatia as of December 31, 2015	**12,264.7**	**81.2**	**12,163.7**	**90.3**	**171.5**

PROVED + PROBABLE RESERVES (2P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
U.K. (North Sea)					
U.K. (North Sea) as of December 31, 2013	0.0	0.0	0.0	0.0	0.0
U.K. (North Sea) as of December 31, 2014	188.9	1.1	3,602.5	29.3	30.4
Revision of previous estimates	84.3	0.5	(836.0)	(9.2)	(8.7)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(105.3)	(0.6)	(142.3)	(1.2)	(1.8)
Purchase/sale of minerals in place	11.8	0.1	785.6	5.7	5.8
U.K. (North Sea) as of December 31, 2015	**179.6**	**1.1**	**3,409.9**	**24.6**	**25.7**
KRI*					
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
KRI as of December 31, 2014	0.0	0.0	2,298.6	15.4	15.4
Revision of previous estimates	0.0	0.0	23.1	0.2	0.2
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(196.6)	(1.3)	(1.3)
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**	**2,125.0**	**14.2**	**14.2**
Russia					
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
Russia as of December 31, 2014	0.0	0.0	10,371.6	74.5	74.5
Revision of previous estimates	0.0	0.0	(22.0)	(0.2)	(0.2)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(343.1)	(2.4)	(2.4)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Russia as of December 31, 2015	**0.0**	**0.0**	**10,006.4**	**71.9**	**71.9**
Pakistan					
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
Pakistan as of December 31, 2014	1,455.7	10.0	451.5	3.4	13.4
Revision of previous estimates	6.8	0.0	26.3	0.2	0.2
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(240.2)	(1.6)	(112.5)	(0.9)	(2.5)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
Pakistan as of December 31, 2015	**1,222.2**	**8.4**	**365.3**	**2.7**	**11.1**
Kazakhstan					
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
Kazakhstan as of December 31, 2014	6,670.6	39.3	2,651.7	21.1	60.4
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	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, 2015	**6,670.6**	**39.3**	**2,651.7**	**21.1**	**60.4**

Consolidated Operating Performance Data

PROVED + PROBABLE RESERVES (2P)	NATURAL GAS		CRUDE OIL & CONDENSATE		COMBINED MMBOE
	MCM	MMBOE	KT	MMBBL	
Syria, Egypt and Angola					
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
Syria, Egypt and Angola as of December 31, 2014	4,357.9	25.7	2,042.6	16.8	42.5
Revision of previous estimates	0.0	0.0	93.7	0.7	0.7
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	0.0	0.0	(160.4)	(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, 2015	**4,357.9**	**25.7**	**1,976.0**	**16.3**	**42.0**
TOTAL MOL Group					
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
TOTAL MOL Group as of December 31, 2014	42,192.6	250.7	40,653.1	304.3	554.9
Revision of previous estimates	(685.5)	(1.1)	(910.7)	(9.0)	(10.1)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(3,277.7)	(19.9)	(2,275.5)	(16.9)	(36.8)
Purchase/sale of minerals in place	11.8	0.1	785.6	5.7	5.8
TOTAL MOL Group as of December 31, 2015	**38,241.2**	**229.7**	**38,252.6**	**284.0**	**513.7**
INA					
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
INA as of December 31, 2014	19,616.0	125.1	14,889.2	112.2	237.4
Revision of previous estimates	(1,658.5)	(10.0)	25.0	0.2	(9.8)
Extension and discoveries	0.0	0.0	0.0	0.0	0.0
Production	(1,335.0)	(8.3)	(774.4)	(5.8)	(14.1)
Purchase/sale of minerals in place	0.0	0.0	0.0	0.0	0.0
INA as of December 31, 2015	**16,622.6**	**106.9**	**14,139.7**	**106.6**	**213.5**

* KRI – Kurdistan Region of Iraq

HYDROCARBON PRODUCTION

DAILY HYDROCARBON PRODUCTION BY COUNTRIES (THOUSAND BOEPD)	2011	2012	2013	2014	2015
Hungary	48.8	46.2	43.2	41.6	41.0
Croatia	50.8	42.1	37.2	35.2	37.6
U.K. (North Sea)	-	-	-	1.3	4.9
Russia	18.7	17.5	14.3	7.7	6.7
Pakistan	5.5	5.6	5.8	6.6	6.8
Kurdistan Region of Iraq	0.1	0.5	0.2	1.9	3.6
Syria	20.3	3.1	0.0	0.0	0.0
Egypt	1.8	1.9	1.9	2.0	2.1
Angola	1.6	1.5	1.1	1.2	1.2
Total hydrocarbon	**147.4**	**118.5**	**103.7**	**97.5**	**103.9**

DAILY HYDROCARBON PRODUCTION BY PRODUCTS (THOUSAND BOEPD)	2011	2012	2013	2014	2015
crude oil	46.4	42.8	38.2	34.5	40.0
natural gas	85.6	66.7	57.8	54.9	56.9
condensate	15.4	9.0	7.6	8.1	7.1
Total hydrocarbon	**147.4**	**118.5**	**103.7**	**97.5**	**103.9**

COSTS

DIRECT PRODUCTION COSTS *	2011	2012	2013	2014 RESTATED	2015
Total USD/boe	6.29	7.31	8.32	7.85	7.33

* Production costs are exclusive of DD&A and management costs, and of MMBF Plc. production from 2008

COSTS INCURRED (HUF mn)*

	CONSOLIDATED COMPANIES					ASSOCIATED COMPANIES	TOTAL
	CEE**	WE***	CIS****	OTHER*****	TOTAL		
For year ended 31 December 2014							
Acquisition of properties	1,505	119,418	0	0	120,923	-	120,923
Proved	0	79,378	0	0	79,378	-	79,378
Unproved	1,505	40,040	0	0	41,545	-	41,545
Exploration	16,685	605	9,019	60,825	87,133	-	87,133
G&G	2,545	385	2,191	11,117	16,238	-	16,238
Drilling	13,352	92	6,030	42,370	61,843	-	61,843
Rental fee, other	788	127	798	7,338	9,052	-	9,052
Development	44,622	41,569	11,582	14,479	112,252	-	112,252
Total costs incurred	**62,811**	**161,591**	**20,601**	**75,304**	**320,307**	**-**	**320,307**
For year ended 31 December 2015						-	
Acquisition of properties	305	33,160	0	0	33,465	-	33,465
Proved	0	11,025	0	0	11,025	-	11,025
Unproved	305	22,135	0	0	22,440	-	22,440
Exploration	15,167	5,851	1,236	54,370	76,623	-	76,623
G&G	2,367	2,230	327	3,119	8,044	-	8,044
Drilling	11,536	2,264	637	47,000	61,436	-	61,436
Rental fee. other	1,264	1,356	272	4,251	7,143	-	7,143
Development	44,259	52,536	9,071	11,990	117,856	-	117,856
Total costs incurred	**59,731**	**91,546**	**10,307**	**66,360**	**227,944**	**-**	**227,944**

* 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

*** WE: United Kingdom, Norway

**** CIS: Russia, Kazakhstan

***** Other: Kurdistan Region of Iraq, Syria, Oman, Pakistan, Egypt, Angola

Consolidated Operating Performance Data

EARNINGS (HUF mn)*

	CONSOLIDATED COMPANIES					ASSOCIATED COMPANIES	TOTAL
	CEE**	WE***	CIS****	OTHER*****	TOTAL		
For year ended 31 December 2014							
Sales	325,535	6,470	13,454	47,738	393,196	-	393,196
third parties	72,887	6,470	13,454	47,738	140,549	-	140,549
intra-group	252,647	0	0	0	252,647	-	252,647
Production costs	(44,489)	(3,427)	(6,462)	(11,889)	(66,267)	-	(66,267)
Exploration expense	(2,752)	(385)	(2,190)	(11,130)	(16,457)	-	(16,457)
DD&A	(107,966)	(1,010)	(16,110)	(84,894)	(209,981)	-	(209,981)
Other income/(costs)	(15,010)	(1,254)	9,853	(17,141)	(23,552)	-	(23,552)
Earnings before taxation	155,317	393	(1,455)	(77,316)	76,939	-	76,939
Taxation	(14,577)	(26)	(104)	21	(14,685)	-	(14,685)
EARNINGS FROM OPERATION	**140,740**	**367**	**(1,559)**	**(77,295)**	**62,253**	**-**	**62,253**
For year ended 31 December 2015							
Sales	264,110	20,820	10,087	38,818	333,835	-	333,835
third parties	46,605	20,820	10,087	38,818	116,330	-	116,330
intra-group	217,505	0	0	0	217,505	-	217,505
Production costs	(43,235)	(11,616)	(3,332)	(18,249)	(76,433)	-	(76,433)
Exploration expense	(2,821)	(2,230)	(327)	(3,119)	(8,498)	-	(8,498)
DD&A	(203,124)	(270,921)	(26,463)	(212,950)	(713,458)	-	(713,458)
Other income/(costs)	25,169	(5,116)	(3,803)	(12,133)	4,116	-	4,116
Earnings before taxation	40,098	(269,063)	(23,839)	(207,633)	(460,437)	-	(460,437)
Taxation	(18,038)	1,020	(25)	(273)	(43,431)	-	(17,316)
EARNINGS FROM OPERATION	**22,060**	**(268,043)**	**(23,864)**	**(207,906)**	**(503,868)**	**-**	**477,754**

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

EXPLORATION AND DEVELOPMENT WELLS

COUNTRY	CEE*	WE**	CIS***	OTHER****	TOTAL
For 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	59	16	67
natural gas producer	6	0	0	1	7
dry/ non commercial	3	0	0	0	3
Injection	0	1	5	2	8

COUNTRY	CEE*	WE**	CIS***	OTHER****	TOTAL
For year ended 31 December 2015					
Wells tested	**14**	**4**	**62**	**21**	**101**
o/w exploration/appraisal	**8**	**0**	**1**	**8**	**17**
oil and gas producer	0	0	0	2	2
oil producer	0	0	0	0	0
natural gas producer	0	0	0	0	0
dry/non-commercial	1	0	1	5	7
suspended	1	0	0	1	2
o/w development wells	**6**	**4**	**61**	**14**	**85**
oil producer	1	2	59	13	75
natural gas producer	2	0	0	0	2
dry/ non commercial	0	0	1	1	2
Injection	1	2	1	0	4

* 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)*	2011	2012	2013	2014	2015
Duna Refinery	8,762	8,080	8,107	8,413	7,925
Bratislava Refinery	7,085	6,309	6,828	6,146	6,905
Mantova Refinery	2,635	2,431	2,445	337	1,176
INA refineries	3,781	3,832	3,587	3,159	3,543
Total	**22,263**	**20,652 / 20,237***	**20,507**	**17,541**	**19,039**

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

EXTERNAL REFINED PRODUCTS SALES (KT)

	2011	2012	2013	2014	2015
LPG	636	598	606	476	492
Naphtha	44	46	46	0	14
Motor gasoline	4,211	4,036	3,987	3,614	3,826
Diesel	9,392	9,065	9,363	9,133	9,402
Heating oils	939	852	780	721	702
Kerosene	419	348	419	384	396
Fuel oil	740	332	677	554	470
Bitumen	1,275	1,015	1,026	629	553
Other products	1,355	1,489	1,188	1,216	1,380
Total refined products	**19,011**	**17,781**	**18,092**	**16,725**	**17,234**
o/w Retail segment sales	3,507	3,375	3,480	3,513	3,916
Petrochemical feedstock transfer	2,552	1,986	1,994	1,991	2,285

Consolidated Operating Performance Data

CRUDE OIL PRODUCT SALES (KT)*

	2011	2012	2013	2014	2015
Sales in Hungary	4,186	3,840	3,908	3,937	3,972
Gas and heating oils	2,525	2,325	2,393	2,417	2,381
Motor gasolines	1,065	983	954	927	921
Fuel oils	23	17	13	9	4
Bitumen	105	87	91	126	141
Lubricants	43	46	15	16	18
Other products	425	382	442	442	507
Sales in Slovakia	1,551	1,515	1,501	1,515	1,586
Gas and heating oils	962	972	976	1,016	1,068
Motor gasolines	403	393	368	356	365
Lubricants	21	21	8	9	10
Bitumen	55	20	15	30	28
Other products	110	109	134	104	115
Sales in Croatia	1,887	1,715	1,796	1,666	1,687
Gas and heating oils	1,093	1,068	1,133	1,090	1,110
Gasolines	446	424	470	405	397
Lubricants	9	9	10	9	0
Bitumen	95	71	80	65	58
Other products	244	143	103	97	122
Export sales	10,751	10,113	10,294	9,133	9,528
Gas and heating oils	6,844	5,552	5,641	5,332	5,557
Gasolines	2,744	2,237	2,194	1,926	2,143
Lubricants (without base oil)	39	40	27	28	29
Bitumen	1,115	837	840	408	328
Other products	1,896	1,447	1,592	1,439	1,471
Total crude oil product sales	**18,375**	**17,183**	**17,499**	**16,251**	**16,773**

* Without LPG sales

GROUP'S PROCESSING BY REFINERIES FEEDSTOCKS IN 2015

(THOUSAND TONNES)*	DUNA REFINERY	BRATISLAVA REFINERY	INA REFINERIES	MOL GROUP TOTAL
Own produced crude oil	563	0	553	1,116
Imported crude oil	5,903	5,930	2,212	14,046
Condensates	100	2	85	188
Other feedstock	1,359	972	693	3,690
Total refinery throughput	**7,926**	**6,905**	**3,543**	**19,039**
Purchased and sold products	1,345	73	538	1,797

GROUP'S REFINERY PRODUCTION (YIELD) BY PRODUCTS IN 2015

(THOUSAND TONNES)*	DUNA REFINERY	BRATISLAVA REFINERY	INA REFINERIES	MOL GROUP TOTAL
LPG	87	115	0	411
Naphtha	907	424	38	1,367
Motor gasoline	1,186	1,486	843	3,668
Diesel and heating oil	3,106	3,398	1,257	8,695
Kerosene	191	100	105	393
Fuel oil	13	326	389	657
Bitumen	489	0	0	475
Other products	1,256	423	198	1,466
Own consumption + losses	689	635	502	1,904

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

RETAIL

RETAIL SALES

RETAIL SALES OF REFINED PRODUCTS (KT)*	2011	2012	2013	2014	2015
Motor gasoline	1,183	1,099	1,105	1,073	1,157
Gas and heating oils	2,231	2,186	2,289	2,347	2,661
Other products	93	90	86	93	98
Total refined product retail sales	**3,507**	**3,375**	**3,480**	**3,513**	**3,916**

* Volume sold on company owned service stations

GASOLINE AND DIESEL SALES BY COUNTRIES (KT)

	2011	2012	2013	2014	2015
Hungary	790	753	776	844	919
Slovakia	443	415	413	443	526
Croatia	1,233	1,145	1,119	1,091	1 043
Romania	446	464	498	492	571
Czech Republic	25	51	134	146	350
Other	477	457	454	404	409
Total	**3,414**	**3,285**	**3,394**	**3,420**	**3,818**

Consolidated Operating Performance Data

SERVICE STATIONS

NUMBER OF MOL GROUP SERVICE STATIONS *	2011	2012	2013	2014	2015
Hungary	364	360	366	364	364
Croatia	445	439	435	434	431
Italy*	222	215	138	129	107
Slovakia	209	209	212	214	253
Romania	128	135	147	159	202
Bosnia and Herzegovina	110	110	104	102	100
Austria*	61	59	75	57	33
Serbia	33	34	38	42	47
Czech Republic	25	149	149	192	316
Slovenia	37	37	38	40	40
Other	1	1	1	1	1
Total	**1,635**	**1,748**	**1,703**	**1,734**	**1,894**

*with restatement of Italy, and Austria due to methodology change

PETROCHEMICAL

PETROCHEMICAL PRODUCTION (KT)

	2011	2012	2013	2014	2015
Ethylene	786	623	684	656	737
Propylene	403	321	348	327	378
Other products	712	534	623	555	615
Total olefin	**1,901**	**1,478**	**1,655**	**1,538**	**1,730**
Butadiene					16
Raffinate					23
Total BDEU production					**39**
LDPE	244	164	158	151	177
HDPE	388	322	351	349	390
PP	537	447	472	443	534
Total polymers	**1,170**	**933**	**981**	**943**	**1,101**
TOTAL petrochemical production	**3,070**	**2,411**	**2,636**	**2,480**	**2,870**

PETROCHEMICAL SALES BY REGION (KT)

	2011	2012	2013	2014	2015
Hungary	515	451	444	390	428
Slovakia	79	65	60	75	109
Other markets	910	714	798	661	761
Total petrochemical product sales	**1,504**	**1,230**	**1,302**	**1,126**	**1,298**

SUSTAINABILITY PERFORMANCE DATA (GRI G4)

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

INDICATOR	NOTE	UNIT	2013	2014	2015	CHANGE 2014-2015 (%)	GRI G4 CODE
Climate Change							
Greenhouse Gas Emissions							
Carbon Dioxide (CO_2)	**1.2**	**mn t**	**6.19**	**5.79**	**6.11**	**6**	**G4-EN15**
Carbon Dioxide based on equity share approach (CO_2)[1]	1.2	mn t	5.66	5.16	5.68	10	G4-EN15
Carbon Dioxide (CO_2) under ETS[2]	1.2	mn t	5.42	5.12	5.61	10	G4-EN15
Methane (CH_4)	1.2	t	2,057	690	354	(49)	G4-EN15
Total Direct GHG (scope-1)	**1.2**	**mn t CO_2 eq**	**6.23**	**5.81**	**6.15**	**6**	**G4-EN15**
Total Indirect GHG (scope-2)	**1.2**	**mn t CO_2 eq**	**1.47**	**1.24**	**1.27**	**3**	**G4-EN16**
Total GHG emission of Upstream (Scope-1 + Scope-2)	1.2	mn t CO_2 eq	0.95	0.92	0.71	(22)	G4-EN15. G4-EN16
Total GHG emission of Refining (Scope-1 + Scope-2)	1.2	mn t CO_2 eq	5.11	5.56	4.65	(16)	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**	**59.03**	**55.70**	**58.03**	**4**	**G4-EN16**
CO_2 emission from flaring in Upstream activities	1.2	mn t CO_2 eq	0.05	0.07	0.06	(5)	G4-EN21
Energy Consumption							
Natural Gas	1.2	GJ	24,313,457	21,024,637	17,917,957	(15)	G4-EN3
Other hydrocarbon (fuel, gas, etc.)	1.2	GJ	65,639,326	59,089,080	67,374,322	14	G4-EN3
Total primary energy consumption	**1.2**	**GJ**	**89,952,783**	**80,113,717**	**85,292,279**	**6**	**G4-EN3**
Electricity	1.2	GJ	9,849,031	9,084,171	9,562,509	5	G4-EN3
Other indirect energy (steam, heat, etc.)	1.2	GJ	9,035,525	8,168,338	8,322,541	2	G4-EN3
Total indirect energy consumption	**1.2**	**GJ**	**18,884,557**	**17,252,509**	**17,885,050**	**4**	**G4-EN3**
Total energy consumption of Upstream (direct + indirect)	1.2	GJ	9,083,351	7,826,090	8,579,143	10	G4-EN3
Total energy consumption of Refining (direct + indirect)	1.2	GJ	67,149,450	59,017,293	62,246,256	5	G4-EN3
Total energy consumption	1.2	GJ	108,837,340	97,366,226	103,177,328	6	G4-EN3
Environment							
Air Emissions							
Sulphur Dioxide (SO_2)	2.1	t	5,776	5,368	6,146	14	G4-EN21
Nitrogen Oxides (NO_x)	2.1	t	6,057	4,715	5,175	10	G4-EN21
Volatile Organic Compounds (VOC)	2.1	t	5,643	5,251	7,950	51	G4-EN21
Carbon Monoxide (CO)	2.1	t	4,248	2,275	2,309	2	G4-EN21
Particulate Matter (PM)	2.1	t	552	367	353	(4)	G4-EN21

INDICATOR	NOTE	UNIT	2013	2014	2015	CHANGE 2014-2015 (%)	GRI G4 CODE
Water							
Total Water Withdrawal	2.2	th m^3	94,518	94,130	84,657	(10)	G4-EN8
Total Water Discharge	2.2	th m^3	100,700	103,795	94,002	(9)	G4-EN22
Total Petroleum Hydrocarbons (TPH)	2.2	t	63	95	38	(60)	G4-EN22
Chemical Oxygen Demand (COD)	2.2	t	1,712	1,647	1,514	(8)	G4-EN22
Biological Oxygen Demand (BOD)	2.2	t	417	471	307	(35)	G4-EN22
Solid Substances (SS)	2.2	t	609	873	765	(12)	G4-EN22
Waste							
Hazardous Waste	2.3	t	60,528	80,866	92,720	15	G4-EN23
Non-hazardous Waste	2.3	t	185,528	170,970	183,686	7	G4-EN23
Waste Disposed / Landfilled	2.3	t	86,574	102,413	94,197	(8)	G4-EN23
Waste Reused / Recycled / Recovered	2.3	t	159,482	149,423	182,461	22	G4-EN23
Reused/recycled ratio	2.3	%	64,8	59,3	66,0	11	
Spills and Discharges[3]							
Number of Spills (→1m^3)	2.3		18	5	6	20	G4-EN24
Volume of Spills (HC content)	2.3	m^3	133	194	17	(91)	G4-EN24
Other							
HSE-related Penalties	2.5	mn HUF	341	18	21	15	G4-EN29
HSE investments[4]		mn HUF	6,114	12,550	15,518	24	G4-EN31
HSE operating costs		mn HUF	14,776	12,477	14,159	13	G4-EN31
Spending on waste (operating cost)		mn HUF	2,604	2,371	2,048	(14)	G4-EN31
Spending on emissions (operating cost)		mn HUF	1,620	1,030	1,270	23	G4-EN31
Spending on remediation (investment + operating cost)		mn HUF	2,727	1,919	2,057	7	G4-EN31
Spending on environmental management and prevention (operating cost)[4]		mn HUF	619	296	454	54	G4-EN31
ISO 14001 certifications in proportion to revenue		%	68	66	66	0	

'n.a.' indicates where no data is available

Data was calculated according to GRI definitions.

(1) GHG emissions according to the share of equity in the operation. Upstream Joint Ventures (INA offshore, Egypt, Angola, UK offshore, KRI) are excluded. The following Joint Ventures are included: TVK Powerplant Ltd, Duna Steam Boiler Ltd, and Slovnaft Power Plant.

(2) CEMPS and TVK Power Plant are not included as they are non-operated entities, irrespective of financial consolidation.

(3) Spills excluding spills from road accidents from 2014 onwards

(4) Total MOL Group without INA group in 2013

Sustainability Performance Data (GRI G4)

INDICATOR	NOTE	UNIT	2013	2014	2015	CHANGE 2014-2015 (%)	GRI G4 CODE
Health and Safety							
Safety Indicators							
Lost Time Injury (LTI)-employees	3.1		82	66	79	20	G4-LA6
Lost Time Injury (LTI) -contractors	3.1		18	39	21	(0.46)	G4-LA6
Lost Time Injury Frequency (LTIF) - employees	3.1		1.50	1.02	1.29	27	G4-LA6
Lost Time Injury Frequency (LTIF) - contractors[1]	3.1		0.50	0.92	0.60	(35)	G4-LA6
Total Recordable Injury Rate (TRIR)[2]	3.1		1.8	1.50	1.44	(4)	G4-LA6
Total Recordable Occupational Illnesses Frequency (TROIF)	3.1		0	0	0	-	G4-LA6
Lost day rate (LDR)	3.1	%	0.23	0.20	0.16	(18)	G4-LA6
Absentee Rate (AR)	3.1	%	3.07	2.83	3.17	12	G4-LA6
Number of fatalities – employees	3.1		0	0	1	100	G4-LA6
Number of fatalities – contractors - onsite	3.1		0	1	4	300	G4-LA6
Number of fatalities – contractors - offsite	3.1		2	4	1	(75)	G4-LA6
Number of fatalities – 3rd parties	3.1		1	2	3	50	G4-LA6
Process safety events (Tier1+Tier2)	3.3		45	33	41	24	OG13
Human Capital							
Employees							
Total workforce	4.2	no of persons	28,769	27,499	25,959	(6)	G4-10
Number of part-time employees	4.2	no of persons	263	282	380	35	G4-10
Number of full-time employees	4.2	no of persons	28,506	27,217	25,579	(6)	G4-10
Leavers	4.2	no of persons	1,932	2,383	3,229	36	G4-10
Number of new hires	4.2	no of persons	2,068	1,764	3,142	78	G4-LA1
Employee turnover rate	4.2	%	6.7	8.7	12.4	44	G4-LA1
Employees represented by trade unions	4.4	%	96.0	94.4	94.9	1	G4-11
Employees covered by collective bargaining agreement	4.4	%	90.1	88.7	91.5	3	G4-11
Diversity							
Proportion of women in total workforce	4.2	%	21.9	21.4	22.0	3	G4-LA12
Proportion of women in non-managerial positions	4.2	%	22.0	21.5	21.9	2	G4-LA12
Proportion of women in managerial positions	4.2	%	20.4	19.4	23.8	23	G4-LA12
Trainings							
Average hours of training per employee	4.3	hours	22	24	34	42	G4-LA9
Average training cost per employee	4.3	th HUF	57	76	114	51	G4-LA9
Total training cost	4.3	mn HUF	1,652	2,089	2,970	42	

INDICATOR	NOTE	UNIT	2013	2014	2015	CHANGE 2014-2015 (%)	GRI G4 CODE
Communities							
Social Indicators							
Donations	5.2	mn HUF	6,618	3,005	1,898	(37)	G4-EC7
In-kind giving (products and services)	5.2	mn HUF	138	96	34	(64)	G4-EC7
Corporate volunteering	5.2	hours	4,032	6,291	6,085	(3)	G4-EC7

n.a.' indicates where no data is available
Data was calculated according to GRI definitions.
(1) First reported in 2013. Single service companies of MOL Group are considered in LTIF-employees indicator. In part due to this reason contractor LTIF is significantly lower."
(2) Including own staff, filling station staff and contractors.

INDICATOR	NOTE	UNIT	2013	2014	2015	CHANGE 2014-2015 (%)	GRI G4 CODE
Economic Sustainability							
Economic Data[1]							
Revenues		bn HUF	5,506	4,929	4,209	(15)	G4-EC1
Financial assistance received from government		bn HUF	1.5	1.2	1.7	42	G4-EC4
Operating costs		bn HUF	4,558	4,095	3,193	(22)	G4-EC1
Company cash		bn HUF	947	834	1,017	22	G4-EC1
Employee wages and benefits		bn HUF	260	260	267	3	G4-EC1
Capital investors		bn HUF	121	175	141	(19)	G4-EC1
Payments to governments		bn HUF	170	161	116	(27)	G4-EC1
Economic value retained		bn HUF	397	238	492	107	G4-EC1
Research & Development spendings		mn HUF	2,114	1,592	2,904	82	
Research & Development spending on renewables in downstream		mn HUF	657	268	232	(14)	
Customer Satisfaction[2]							
Wholesale customer satisfaction (MOL)		%	85	86	90	5	G4-PR5
Ethics							
Ethical notifications	6.2	cases	81	88	90	2	G4-58
Ethical investigations	6.2	cases	45	61	58	(5)	G4-58
Ethical misconduct[3]	6.2	cases	26	16	25	56	G4-58
Total investigations performed by Corporate Security	6.2	cases	1,437	877	1,241	42	G4-SO5
Total number of misconduct revealed by Corporate Security	6.2	cases	526	427	562	32	G4-SO5

n.a.' indicates where no data is available
Data was calculated according to GRI definitions.
(1) Data is calculated according to GRI definition, see in details on MOL's website
(2) Customer satisfaction measurement varies by business. The aggregate figure is a simple average drawn from surveys done on Wholesale Fuel customers (fewer clients buying large quantities) and Fuel Card customers (more clients buying smaller quantities). Further details can be found on our website.
(3) The investigations started in 2014 and closed in 2015 revealed additional 6 misconducts resulting in a total 22 misconducts for 2014.

NOTES ON SUSTAINABILITY PERFORMANCE

1. CLIMATE CHANGE

General aim: Manage risks and opportunities related to climate change

ACHIEVEMENTS:

- Energy efficiency projects, mainly in downstream operations, contributed significantly to avoiding CO_2 emissions, 49 thousand tonnes CO_2 saved compared to 2014
- An additional 212 thousand tonnes of CO_2 emissions avoided through EOR project in INA
- MOL Group joined the Zero Routine Flaring Initiative of the World Bank, and also recorded a slight decrease in flaring in E&P
- Jászberény Geothermal Exploration long-term testing preparations executed and on track
- We have mapped cellulosic feedstock and conversion technologies for non-edible materials to assess the potential for non-food-based renewable fuel production

CHALLENGES:

- Develop pathways to low-carbon energy carriers within MOL Group
- Increase the share of low-carbon energy carriers in conventional fossil products

Climate change is a major issue and is impacting the business environment of MOL Group. From a long-term perspective, it involves risks which must be prepared for or mitigated, and opportunities from which MOL can benefit.

RISKS

The management of climate change-related risks is part of the general risk management process of MOL Group. Risks are assessed based on a unified methodology and categorized according to severity and probability in heat maps at different organizational levels. The Board of Directors reviews risk responses and controls and defines mitigation activities on a regular basis. The Finance and Risk Management Committee (FRC) of the Board of Directors discusses risks and responsive measures to manage overall risk for MOL, including climate change-related risks.

Climate change-related risks are often less clear than other financial, regulatory or operational risks. The following areas are considered to represent the most significant climate change-related risks to MOL Group for the time horizon leading up to 2030: biofuels, alternative infrastructure, vehicle efficiency and e-mobility. The financial impact of each of these is estimated to fall within the range of USD 5-150 million per year. Potential reform of the European Union's emission trading scheme probably represents an even bigger financial risk.

OPPORTUNITIES

The Climate Change Package – a set of EU regulations – will have a significant impact on the long-term demand for fossil fuels and energy. Besides defining obligations, it also opens up new business opportunities in the area of "clean fuel/energy". On the long term, customer preferences will shift towards more environmental friendly products, which will impact the industry.

The following section of this report describes the activities MOL is initiating to create its future product portfolio and increase the energy efficiency of its operations.

1.1 FUTURE PRODUCT PORTFOLIO

Related objectives:

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

In 2015, MOL Group continued implementing activities related to developing and deploying technologies that reduce its GHG footprint.

Refining Developments

In 2015, MOL Group continued work which started in the previous year to evaluate the potential for increasing the share of low-carbon energy carriers in conventional fossil products. During the year, the EU updated regulations about biofuel blending (especially relating to non-edible and waste material streams) in line with our expectations. This will play an increasingly important role in the future. Emerging technologies are necessary for converting these feedstocks into advanced biofuels, and the successful integration of such new technologies or products into MOL Group's existing supply chains remains a key challenge for the years to come.

Non-food based renewable fuels

To comply with the renewable energy targets for 2020 and beyond, and requirements relevant to indirect land use change (ILUC), several technological alternatives for processing GHG-efficient waste fats and oils were investigated. The main focus was on renewable diesel blending and production via hydrotreatment. The most promising options were examined using investment project plans. A decision about their implementation is expected during 2016 following the completion of a detailed technical and economic assessment.

From a long-term perspective, we have started to map the potential of cellulosic feedstock and the technological options for its conversion. Exploration of feedstock supply potential in the core region of MOL Group will be completed during 2016. On the conversion technology side we are analysing different options for biofuel production such as fast pyrolysis, gasification and various biochemical technologies. Many relationships have been established with recognized experts and consultants, as well as emerging technology providers to support the evaluation of the related technological processes. A proposal for solutions and decisions is expected in 2016.

Beyond investigating advanced biofuels, we have also paid special attention to monitoring trends relating to sustainable energy utilisation, such as efficient solutions for CO_2 utilization and renewable energy production and storage.

CO_2 conversion & utilization

Until recently, the main emerging solutions to the problem of CO_2 emissions were limited to agricultural use or carbon capture and storage (CCS). Thinking ahead, MOL Group started to explore the field of CO_2 conversion technologies which may decrease the CO_2 footprint of the company. Areas investigated include the chemical bonding and modification of captured CO_2 which can then be converted into valuable products such as methanol and formic acid, a variety of plastics, etc.

Fuel economy

Producing high quality fuels and also improving fuel economy was one of the primary goals of MOL Group in 2015. These innovative fuels provide economic benefits to our customers and also help avoid the emissions of significant amounts of carbon dioxide due to their improved combustion properties.

Chemically-stabilized rubber bitumen

The introduction to market of MOL's environmentally-friendly grade of bitumen continued in 2015, with more than 400 tonnes sold last year. A recent study shows that the roads constructed from this product last 50% longer, have lower maintenance needs and emit 25-30% less carbon dioxide during their lifecycle compared to regular grades of bitumen. The study also emphasizes that rubber bitumen is not only of better quality than regular bitumen, but it is comparable to the premium grades of bitumen used in highway construction.

Geothermal Developments

MOL Group is committed to investing in the utilization of geothermal energy as a renewable energy source. In this area there is a clear opportunity for the knowledge and technological expertise that has been accumulated within the Group to be leveraged. Additionally, the geological potential of this energy source in Central-Eastern Europe is favourable.

After winning a concession tender and signing a concession contract for the Jászberény Geothermal Exploration in H1 2014, CEGE Ltd initiated an exploration program. The official 2-year exploration period started in March 2015.

In December 2015, MOL Plc. became the 100% owner of CEGE Ltd by acquiring all the CEGE Ltd. shares from its Australian partner, Black Rock Energy (formerly Green Rock Energy).

In 2015, CEGE Ltd. completed the following components of the program of work:

- existing 3D seismic data about the area was purchased and re-evaluated
- a magnetotelluric survey was undertaken and the results were interpreted
- a production well was successfully drilled and a reservoir stimulation was initiated (successfully completed in January 2016)
- construction of surface facilities has commenced

The long-term well test is scheduled for H2 2016.

Biofuel Sourcing

MOL Group does not produce biofuels, but two of its companies (MOL Plc .and Slovnaft) have minority shares in joint ventures that are involved in the production of biodiesel. These companies operate independently from MOL Group and are considered financial investments.

In 2015, MOL Plc. and Slovnaft a.s. purchased 450 million litres of biocomponents, similarly to previous years, for blending into petrol and diesel products.

MOL Group uses both first and second generation biofuels. These are produced from certified biological sources and waste feed-stock, including used cooking oil which is collected through the filling station network of MOL Group.

The components of the biofuel purchased in 2015 comply with the requirements of the EU Renewable Energy Directive (RED). MOL Group companies (MOL Plc., Slovnaft a.s. and INA d.d.) comply with the European ISSC certification system as distributors. ISSC certifies the entire supply chain of bio-based feedstocks and renewables to ensure the application of strict ecological and social sustainability standards, greenhouse gas emissions savings and traceability through the supply chain.

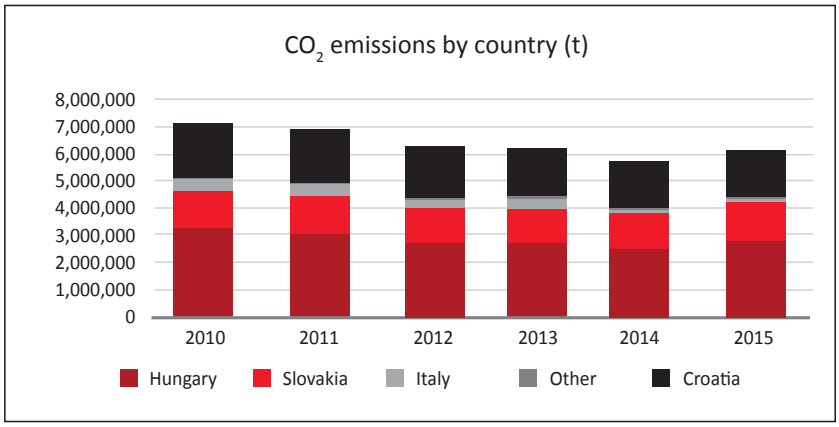
1.2. ENERGY EFFICIENCY AND GHG EMISSIONS

GHG emissions

Related objective:

- *"Ensure all sites move up one decile from current positions in their sectoral CO_2 benchmarks in Downstream"*
- *"Reduce CO_2 intensity of operations in Upstream by 30% by end of 2017 (in t CO_2/toe)"*

In 2015, the total direct CO_2 emissions of MOL Group amounted to 6.1 million tonnes of CO_2 equivalent. This is 5% more than in 2014, when emissions came to 5.79 million tonnes of CO_2 equivalent, but 15% lower compared to the 2010 baseline year (7.14 million tonnes). The single largest component of GHG emissions is carbon-dioxide (CO_2), the emissions of which are shown in the chart below according to country.

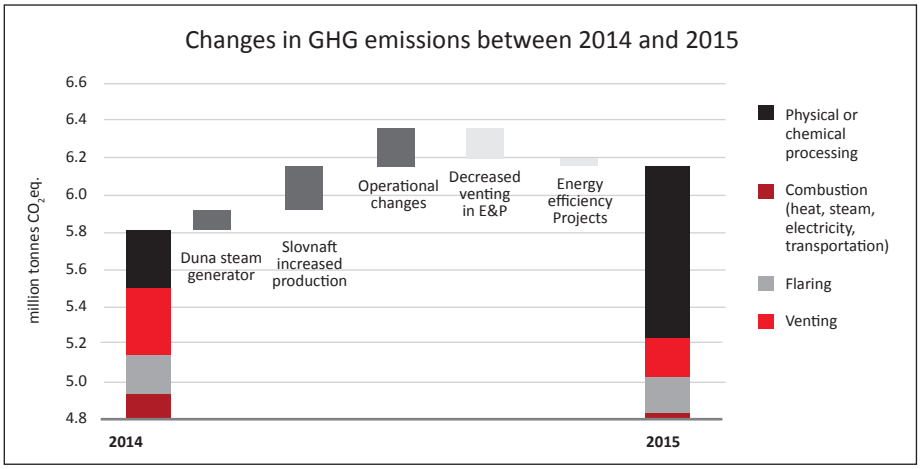


The overall increase in emissions is a result of several factors:

- The largest contribution to the increase is the fact that the Duna Refinery Steam Boiler Ltd became consolidated and operated by MOL Group in 2015, thereby contributing to direct emissions from this year onwards.
- At the same time, production (and hence emissions) at the refinery and petrochemicals units of Slovnaft returned to previous levels after major turnarounds in 2014.

The increase was partially offset by several projects:

- An energy-efficiency programme that resulted in a reduction of 49 thousand tonnes of CO_2 in 2015
- A decrease in E&P venting in Croatia as a result of the Enhance Oil Recovery project (a reduction of 212 thousand tonnes). The project was commissioned in October 2014, while 2015 was the first full year of operation. This project involves applying one of the so-called tertiary methods of enhancing oil recovery (CO_2 re-injection) to increase the quantity of recoverable oil and to permanently dispose of some of the CO_2 that is produced.



Refining and Petrochemical operations are the primary sources of the GHG emissions of MOL Group. We have been monitoring the GHG performance of our refining business since 2010 using the CONCAWE – Solomon CO_2 intensity indicator (CWT – Complexity Weighted Tonnes). In a similar manner, for our petrochemical business we employ an indicator of the production of high value chemicals (HVC). These indicators are production-based and they take into account the complexity of the installations.

For upstream business we monitor performance using the IOGP standard indicator – kg CO_2/toe.

The results presented below indicate a slight increase in carbon intensity (3.55%) for the refining sector compared to 2011, and a 3% increase for the petrochemicals sector (these variations are mainly due to turnarounds and a change in the calculation methodology for Croatian operations that entered into effect in 2014).

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

YEAR	2011	2012	2013	2014	2015	CHANGE 2011-2015 (%)
Refining (t CO_2/kt of CWT)	36.64	36.43	35.59	35.54	37.94	3.55
Petchem (t CO_2/t HVC)	1.032	1.031	1.020	1.020	1.040	3.0

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)	MOL PETROCHEMICALS	SPC
Change (%) 2010-2015	5.87	0.87	(100)	2.61	10.11	(4)	33

Scope 3 GHG emissions

GHG that is emitted from the value chain of MOL Group, but the production of which is not related to the operations of the company is included under Scope 3 emissions. Such emissions are typically a result of the use of refinery products or natural gas by customers, or are generated by suppliers who provide services to MOL Group. MOL Group reports on scope 3 emissions in order to provide a context for its direct emissions, and to increase the transparency of its total footprint.

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

EMITTED BY	SOURCE OF EMISSION	2012	2013	2014	2015
Customers	Use of purchased refinery products (t CO_2)	50,305,352	51,060,438	48,486,612	50,571,763
Customers	Use of purchased natural gas (own production) (t CO_2)	7,528,676	6,566,103	6,025,497	6,247,138
MOL Group	Business trips (t CO_2)	3,943	4,414	2,984	2,508
Suppliers	Production of crude oil (purchased from external sources) (t CO_2)	1,722,810	1,399,445	1,179,981	1,203,727
Total		**59,560,780**	**59,030,400**	**55,695,074**	**58,025,136**

Scope 3 emissions increased considerably in 2015 compared to 2014, mainly as the result of the increased volume of products sold to customers. Also, supplier-side GHG emissions increased as a result of increased crude processing.

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 decreased compared to 2014, and accounted for 2,508 tonnes of CO_2 equivalent in 2015.

Gas leakages (flaring and venting)

Gas leakages described in this chapter cover losses that result from the flaring and venting of hydrocarbons during operations. Flaring refers to the controlled burning of unused hydrocarbons for technical or safety reasons. The gas flared in Exploration and Production is 'associated petroleum gas' (APG), while in Downstream flared gas is generated during the refining process and is flared for safety reasons. Oil and gas leakages are considered to be losses of valuable material that represent operational inefficiency.

Flaring is important from both an environmental and an operational efficiency point of view. In recognition of the importance of this topic, MOL Group in 2015 decided to join the Zero Routine Flaring Initiative of the World Bank.

The amount of gas flared during MOL Group's activities is shown in the tables below:

Flaring in E&P activities in 2015 (for which MOL Group is operator) [GRI OG6]

FLARING IN UPSTREAM ACTIVITIES IN 2015	MOL E&P	INA E&P	PAKISTAN	RUSSIA (BAITEX, MATYUSHKINSKAYA VERTICAL)	KURDISTAN REGION OF IRAQ	TOTAL
Flared hydrocarbon (tonnes)	5,080	8,065	7,308	424	1,964	22,842
CO_2 (tonnes)	10,850	22,072	21,230	1,373	8,690	64,215

In Exploration and Production the overall amount flared slightly decreased compared to previous years, albeit with significant differences by country. The most significant decrease occurred in Croatia where flaring was reduced by one third compared to the previous year. The reason is that increased quantities of hydrocarbons were burned in 2014 due to overhaul work and pipeline pigging, which did not occur in 2015. A decrease was also recorded for Russia due to reduced production from the Matyushkinskaya Vertical field. However, an increase was registered for the Kurdistan Region of Iraq due to increased activity, and for Pakistan, where a new gas processing facility (GPF) was commissioned, and due to several process events emergency safety flaring increased.

Flaring in Downstream activities in 2014 [GRI OG6]

FLARING IN DOWNSTREAM ACTIVITIES IN 2015	MOL	SLOVNAFT (REFINING + PETROCHEMICALS)	IES*	INA (RIJEKA+SISAK REFINERIES)	MOL PETROCHEMICALS	TOTAL
Flared hydrocarbon volumes (tonnes)	9,411	5,495	0	25,240	6,661	46,808
CO_2 (tonnes)	19,926	15,835	0	80,756	20,807	137,324

*No refining operations in 2015

All downstream production is located in the EU, where flaring is used only for shutdowns, startup operations or in the case of emergencies, as per legal requirements.

In Downstream, the amount flared increased slightly from 44,265 tonnes in 2014 to 46,808 tonnes in 2015. Flaring activities stopped in IES (Italy) due to the closure of refining operations, and decreased by 34% in Slovnaft due to the lower level of maintenance activity. However, flaring increased at all other operational sites, primarily due to increases in production in 2015 compared to previous years.

Energy Efficiency

Related objective: "Decrease downstream production energy consumption by min. 5% by end of 2014"

MOL group's core business, oil and gas production, is highly energy intensive. In 2015, under heavy market pressure on producing companies to thrive in an environment driven by low oil and gas prices, energy efficiency remained key to improving financial results and resilience. This, in turn, involved reducing GHG-emissions, which we continue to monitor and report on.

MOL Group over-achieved its objective by reducing energy consumption in Downstream production by 19% (from 106 mn GJ in 2010 to 86 mn GJ in 2014).

In 2015, one-off energy efficiency projects brought an estimated 49,000 tonnes of CO_2 savings and also resulted in HUF 1.5 billion of financial savings for the year.

Since 2011, annual reductions of 420,000 tonnes of CO_2 emissions and HUF 14 billion in costs (approx.) have been achieved through group-wide efforts to reduce the energy consumption of Upstream and Downstream operations.

In 2015, energy management systems were reinforced by the ISO 50001 certifications that were obtained for INA d.d, MOL Plc. and MOL Petrochemicals Plc., further deepening the integration and management of energy efficiency measures.

From the projects implemented in 2015, improvements were mainly made through the Next Downstream Program (NxDSP), the group-level strategic framework of the Downstream division, showing how important group-level engagement is for steering such measures. Steam works were at the centre of attention, with steam network maintenance, a decrease in heat losses at INA and heat exchanger cleaning at MOL resulting in the avoidance of 15,000 tonnes of CO_2 emissions. MOL Hungary further reduced its annual CO_2 emissions by 18,000 tonnes with the installation of Tunable Diode Laser (TDL) measurement technology at the Duna Refinery which analyses flue gas from fired heaters and ensures that they operate in a more efficient and much safer, nearly maintenance-free way.

In petrochemical operations, improving energy efficiency is the most effective way to reduce the company's direct carbon footprint, as well as cut the company's energy costs, since polyolefin production is also an energy-intensive process. The greatest savings from the operations of MOL Petrochemicals Plc. in 2015 were related to projects designed to reduce the amount of steam and electricity purchased from external sources. As a result, the projects are not accounted for in the figures above. In 2015, MOL Petrochemicals concluded the construction of the new Butadiene extraction unit. The unit will start producing a key component of synthetic rubber used in tires as of 2016. With the operation of this new unit, the CO_2 emissions of the old units of MOL Petrochemicals will be reduced by 46,000t of CO_2/year from 2016 onwards. The CO_2 savings are achieved by substituting 61% of the natural gas used for heating with 5,900 tonnes of hydrogen released by the new unit. This reduction in emissions will not affect the overall emissions of MOL Petrochemicals and is not accounted for in the reported energy / CO_2 savings for 2015.

Exploration and Production activities are responsible for less than 10% of overall group-level consumption, while Downstream operations, and (mainly) refinery and petrochemical production account for more than 90% of group-level energy consumption (including both direct and indirect energy sources).

Besides pre-existing and already implemented projects, energy efficiency is also important in the case of research and development activities. An example of this is a new project which commenced in 2014 to replace traditional antistatic agents with another type with a higher melting point. In 2015, the laboratory phase of this project was in progress and will be continued into 2016. If the project is successful, it is expected to deliver energy savings per annum of 10,000 GJ (steam).

In addition to the most important business-related activities, minor improvements are continuously being made at MOL's other assets, such as the filling station network, office buildings and warehouses.

All business lines have implemented projects to support the meeting of targets. Among these we can mention:

- The refurbishment of some railway engines that are used in Hungarian operations has led to fuel savings of 8% and 60% lubricants.
- Several energy efficiency-related initiatives that were implemented for various office buildings in Hungary have reduced CO_2 emissions by 31.4 t per year (in 2015).
- In recent years, our filling station network was equipped with a total of 4,000 LED bulbs.

2. ENVIRONMENT

General aim: Reduce environmental footprint

ACHIEVEMENTS:

- Water withdrawals decreased significantly. However, this is primarily a result of lower demand for cooling water at energy production facilities
- The waste recovery rate improved by 6% to 66% at a group level
- The total volume of hydrocarbons in spills of above 1 m^3 decreased to 16.9 m^3

CHALLENGES:

- Increases in air emissions both in the case of SO_2 and NO_x as a result of increases in fuel consumption instead of natural gas
- Containment and further decrease in remediation liabilities across MOL Group
- Decreases in water withdrawals do not follow energy efficiency and operational changes

2.1 AIR EMISSIONS

Related objective: "Decrease VOC emissions by implementing the LDAR methodology"

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 volatile organic compounds (VOC). Taking this into account, MOL Group defined the specific objective of measuring and reducing VOC emissions in 2010 and has since continuously implemented a group-wide leak detection and repair (LDAR) program, together with a programme for improving the monitoring and reporting of such emissions.

The program has resulted in significant decreases of VOC over the past few years (at the individual site level) and in 2015 efforts continued with further improvements. For example, at our Hungarian logistics operations we created a comprehensive VOC emission inventory. The study took into account all the emissions from tanks and all fugitive emissions from leaking points, and, as a result, an ongoing program to reduce VOC emissions that arise from product handling has been put into place.

At our Slovak refinery the LDAR programme has been operational since 1998. Since then, VOC emissions have been reduced by 60%. In 2015, 8 production units were surveyed. In addition to this, in 2015 1,000 tonnes of hydrocarbon were recovered by the vapour recovery unit.

At the Italian site, the LDAR programme started in 2010, bringing significant benefits. For example, in 2015 VOC emissions were reduced by 69% as compared to 2014 (from 3.12 t/y in 2014 to 0.96 t/y in 2015), but this is also due to the site conversion programme.

Although at the units which are covered by the LDAR programme VOC emissions have significantly decreased, overall MOL Group emissions increased in 2015 by 89% as compared to 2010, as we continue 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 Particulate Matter (PM) emissions and preventive measures have been taken to reduce the quantity of these as well. As a result of investments at production units, SO_2 emissions were lower by 53% and NO_x emissions by 34% in 2015 compared to the 2010 baseline emission year. However, on an annual basis there has been a significant increase in both. The primary reason for this is that some units switched over to using fuel oil rather than natural gas due to the low price of oil.

PM emissions in 2015 were similar to those of 2010 (with a slight decrease of 2%), but a significant reduction was made compared to 2013 (36%). CO emissions have increased compared to the 2010 baseline by 44% but have decreased compared to 2013. The variation is mainly related to the result of the incorporation of air emission related data for Russian operations into group-level reporting in 2011, and air protection measures introduced at the same operations from 2012-2013. The CO emissions remain at almost the same level for the period 2014-2015.

Total air emissions (excl. GHG) by type (tonnes) [GRI EN21]

YEAR	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015 (%)*
SO_2	13,142	10,625	7,878	5,776	5,368	6,146	(53)
NO_x (Nitrogen Oxides)	7,874	7,531	6,839	6,057	4,715	5,175	(34)
VOC (Volatile Organic Compound)	4,211	4,901	4,501	5,643	5,251	7,950	89
CO (Carbon Monoxide)	1,599	3,295	2,889	4,248	2,275	2,309	44
PM (Particulate Matter)	361	492	460	552	367	353	(2)
TOTAL	**27,187**	**26,844**	**22,567**	**22,276**	**17,976**	**21,933**	**(21)**

*Y2015 data are compared to the baseline year for our strategy: 2010

As with previous years, we have continued to expand the air emission monitoring system to our exploration and production facilities situated outside of the European Union with a view to reducing our environmental impact and protecting local communities.

2.2 WATER MANAGEMENT

Related objective:

- *"Reduce total water withdrawals in Downstream Production by 5% (2010-2015)"*
- *"Improve water management techniques in water-stressed areas"*

Water withdrawals

The water used for different operational activities at MOL Group comes from various sources: it may be surface or groundwater, the municipal water supply, sea water, harvested rainwater or wastewater from production or other organizations.

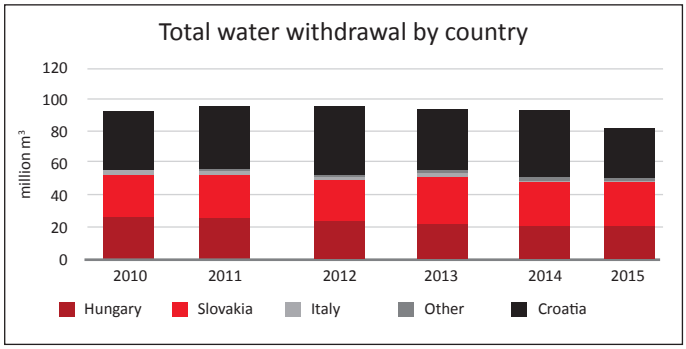
MOL Group achieved its water-related targets. In 2015, MOL Group's total water withdrawals amounted to 84.65 million m^3, which represents a decrease of 8% compared to 2010 (91.96 million m^3). The reduction is attributable to the yearly change in production capacity that is based on market demand, the closure of the Italian site, as well as numerous water-saving initiatives that have been implemented over the last 6 years.

Total water withdrawals by source (thousand m³) [GRI G4-EN8]

YEAR	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015 (%)*
Municipal Water Supplies or Other Water Utilities	3,523	3,478	2,839	2,682	2,177	12,295	249
Surface Water Withdrawals	43,812	42,095	44,155	50,218	46,929	39,231	(10)
Ground Water Withdrawals	12,571	12,785	13,887	11,869	10,755	10,971	(13)
Rainwater Collected and Stored	565	487	16	-	188	158	(72)
Wastewater from Other Organizations	6,794	6,383	2,274	-	91	209	(97)
Total fresh water withdrawals	**67,267**	**65,230**	**63,173**	**64,769**	**60,140**	**62,866**	**(7)**
Non-fresh water withdrawals	24,700	30,700	33,589	29,749	33,990	21,790	(12)
Total water withdrawals	**91,967**	**95,930**	**96,762**	**94,518**	**94,130**	**84,655**	**(8)**

*Y2015 data are compared to the baseline year for our strategy: 2010

The significant variability in the quantities of Municipal Water or Other Water Utilities and Surface Water withdrawals between 2015 and previous years is explained by the 2 month shut-down of the surface water supply system at one of our Croatian refineries when municipal water was used instead. At the same time, less non-fresh water was used at the same facility as electricity was purchased from a third party. Accordingly, less cooling water was needed.



In 2015, we continued to implement a variety of initiatives in order to keep the Group on track to improve its water withdrawal related targets:

- At the Ivanic Grad facility in Croatia, we implemented a project to replace old pipes and install a modern valve system. The effect was an immediate decrease of more than 50% in water withdrawals for the site (before the replacement, monthly consumption was in the range of 2,000 m³, while after project implementation this dropped to approximately 900 m³).
- At the Hajdúszoboszló site in Hungary, a new closed cooling system was put into operation, saving considerable amounts of water (66% in 2014). In addition to these savings, surface water withdrawals from the Eastern Main Channel were reduced to zero at this site in 2015.
- Due to the transformation project, a significant decrease of 26.2% (compared to 2014 data) for water withdrawals occurred at the Mantova site (from 1,207,521 m³ in 2014 to 891,169 m³ in 2015).

Water discharges

Compared to previous years, the total amount of water discharged continues to decrease.

Amount of contaminants (tonnes) [GRI G4-EN22]

YEAR	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015 (%)*
Total Petroleum Hydrocarbons (TPH)	75	57	73	63	95	38	(49)
Chemical Oxygen Demand (COD)	2,376	2,094	1,743	1,712	1,647	1,514	(36)
Biological Oxygen Demand (BOD)	582	568	419	417	471	307	(47)
Solid Substances (SS)	1,055	1,038	688	609	873	765	(27)

* Y2015 data are compared to the baseline year for our strategy: 2010

This decrease occurred due to the more efficient use of water resources and some technological improvement projects. For example, at the Slovakian refinery the quality of discharged water has constantly improved over the past few years which has led to lower environmental fees (60,000 euros less in 2015 than 2014), and at our Italian sites discharged water is now re-used for other purposes (e.g. in the firefighting system).

The significantly lower TPH values are due to the conversion of the Italian site from a refinery into a logistics depot, a new waste-water treatment plant at the gas-processing facility in Pakistan, and a change in the method of sampling at our Croatian operations (based on new legal requirements).

Efforts to improve the quality of discharge waters continue with the numerous projects started in 2015 - such as a water recycling project at the Hungarian refinery, improved sewage systems at logistics sites in Pécs and Szajol and at the Rijeka Refinery.

Produced water

Significant quantities of produced water are managed by our exploration and production facilities. During 2015, over 11 million m^3 of water was produced (9.8 million m^3 in EU countries and 1.0 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 2014, the amount of produced water at our EU operations has remained almost constant (albeit has slightly increased), while in non-EU countries it has decreased due to smaller volumes of production.

At our EU operations produced water is re-injected, and projects for making improvements are continuously being implemented. For example, in Croatia at the Struzec formation (a water pumping plant) a reconstruction project is ongoing with a view to increasing efficiency.

In Pakistan (Makori West field) a water reinjection system with a capacity of 3,000 barrels per day continued to operate in 2015. A total of 1,200 barrels of produced water was re-injected, and the full capacity of the system will be reached in 2016.

Quantity of produced water from Exploration & Production activities in 2015 (m^3) [GRI OG5]

	EU OPERATIONS	NON EU OPERATIONS	TOTAL MOL GROUP
Amount of produced water	9,833,135	1,015,306	10,848,441
Total amount of re-injected produced water	10,677,465	1,090,586	11,768,051

The proportion of re-injected water is higher than 100% because it covers the total amount re-injected. Water re-injection takes place at Exploration and Production sites to maintain underground pressure, and additional water is also injected to increase pressure.

Water-stressed areas

Water scarcity refers to either a lack of water (quantity) or a lack of access to good quality (safe) water. MOL Group considers water scarcity to be a major issue and as such has been taking measures to decrease the water demand of its operations. Only a minor part of our operations are in water-stressed areas.

Our Central-Eastern European (CEE) exploration and production facilities are not located in water-scarce areas but we are continuously reducing our demand for water (see the water withdrawal reduction projects described above) and reducing water pollution.

We have taken action to assess the situation in more depth with our international operations which, according to external studies (such as water availability maps from the World Resource Institute), are situated in water-scarce areas (e.g. Pakistan and the Kurdistan Region of Iraq).

As a result, a detailed hydrological study of the Teri water basin (Pakistan) was carried out with the aim of assessing available water resources and the potential impact of our operations. The study concluded that, due to local circumstances, our operations are not disturbing the water balance, but as a precautionary measure we have taken steps to protect water sources. These measures include periodical analysis of the quality of ground water through monitoring wells, ongoing implementation of the Water Conservation Action Plan developed in 2014, and the use of treated effluent water for gardening purposes.

A study which was conducted at the end of 2014 addressed increasing water shortages and examined how to balance competition between industrial usage and the needs of local communities. By successfully assessing its water footprint, Kalegran B.V. (Kurdistan region of Iraq) has made a commitment to tackling the water shortage challenge and identifying innovative solutions for sustainable water management.

Even though the Kurdistan region of Iraq has been identified as a water scarce area at the global scale, it was found that our operations in Akri Bijell block are not having a negative impact on water recharge patterns in the region. Nevertheless, several activities have been orchestrated in order to tackle access to water, as this was found to be one of the primary concerns of local communities. Since in 2015 MOL Group operations in Akri Bijell Block were suspended, no further activities were carried out after 2014.

Unconventional Exploration and Production

Unconventional exploration techniques such as fracking have revolutionised the energy industry but prompted environmental and community concern. One of the main concerns is that fracking uses huge amounts of water that must be transported to the fracking site at significant environmental cost. Another important concern is that potentially carcinogenic chemicals may escape and contaminate groundwater around the fracking site. The third and most important concern is that the fracking process can cause small earth tremors.

MOL Group is not directly involved in unconventional exploration, but, realizing the sensitivity of the issue, has defined a set of environmental standards for responsibly undertaking limited fracking activities to enhance 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 activities, from contracting to completion of the production wells.

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 (baseline: 2010)"

At MOL Group we are continuously seeking to decrease our environmental footprint by reducing the amount of waste we generate and developing treatment, recycling and recovery solutions. Due to the complexity of operations, our waste streams and types are also very diverse. The company's 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 2015 increased by 62% compared to 2010. The trend was influenced by significant quantities of non-hazardous waste generated by large investment/demolition projects, as follows:

- At our Hungarian operations, the total amount of waste increased by about 25% due to various construction/demolition projects, but compared to 2014, the amount recycled increased by 40%.
- A similar situation occurred with the Slovakian refinery where the quantity of waste increased due to investment activities and the general revision of production units.

Despite the overall increase in quantity, in 2015 the waste recovery rate improved at the MOL Group-level by 25% (compared to 2010) which means we outperformed in this regard.

*Waste generation and treatment (tonnes) [GRI G4-EN23]**

YEAR	2010	2011	2012	2013	2014	2015**	CHANGE 2010-2015 (%)***
Hazardous Waste	92,918	89,895	82,331	60,528	80,866	97,720	0
Non-hazardous Waste	77,604	68,783	80,891	185,528	170,970	183,686	137
Total Waste Generated	**170,522**	**158,678**	**163,222**	**246,056**	**251,836**	**276,406**	**62**
Waste Disposed/Landfilled	80,202	74,656	76,867	86,574	102,413	94,197	17
Waste Reused/Recycled	90,320	84,023	86,355	159,482	149,423	182,209	102
Total Waste Disposed and Recovered	**170,522**	**158,679**	**163,222**	**246,056**	**251,836**	**276,406**	**62**
Ratio of reused/recycled Waste	53%	53%	53%	65%	59%	66%	25

*Data for the waste included above include operational, remediation and construction waste.
**In 2015, a new, more granular data collection process was introduced.
***Y2015 data are compared to the baseline year for our strategy: 2010

Several initiatives have impacted MOL Group's waste generation and waste recycling figures. These include the following:

- The reverse osmosis equipment installed at the Slovakian Refinery has reduced waste from the waste water treatment plant by 3,500 tonnes.
- Also in Slovakia during 2011 – 2015, 15,839 t of spent catalyst was produced, for which a disposal method was employed that ensured a 98.4% recycling rate.
- The campaign for the collection of used household cooking oil (using the retail network in three countries – Slovakia, Hungary and Romania) continued in 2015. In Romania, 35 new service stations have entered the programme, and in Slovakia we have increased the number of collection point from 15 stations to 88. As a result, the total quantity of oil that was collected in Slovakia increased from 3 t in 2014 to 9 t in 2015, but there was a decrease in the quantity collected in Romania and Hungary. Accordingly, a total of 228.6 t of cooking oil was collected in 2015 which represents a decrease of about 30% compared with 2014 when 325.3 tonnes of used cooking oil were collected.
- In Croatia, we have continued the writing-off process for various chemicals from exploration and production activities. As such, the quantity of hazardous waste that was produced remained at a high level.
- In Pakistan, a total of 3,362 tonnes of oil-based mud was treated through a bioremediation process. Treated mud is re-used as a filling material for road construction.

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. Data relevant to this topic are presented below.

Drilling mud produced in 2015 (tonnes) [GRI OG7]

	EU OPERATIONS	NON EU OPERATIONS	TOTAL MOL GROUP
Hazardous waste from aqueous (water-based) drilling mud and cuttings	532	1,479	2,011
Hazardous waste from non-aqueous drilling mud and cuttings	0	3,360	3,360
Non-hazardous waste from aqueous drilling mud and cuttings	34,909	133	35,042

Drilling mud treatment in 2015 (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	5,428	1,612	7,040
Aqueous (water-based) drilling mud and cuttings – recovered, recycled	30,924	0	30,924
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	3,360	3,360
Non-aqueous drilling mud and cuttings – offshore disposal	0	0	0

Recollecting and processing waste oil at our own facilities brings considerable financial and environmental benefits. In order to increase recollection, we further encouraged the recollection of these types of wastes in 2015. This waste is treated at our own waste management facilities, producing significant amounts of steam or the flux oil needed for bitumen production.

From 2015 we started to centrally collect and report on the quantities of hazardous wastes that are exported/imported due to our operations. As for some of the waste streams there are no proper treatment facilities at the local level, limited amounts of very specific wastes (e.g. refinery catalysts/tank sludge) are exported for treatment to Germany or Austria. The total amount of hazardous waste exported for treatment reached 3,930 tonnes.

Spills

MOL Group is aware of the impact that spills can have on the environment and communities, so taking spill prevention measures into account is a priority when we design and operate our facilities. Regular maintenance and inspection campaigns are conducted and emergency response plans are in place and are constantly updated for each of our sites. When we detect a spill, all the necessary measures are immediately taken to restore the pre-spill status of the affected areas.

In 2015, a total of 6 spills to environment (of more than 1 m^3 hydrocarbon content) with a total hydrocarbon volume of 16.9 m^3 were recorded across MOL Group. This number does not include spills related to road accidents that happened off-site. This represents an increase in number compared to the 5 spills registered in 2014.

On the other hand, there has been a significant reduction in terms of total hydrocarbon losses compared to the 193.5 m^3 registered in 2014. The main reason for this decrease is that in 2014 there were 2 major spills at our Croatian operations with a total hydrocarbon spillage of 170 m^3. In 2015, there were no such major events.

The two largest spills were recorded at our Croatian and Slovak operational sites. The first one, a spill of 6m^3, happened on the section of the crude pipeline that links the Sisak Refinery and Janaf and was due to corrosion, while the second spill (4.9 m^3) happened due to an operational failure inside the Slovnaft Refinery. The other 4 spills were of a volume of between 1 - 2 m^3 and were due to corrosion (2), mechanical failure (1) and an attempt at theft (1). All the spills are considered to have had limited environmental impact and affected no communities. The total cost of remediation activities for all 6 spills was 93,490 euros.

MOL Group did not operate any off-shore installations in 2015 (MOL Group only participated in offshore exploration or production activities through joint ventures as non-operating member). However, MOL Group still aims to ensure that measures are in place to protect marine ecosystems in the vicinity of operations that are located near the coast (e.g. in Croatia at the Rijeka Refinery or the UK's North Sea).

Remediation

A group-wide remediation programme that addresses historical pollution continued to be implemented in 2015.

During the year remediation work was carried out at 187 locations at our Hungarian operations, while at 12 sites work was concluded (this may be compared with baseline year of 2011 when remediation work was concluded for a total of 32 sites). In 2015, approximately HUF 1,191.6 million (USD 4.26 million) was spent on the management of environmental damage.

At Slovak operational sites, remediation programmes continued at 6 locations – 4 logistic sites and 2 retail stations. At one of the logistics sites, the remediation works were successfully concluded and post-monitoring activities have now started. Total spending on remediation programmes in 2015 was HUF 47 million (USD 0.17 million) compared with HUF 732 million (USD 2.48 million) in 2014.

At Rijeka Refinery, remediation work has been carried out on an ongoing basis since 1993. The remediation programme is designed to achieve three objectives: protect the sea and the coastal area, continuously eliminate historical pollution from underground sources, and monitor on a daily basis underground pollution (in 2015, 5 new monitoring wells were installed in high-risk areas). Remediation-related costs at our Croatian operations in 2015 were HUF 744.79 million (USD 2.66 million).

Remediation projects continued being implemented at Italian operations too. In 2015, a total of HUF 124 million (USD 0.44 million) was planned for remediation work, but only HUF 76.99 million (USD 0.27 million) was spent as one of the projects did not start due to external factors. The pump and treat hydraulic protection system at the Mantova site has been optimized in order to ensure enhanced protection of the most sensitive areas.

Concerning international exploration and production sites, over 21 ha of land in Russia was restored to its original state at the Matyushkinskaya Vertical fields and 37 ha in Baitex. Also, 25 drilling mud pits were eliminated from the Baitex field.

Remediation and environmental liabilities are of particular importance when operational sites are abandoned. MOL Group focuses on optimizing operations that also affect its own assets. In 2015, no major site was abandoned. Moreover, in international exploration and production areas no operational sites were opened or closed.

2.4 BIODIVERSITY

Related objective: "Implement Biodiversity Action Plans for all critical operation sites"

MOL Group recognizes that it must operate safely and responsibly in order to protect the natural environment and local communities. Hence, we apply stringent standards to help reduce any impacts our operations may have, particularly in critical habitats which are areas that are rich in biodiversity or under protection. We conduct biodiversity-related studies (as part of environmental impact assessments) for any new major projects or large expansions to existing operations.

MOL Group's exposure to biodiversity risks is not very significant. In 2014, a group-wide assessment was conducted to identify potentially sensitive areas which should be the focus of future efforts. In total, 162 sites were surveyed.

According to the survey, 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 areas). Two of the Upstream operations are situated in water-stressed areas (see chapter on Water management) while one can be found in a water-protected landscape.

In continuation of the 2014 efforts to map all our operations that are close to or in protected areas, in 2015 we developed biodiversity action plans for all exploration and production sites that are awarded this status.

Working with biodiversity experts and local communities to protect biodiversity was also a focus of work during 2015:

- In Hungary we developed awareness-raising projects in partnership with the Őrségi National Park, Hortobágy National Park, Kiskunsági National Park and the Körös-Maros National Park. Activities included printing various brochures and participating in various events, etc.
- In Slovakia we continued to collaborate with SOS Bird Life Slovakia, and we jointly implemented a habitat management program on Samorin Bird Island (on the Danube River). Almost 40 employees from Slovnaft helped professional environmentalists from SOS Bird Life Slovakia to clean the island and prepare the area for nesting birds. This bird island is home to the largest colony of Mediterranean Gulls in Central Europe (over 250 breeding pairs), and the island's surrounding is the most important wintering site in Central Europe for several duck species.
- In Pakistan, we have continued to cooperate with the Margala Hills National Park Administration and more than 1,000 large-size plants have been planted. Additionally, in TAL block 100 artificial bird nests and salt licks for wildlife have been installed.

2.5 HSE COMPLIANCE

In 2015, MOL Group paid penalties for Health, Safety and Environment-related breaches of rules in 11 cases, resulting in total penalties of HUF 21.0 million (USD 75.1 thousand). The largest single penalty (HUF 11 mn) was given to INA d.d. due to non-compliance with waste management regulations and administration during site reconstruction. The Russian subsidiary Matyuskinskaya Vertical was charged HUF 6.8mn for burning associated petroleum gas. Other penalties involved 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:

- In 2015, all of MOL Group's maintenance single service companies obtained the internationally-acclaimed Safety Checklist Contractors (SCC) certificate
- The number of serious (Tier1) process safety events decreased by 25% compared to 2014
- No lost-time injury was recorded during 1.5 and 2.4 million man-hours worked during construction projects for the Butadiene Extraction Unit of MOL Petrochemicals Plc. (former TVK) and LDPE-4 Unit at Slovnaft Refinery (respectively)

CHALLENGES:

- Multiple contractor fatalities occurred in international upstream operation in Pakistan
- Need to decrease road safety incidents
- Identify a sufficient number of SCC-certified contractors for all high HSE risk activities
- Avoid slips & trips: the primary cause of personal injury

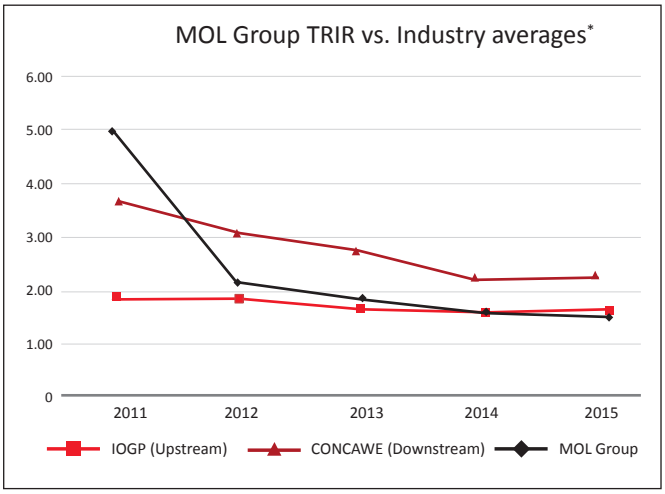
3.1 PERSONAL SAFETY

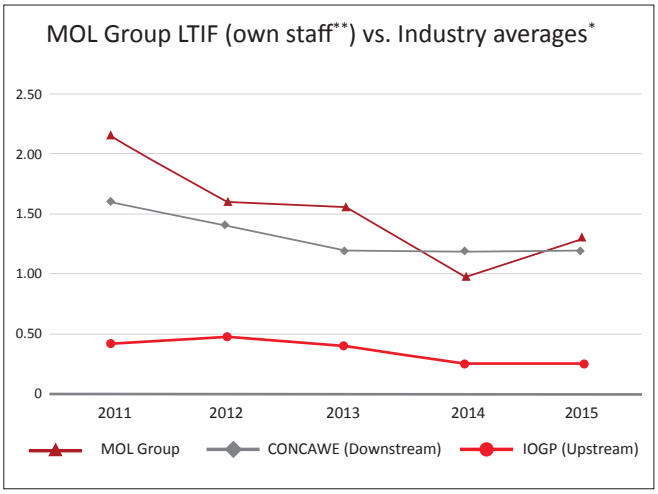
Workforce Safety performance

Related objective: "Implement programs that aim for zero incidents"

Our objective is to be in the top quartile of Oil and Gas companies in terms of our safety performance by 2020. In 2015, we recorded the lowest-ever number of personal injuries among our employees and contractors combined, both in terms of Lost-time (100) and Non-Lost-time (39) injuries (excluding first-aid cases). Regarding additional indicators, MOL Group started applying the Total recordable injury rate (TRIR) in 2014 as a key leading indicator of personal safety for own and contracted personnel in order to aggregate any workplace injury that needed medical attention (this indicator also includes non-lost-time injuries and thus is wider in scope than the LTIF, described below). This year the number of TRIs for our own and contracted personnel dropped by almost 14%, thus the TRIR for the entire group's own and contracted activities combined shows a slight improvement (1.44) compared to last year's performance (1.50), and our Downstream and Upstream businesses performed better than both the IOGP and CONCAWE 2014 industry average.

The other important indicator of our safety performance is the frequency of lost-time injuries (LTIF). In terms of our own staff LTIF, the continuous improvements we have made (since 2010) are coming to a halt, as in 2015 INA Group registered a significant increase in their frequency, while MOL Group's LTIF performance slightly increased from last year resulting in more than 25% increase in MOL Group's overall performance.





* Benchmarks for 2015 are the same as for 2014 since new data was not available at the time the report was drafted

**Including fuel station staff

The LTIF country breakdown indicates significant increases in some countries in 2015 after four years of safety performance improvements.

MOL Group own staff LTIF (including filling station staff) by countries in 2015

COUNTRIES	HUNGARY	SLOVAKIA	CROATIA	OTHER EUROPE	E&P INTERNATIONAL
2015	0.94	0.33	2.2	1.24	0

In parallel, we regret to report the sad loss of one of our own and five of our contractors' employees. These unfortunate incidents resulted in an increase in MOL Group's Fatal Accident Rate (FAR) to 6.23, which is higher than the IOGP (1.03) and CONCAWE (1.38) benchmark figures. In 2015, all work-related fatalities which occurred were related to road transportation activities, and all contractor fatalities occurred in relation to hazardous material (HAZMAT) road transportation (including shipping, loading and unloading activities).

In October 2015, a serious incident occurred at MOL Group's Pakistani operations when four contractor employees suffered serious burn injuries and later lost their lives after hospitalization. A gas vapour explosion occurred while a road tanker (browser) was being loaded at one of the well sites where simultaneous operations (construction, test production with liquid HAZMAT loading and transportation) were in progress. The subsequent investigation ascertained that several MOL Group international and local technical and HSE standards and Life Saving Rules had been violated. This incident resulted in a meticulous assessment of the entire local OpCo's (MOL Pakistan) management systems.

Workforce Safety Programs

The heart of MOL Group's safety program is called Life Saving Rules (LSR). This is an industry-standard program which focuses on the most important safety rules, the violation of which is likely to result in serious injury or fatality. In 2015, to make compliance with the Life Saving Rules easier, we launched various safety programs at MOL Group companies and operating companies such as Fall protection, Lock-out/Tag-out (LOTO), Stop card and Job safety analysis (JSA) with Last-minute risk assessment (LMRA), with multi-year implementation. After a thorough analysis of all the incidents which resulted in personal injury at MOL Group, we initiated a group-wide campaign and local pilot project on the risks of "slips, trips & falls (at the same height)" hazards for both administrative (office) and operational staff under the slogan "Various sites, same hazards".

Site inspections continued in 2015 with a view to verifying our own workers' HSE commitment and safe operating practices. We identified a number of violations of Life Saving Rules and some non-compliance issues (other than LSR) and instigated different consequences for rule-breakers.

MOL Group launched an HSE Leadership Engagement Program in four countries in which we operate, starting with an anonymous assessment of the safety cultures of both management and shop-floor (blue-collar) workers. This was continued with HSE Leadership Engagement training for the TOP150 managers and leaders of MOL Group in order to develop and improve HSE culture and leadership.

Important achievements at MOL Group operational sites include the following:
At Slovnaft Refinery the LDPE-4 construction project was completed in Q4 2015. During project implementation an average of 500 (and at peak times, 900) workers from 11 countries were on site at the same time. More than 2.4 million working man-hours were recorded (of which more than 1.2 million hours in 2015) with zero lost-time injuries (LTI). In 2015 during construction of the new Butadiene Extraction Unit of MOL Petrochemicals Plc. total man-hours worked nearly reached 1.5 million with no LTI. At the peak of project implementation 600 personnel were working on the construction installing a total of 12,000 tonnes of concrete, 2,100 tonnes of (reinforcing) steel and 18,000 metres of pipes.

Road Safety

In 2015, the high number of road accidents (both personal and HAZMAT transportation; 110 vs. 106, respectively) was a major issue, even though the distance driven dropped by more than 7 percent. All MOL Group own employees (1) and contractor (5) fatalities occurred in connection with road transportation (including the shipping, loading and unloading of HAZMAT).

In 2015, MOL Group launched a comprehensive Road Safety Program for own and contractor employees. The program focused on two major areas: 1) road transportation, and 2) personal cars. The Road Transportation Program involved light and heavy duty vehicles, including hazardous materials, with a focus on safe truck driving via Truck Drivers' Safety Fundamentals.

The Employees' Road Safety program is endorsed by a high-level MOL Group manager who suffered a serious road accident in 2014. This program was developed for personal drivers and entails defensive driving training – the training is compulsory for frequent drivers, and optionally available to all drivers who use cars for business purposes.

Apart from the fatal accidents, MOL Pakistan significantly decreased the number of HAZMAT road transportation accidents from 20 to 9, with no off-site fatalities. This was due to special measures such as a strict check-list-based inspection of tankers, and implementation of a Logistics Management System (LMS) via a newly established Logistics department.

MOL Plc. prepared its first Highway Code e-learning training and mandatory exam for individuals who drive cars for company purposes. The aim of the new online training is to keep MOL employees updated about current regulations and safe driving practices.

INA's Road Safety Program continued in 2015 with a focus on training personnel and extending the program to other INA subsidiaries. A number of INA and STSI employees were trained in practical safe driving. A safety inspection system for vehicles for personal transportation and minibuses dedicated to emergency response and evacuation was introduced at Kalegran in the Kurdistan Region of Iraq.

The GPS tracking of fleet vehicles started in 2015 at IES with the aim of monitoring the driving behaviour of each driver. In May 2015, sales representatives and executive employees participated in a road safety training event organized at the Bonora international circuit.

MOL Serbia organized a Road Safety Campaign which involved distributing flyers at service stations during the high traffic season in the summer with tips about safe driving. Additionally, MOL Serbia, in co-operation with authorities, organized an activity called "Every step safe and easy" in the "Little Prince" day-care centre for a total of 134 children.

Since 2010 there have been significant improvements in road accident rates (the number of road accidents per 1 million driven kilometres) of other means of transportation at both INA Group and MOL Group. In 2015, however, INA witnessed a slight increase in this indicator, while MOL Group performance continued to improve on a yearly basis.

Contractor Safety

Related objective:

- *"Improve contractor HSE management program"*
- *"Introduce comprehensive supplier risk assessment and have prequalification for at least 80% of the critical suppliers in each subsidiary"*

Given the nature of the industry, one of the most significant challenges in the supply chain is to manage the health, safety and environment (HSE)-related risks of the investment and maintenance works performed by contractor companies. Accordingly, MOL Group applies the same standards to contractors as it does for its own operations.

In 2015, the lost-time injury frequency of our contractors improved. In total, we recorded 21 contractor lost-time and 13 non-lost-time injuries which both are 46% lower than for the previous year. However, this LTI number includes the above-mentioned fatalities, as well.

Key controls for improving the HSE performance of our contractors include prequalification audits, a detailed HSE Appendix for contracts, compulsory 24/7 HSE supervision by the main contractor in case of large complex projects, a HSE Plan, Job Safety Analysis for critical works, strict enforcement of Life Saving Rules, regular site inspections, and post evaluation of HSE performance. To minimize risks through the entire value chain, only two levels of subcontractors are allowed.

Consideration of HSE starts as early as the stage of selection of suppliers. In 2015, the following steps were undertaken:

- Development of a new, comprehensive and integrated vendor management solution (a platform for financial, legal, ethics and HSE pre-screening and initial risk assessment)
- During the technical evaluation of bids, companies with a high post-evaluation score and specific HSE certificates could obtain extra points (worth up to 5%).
- In the future it is planned that only companies with an SCC/VCA certificate (Safety Checklist for Contractors) will be contracted for high HSE risk activities in all European, on-shore operations. To demonstrate their commitment to live up to this requirement, by the end of 2015 all maintenance single service companies of MOL Group (Petrolszolg Kft. in Hungary, SMaO in Slovakia and STSI in Croatia, altogether employing ca. 2,200 employees) obtained this certificate. SCC is a safety framework that focuses on the risks and challenges of contractor work and also includes an employee certification scheme (in Hungary 750 workers and supervisors attended a 2-day training event).

- In 2015, a total of 348 contracts for high HSE risk activities (with a total value of EUR 587 mn) were signed and 348 companies were audited for prequalification to make sure they comply with the technical and HSE requirements of projects.
- As part of the strategic sustainability plan, in Hungary a total of 3 supplier sustainability audits were conducted. The companies which were visited agreed to implement corrective activities that go beyond the field of HSE.

Number of HSE supplier pre-qualification audits by significant regions in 2015 [GRI G4-LA14 G4-EN32]

NUMBER OF HSE SUPPLIER PRE-QUALIFICATION AUDITS	HUNGARY	SLOVAKIA	CROATIA	ITALY	E&P INTERNATIONAL	TOTAL
2015	187	21	11	5	124	348

During the completion of a project, several measures are applied to minimize the risk of any HSE incidents:

- Supplier Forums are organised to inform contractors about actual topics and prepare them for upcoming projects such as refinery turnarounds.
- MOL Group internal regulation requires each main contractor to guarantee 24/7 HSE supervision during work (in the case of high-risk, complex projects).
- Every on-site contractor is obliged to participate in basic HSE induction training and pass a test once a year.

At the group level, a total of 10,659 site inspections were performed to manage the HSE performance of contractors. In the case of almost 2,000 audits in which instances of non-compliances were found, corrective activities were initiated and penalties were imposed, where applicable. In 29 cases workers were banned from the site, and in 131 cases written warnings were sent out. In 2015, no contracts were terminated because of HSE breaches.

Safety programs have been implemented for contractors as well, including Job Safety Analysis, Stop Card system and/or the Last Minute Risk Assessment. In Slovnaft, a new system was launched which means that near misses, unsafe acts and conditions can now be reported in SMS format through an easy-to-remember phone number.

3.2 HEALTH PROTECTION AND PROMOTION

Occupational Health

Related objective: "Implement programs to ensure a healthy workplace"

In 2015, similarly to previous years, no occupational illnesses were recorded across the entire MOL Group. Having a healthy workplace is critical to MOL Group's success. We aim to operate a number of local programs in order to protect employees' health, to ensure that appropriate medical responses and treatment are given, to manage stress and to encourage employees to lead a healthy lifestyle by minding their work-life balance.

In addition, in 2015 MOL Group became a signatory party to the Safe Water, Sanitation and Hygiene at the Workplace (WASH) initiative and hence pledges to provide access to safe water, sanitation and hygiene at the workplace at an appropriate standard for all employees at all premises.

In 2015, a comprehensive health protection and promotion gap analysis was conducted across MOL Group operations. The scope of the analysis included industrial hygiene risk assessment, fitness-for-duty medical evaluations, medical emergency processes, ergonomics and rehabilitation in order to estimate pre-existing gaps and to facilitate the design of action plans for their elimination through a process of harmonization.

In general, annual fitness-for-duty medical evaluations are based on the above workplace risk assessment and are therefore even stricter than the relevant country regulations.

We have intensified our efforts to introduce measures to completely eliminate even the possibility that employees are exposed to carcinogenic chemicals. For example, a comprehensive prevention strategy was implemented at the Danube Refinery. Our cytogenetic program – a leading monitoring program in the Oil and Gas industry – also continued to be implemented at MOL Plc. A total of 110 employees were examined.

Regular biological monitoring continued for MOL Plc. operational unit workers, for Slovnaft risk category 3 Employees (who are at risk of carcinogenic compound exposure during daily activities), and for 198 employees at Petrolszolg Ltd. 1 overexposure was found in the latter group.

During 2015, INA d.d. (Croatia) sent 130 employees with different medical statuses (employed at different positions) to a ten-day Medically Programmed Active Vacation (MPAV) at SPA TOPUSKO which is renowned for the beneficial effects of its thermal water.

Qualitative health risk assessments were carried out through the "Special assessment of work place environment" framework in Russia and in the Central Processing Facility (CPF) and Gas Processing Facility (GPF) in Pakistan. No staff with potential occupational diseases were identified. Additional ambient air sampling for Hydrocarbons (BTEX), noise and vibration monitoring was carried out at potential sites for different MOL Group operations.

A stress Management Campaign was simultaneously launched at the Branch Office and at CPF of MOL Pakistan in 2015.

Workplace Health Promotion

At MOL Plc. (Hungary) more than 7,100 employees participated approximately 21,000 times in different Workplace Health Promotion programs in 2015, especially at medical screenings, movement-based activities and vaccinations. At Petrolszolg mobile massage and gym projects continued with a total of nearly 1,900 visits.

78 employees of MOL Plc. participated in the 30th Budapest Wizzair Half-marathon, while 27 employees from MOL Slovenia participated in the 3 biggest marathon events in Slovenia (Radenci, Maribor and Ljubljana). Their registration fee was covered by the STEP program for the first time.

At INA (Croatia) the aim of the “Running - challenge of the 21st century” campaign was to promote and educate employees about the positive effects of sporting activities on human health, and to encourage them and their families to stay active. All INA employees have access to the “Ask our Doctors“ service which enables them to send questions related to occupational health matters and health in general to contracted company occupational medicine specialists, or to arrange a personal visit.

A preventive Health Care Programme was launched at the branch office (BO), as well as at CPF/GPF of MOL Pakistan where awareness-raising sessions were held at both locations. Selected employees were evaluated for GCT (Glucose, Triglycerides and Cholesterol), BMI, Blood Pressure and Vitamin D levels.

At BaiTex in Russia, all employees are encouraged and supported to engage in sporting activity such as playing volleyball (men) or visiting the ice palace and gym (women). BaiTex's volleyball team participated in the ‘Festival of Working Sport’ in Buguruslan.

3.3 PROCESS SAFETY AND RISK ASSESSMENT

Process Safety Management

Related objectives: “Strengthen facility safety, improve rating in benchmarks”

The main goal of process safety management (PSM) is to establish and operate an efficient management system which ensures the prevention of technology-related process incidents and protects people, assets and environment against harm. Implementation of the Process Safety Management system in MOL Group started in 2006. Our PSM-related goal is to continuously decrease the number and severity of process incidents and be in the top 25 percentile of CONCAWE and IOGP benchmarks.

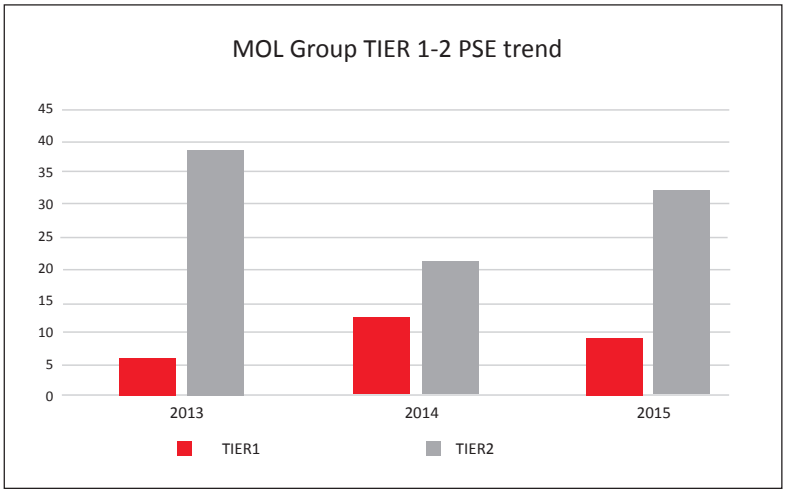
In 2015, there were 41 TIER1-2 Process Safety Events (PSEs) at MOL Group which is a decrease of 4 events compared to 2014. Although the number of events was lower than previous years, the consequences of these events were more severe than they have ever been in MOL Group’s history.

Number of TIER 1-2 process safety events in MOL Group companies in 2015 [GRI G4-LA14]

2015 PROCESS SAFETY EVENTS (PSE)	MOL GROUP	HUNGARY (MOL+TVK)	SLOVAKIA (SLOVNAFT)	CROATIA (INA)	ITALY (IES)	UPSTREAM INTERNATIONAL
PSE TIER 1	9	2	1	4	0	2
PSE TIER 2	32	17	8	4	0	3
PSE TIER 1+2	**41**	**19**	**9**	**8**	**0**	**5**

The financial cost to MOL Group of TIER 1 process safety events was approximately 9 mn USD in 2015 – of which indirect losses due to business interruptions represent 90% of the cost.

The MOL Group TIER 1-2 process safety events trend is shown in the following chart:
*Note: TIER 1 category events are more serious from a consequence point-of-view than TIER 2 category events. Categorization is based on API RP 754.



Top Management commitment especially that of MOL Group's CEO towards PSM, was demonstrated during PSM implementation status visits at 3 locations (MOL and Slovnaft Production, INA Croatia).

In 2014, we started the tradition of organizing an annual PSM best practice sharing workshop. In 2015, this workshop was held in October. It was a great opportunity to share and understand good/best practices in process safety from Downstream and Upstream business sectors, as well as from the non-MOL Group invitee, Česka Rafinerska (Czech Republic).

The efficiency and level of PSM system implementation is continuously monitored and measured. To measure the level of implementation we use PSM Cross audits (based on an annual audit plan) where implementation of selected PSM elements are compared with predefined audit questionnaires.

In 2015, there were 17 cross audits and the overall evaluation of PSM implementation shows an improvement, especially in Process Safety Information, Management of Change and Emergency Planning and Response elements. For these elements the scores were over 90%. Implementation of all elements requires a systematic approach and continuous effort to keep the system functional.

Besides internal audits, in 2015 an external company (AON Risk Solutions) also performed 2 external assessments of implemented safety related processes and technical solutions. One of the assessments was done at MOL Petrochemicals site in Hungary. The result of the assessment was a risk rating which categorized the risks analysed as 'Standard' compared to similar facilities elsewhere in the world.

Local implementation of PSM-related programs was continuously followed-up at the Group PSM Forum, where businesses had to report on local activities. In 2015, the main focus was placed on Mechanical Integrity by launching the UPTIME program. UPTIME is designed to increase reliability and significantly reduce the number of unplanned shutdowns in Downstream. The importance of the project was proved by the UPTIME survey which shows that employees are strongly engaged with the program.

Significant improvements were also made with regard to the Management of Change process, especially in MOL Plc. and Slovnaft, and in Fire Hazard Analysis which was prepared or updated in MOL, Slovnaft and MOL Pakistan.

Emergency response and crisis management

Emergency and crisis preparedness has clear business relevance to the Oil and Gas industry, and improving and maintaining emergency response capabilities is crucially important.

In 2015, MOL Group initiated several new projects to increase the emergency and crisis response capabilities of MOL Group in 2015. Accordingly, we increased the involvement of all affected and interested business and functional stakeholders by reviewing their roles in potential crisis situations. In parallel, we raised awareness of process preparation. We also deeply examined events which represent a potential threat to MOL Group operations.

FER Fire Brigade and Service Ltd. (a MOL Hungary Subsidiary) organized the 8th International Conference for Fire Brigades in the High Hazard Industry in Budapest. This conference is organized every second year and offers a great chance for international professionals to explore the latest developments in this field.

4. HUMAN CAPITAL

General aim: "Building capability and enhancing organizational performance at times of turbulent change"

ACHIEVEMENTS:

- Group E&P and Group HR implemented a Technical Career Ladder (TCL) across the E&P community in 2015 and allocated 940 petro-technical professionals (PTPs) to 7 TCL levels through 14 Job Families
- MOL Group won the Getenergy 2015 Award in the category of 'Education Partnership' for partnering with the University of Engineering & Technology (UET) of Peshawar
- MOL Group won Workforce Optimas Awards in the category of Global Outlook for a change in the compensation and benefits model in MOL Pakistan that efficiently reduced staff turnover
- MOL Group's Intensity leadership program developed 489 leaders and attained an overall course satisfaction rate of 83%
- 186 graduates joined MOL Group as Growww 2015 program participants in 11 countries, with 36% of positions offered to women, which is above the industry's gender split average

CHALLENGES:

- A scarcity of mid-level careers on the market is shrinking the available skills pool
- Increasing speed of change, industry downturns and market volatility affect the talent pool

4.1 ATTRACTING EMPLOYEES

Related objectives:

- *"Talent acquisition approach tailored to attracting young professionals with geosciences and engineering background in order to secure talent pipeline for Exploration & Production"*
- *"Implement programs to ensure early engagement of the young generation who are seeking a way into the Oil and Gas industry"*

The entire Oil and Gas industry is in the middle of a human resources transition. The scarcity of mid-level careers on the market combined with a high percent of retirees has shrunk the available skill pool. Furthermore, the appearance of Generation Y on the global labour market means that employers must meet different expectations. MOL Group has built a talent acquisition and recruitment strategy to attract and hire talented graduates to fill technical and managerial positions from the bottom-up.

The pillars of MOL Group's talent acquisition strategy are the secondary school programs Junior Freshhh and MyMentor, Freshhh and the UPPP international student competitions and the graduate recruitment and development program Growww. The secondary school programs support the early engagement of the young generation in natural sciences. The Freshhh program promotes the attractiveness and complexity of the Oil and Gas industry and the overall international activities of MOL Group. UPPP is the dedicated Exploration & Production international talent acquisition program of the company. The best performing students have the chance to start their careers at MOL Group via the newly established 18-month UPPP Technical Placement Program. This program offers state-of-the-art talent development including business and technical curricula, MOL Group HQ exposure and on-site experience in the E&P operations of MOL Group. The Growww graduate recruitment and development

program, launched in 2007, provides graduates with a unique opportunity to start their career in a global company and to build work experience through training, on-the-job assignments and mentoring from the best professionals in various Oil and Gas disciplines in an intercultural working environment.

Further to the programs mentioned earlier, MOL Group is investing heavily into its social media strategy and presence to appear as an attractive and desired employer on the global market.

MOL Group's programs and efforts are increasingly internationally recognized. In 2015, the company won 3 prestigious international awards related to its talent acquisition programs:

- HR Distinction Award in Employer Branding
- Getenergy Awards 2015 (Education Partnership category)
- Global HR award at HRO Today Europe Forum (1st place in Innovation in HR Technology)

Educational Partnerships

Secondary schools

To start attracting and engaging young talents at an early stage in the Oil and Gas industry, and to encourage them to choose a STEM-based (science, technology, engineering and mathematics) long-term career path, MOL Group companies maintain close, ongoing contact with secondary grammar schools and vocational schools.

In 2015, the 'MyMentor' program continued and 12 professors were selected out of 560 nominations in Hungary, Croatia and Slovakia. Junior Freshhh was launched for the second time in Croatia, the third time in Slovakia and for the sixth time in Hungary. A total of almost 1,200 teams registered from the 3 countries of Hungary, Croatia and Slovakia in 2015. MOL Group companies also maintain partnerships with relevant vocational schools to ensure that blue-collar talent continues to flow.

University concept and partnerships

MOL Group is committed to helping maintain the long-term talent pipeline. As a result, the company nurtures and seeks out strategic partnerships with universities and faculties from relevant fields.

For example, MOL Group instigated a successful collaboration between MOL Pakistan and the University of Engineering & Technology (UET) Peshawar, which is the largest engineering university in the province in which MOL Pakistan operates. To date, the university has provided MOL Pakistan with nearly 70 graduate engineers, thus helping to meet growing business needs and playing its role as a true strategic partner. Through this partnership, MOL Group won the Getenergy 2015 Award in the category of education partnership announced on June 15th in London.

MOL, INA and Slovnaft have an ongoing, long-term cooperation with local universities that provide Oil and Gas-industry relevant education, and MOL Group sponsors international student associations (e.g. BEST) and professional events that are organized for students.

Talent acquisition programs

Freshhh is MOL Group's innovative online university student competition that targets potential future MOL Group employees from across the globe. 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 20,000 students have participated. In 2015, a record number (2,210) of three-member teams from 70 countries have applied to enter the competition.

In 2015, 1,114 three-member teams applied for the UPPP talent acquisition program from 45 countries, ranging from the UK and Central Europe to the Middle East. Based on an evaluation by the jury, the top three teams won a total of 25,000 euros. From the 2014 competition, 9 young talents started their careers in the 18-month UPPP EDU Technical Placement Program during 2015 and received a best-in-class professional and business education to ensure their rapid development.

In terms of the Growww programme in 2015, 186 new Growwwers joined MOL Group in 25 companies from 11 countries. The proportion of female Growwwers is 36%, which is well above MOL Group's and the industry's gender split average. More than 1,700 graduates have joined MOL Group through the Growww program since 2007.

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"*

In 2015, the market environment was globally less favourable in the Oil and Gas industry. As a result, MOL Group's total headcount decreased by 6% compared to 2014. However, this decrease is the result of a series of long-term activities which were undertaken in line with business objectives. The major reasons for the decline include the ongoing optimization program at INA Group and its subsidiaries, changes in the operating models of retail service stations on selected markets, the outsourcing of transactional activities in support functions and a change in the scope of consolidated companies.

Competitive compensation

MOL Group compensation schemes are designed to reinforce a merit-based culture by clearly motivating employees to continuously raise the performance bar for great results. MOL Group aligns and harmonizes compensation across the Group in companies with similar business profiles by applying tailored remuneration strategies, taking into consideration the local company's available financial resources and market position.

To implement the above-described principles, MOL Group uses the international Total Remuneration approach which involves structuring major compensation elements, including the Annual Base Salary, Short- and Long Term Incentives and Benefits that together represent MOL Group's compensation strategy.

The cornerstone of the compensation and benefits architecture is the international HAY job systematisation methodology. Since 2014, when single and transparent group-level job evaluation methodology and grading guidelines were introduced, MOL Group has created a consistent job systematization and compensation structure through which companies apply the same remuneration principles. By end of 2015, MOL Group had achieved 100% HAY coverage at its companies.

Ratio of corporate minimum wage to local minimum wage at significant (more than 100 employee) operating locations (%) [GRI G4-EC5]

COUNTRY (MAIN COMPANY)	2015
Austria (Roth Heizöle GmbH)*	119%
Bosnia Herzegovina (Energopetrol d.d.)	105%
Czech Republic (MOL Česká republika, s.r.o.)	245%
Croatia (INA d.d.)	133%
Hungary (MOL Plc.)	137%
Italy (IES S.p.A.)**	118%
Pakistan (MOL Pakistan Ltd.)	563%
Romania (MOL Romania PP s.r.l.)	151%
Russia (BaiTex LLC)	206%
Serbia (MOL Serbia d.o.o.)	223%
Slovakia (Slovnaft a.s.)	148%
Slovenia (MOL Slovenija d.o.o.)	100%

* ratio is calculated based on industrial (Trading) Collective Agreement, min. wage data for Austria

** ratio is calculated based on industrial (Oil) Collective Agreement, min. wage data for Italy

MOL Group uses strict guidelines about equal employee compensation regardless of gender, age and nationality. Group-level compensation policies are transparent and are 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

The strategy behind MOL Group remuneration is to incentivise employees through a combination of short-term and long-term initiatives.

The aim of the MOL Short Term Incentive system is to focus participants on achieving challenging financial, operational and individual performance goals which reflect the delivery of key annual business priorities within the framework of MOL Group's long-term strategy.

The purpose of the Long Term Incentive system is to drive and reward the delivery of sustainable value creation and to ensure that there is complete alignment between MOL Group senior & top management and the strategic interests of shareholders. The Long Term Incentive system consists of two elements: a Stock Option Plan and a Performance Share Plan.

Employee wellbeing and benefits

MOL Group cares for a constantly changing and diverse, multigenerational workforce whose benefit and wellbeing needs are being met through a wide range of programs, benefits and initiatives that affect the most important dimensions of their lives, including health & wellbeing, financial wellbeing, workplace environment and social care.

Investments in employee wellbeing are contributing to keeping employees engaged, helping them reach their full potential, and keeping them productive and innovative.

To ensure that there is a wide range of health & wellbeing options to choose from, MOL Group increases the value of its Total Remuneration using competitive benefit schemes. When basic benefit elements are defined, local legislation, the tax environment and competitiveness on local markets are evaluated, together with overall group-level consistency.

Besides local benefit and wellbeing programs, MOL Group covers employees with life and accident insurance 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.

Annual People Cycle (APC)

The Annual People Cycle programme at MOL Group aims to foster a culture of high-performance and ensure that individual targets are aligned with the group's strategic goals.

The process covers performance management and career and development planning and ensures that these are planned and executed in a more accurate, credible, fair, consistent and transparent way.

In 2015, the process was thoroughly reviewed, further streamlined and simplified in order to ensure tighter alignment with business needs and adaptability to a changing environment.

By introducing the mid-year review step in 2015, the cycle has become an on-going process of target setting and target achievement review and adjustment, when needed, to reflect the changing environment and needs, development, discussions and receipt of feedback. This process facilitates an effective conversation about performance that is critical for organizations in order for them to be able to rapidly react and adapt to changing business requirements.

Through the introduction of the new Annual People Cycle IT platform, managers now save 45% of the time they formerly spent administrating the process and can use this time implementing the high-quality program and providing feedback on an ongoing basis.

MOL's Managerial Performance Management System aligns three target elements and their evaluation: corporate, divisional and individual targets. Besides key financial indicators, sustainable development, health, safety, environment and HR-related targets are also considered and are consistently cascaded down the organisation from top management to lower managerial levels.

Our Employee Performance Management System (EPMS) ties corporate targets to individual performance through a differentiated employee bonus pay-out, in line with the outcomes of performance evaluation.
MOL Group is working to extend EPMS, with the goal of covering all of the companies within the Group.

Career Management system (CMS) & Development processes enable the organization to develop and retain identified talent. During People Review Meetings, talent is reviewed and development plans and career paths are defined.

As part of improving the process at MOL Plc., in 9 operational companies (covering cca. 1,000 employees), a technical system has been rolled out which further supports high-quality process accomplishment.

At INA, after the first EPMS cycle - based on business needs and feedback - the process was revised and adjustments made with effect from 1st January 2016 in order to ensure enhanced business results and the existence of an appropriate incentive system.

As of 2016, the EPMS process has been implemented at 5 additional companies (covering cca. 1,600 employees).

Employees covered by a predefined and standardized performance appraisal process (%) [GRI G4-LA11]

EMPLOYEE CATEGORY	2010	2011	2012	2013	2014	2015
Executive/ Top management	100%	100%	100%	100%	100%	100%
Middle/ General management	100%	100%	100%	100%	100%	100%
First Line Management/ Supervisor	100%	85%	85%	100%	100%	100%
Specialist groups	78%	48%	64%	64%	70%	72%
Employees (below HAY18)	73%	40%	41%	42%	51%	54%

Number of participants in career management system and development processes [GRI G4-LA11]

APC PROCESS	NO. OF PARTICIPANTS PER YEAR				
	2011	2012	2013	2014	2015
CMS&Development	1,320	1,535	2,000	2,100	2,100

Employee engagement

Employee engagement is a strategic part of a healthy and productive workplace and a priority for sustaining and promoting our human capital and business strategy. We deploy biannually an employee engagement survey (the Roundtable Survey) in most of our companies within MOL Group and many of our locations worldwide. Between two survey cycles we also conduct 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.

In 2015, we reduced the number of questions by almost 50% and we now provide the option to respond to the survey using different methods, from an online version to mobile phones. Approximately 50 companies participated in the survey from 16 countries across the Group. The overall group response rate was 80%; a significant increase of 18% compared to the overall response rate for the previous survey cycle.

Employee engagement survey results (%)

EMPLOYEE ENGAGEMENT RESULTS	2008	2010	2012/13	2015
Coverage	90	90	96	85
Response rate	50	64	62	80
Engagement level	67	70	47*	45

* The engagement methodology changed in 2012 due to the engagement of a new service provider. As a result, the engagement data in the table do not show the trend for engagement from 2010 to 2012 since the basis of calculation is different. Compared to 2010 results, the difference is a 2% point decrease.

Employee engagement decreased by 2 percentage points in the 2015 survey, which is due to, among others, organisational changes prompted by volatile market conditions at the time of the survey, even if response rate was particularly high (80%).

At a regional level there are many activities being implemented to increase the overall level of engagement. Some of the best practices are described below.

At MOL Plc. the MOL Hungary Program was one of the first steps we undertook to establish the basis of a common language in

order to contribute to employee engagement, to increase the credibility of management and to support employee well-being. As the result of the MOL Leadership Codex, 4 focus areas were defined that measure managers' leadership skills and ways of working. The Leadership Codex included 20 workshops for managers (about 200 participants), 25 shift leader workshops (about 250 participants), and 360-degree evaluations of managers.

During 2015, INA focused on developing champions as change agents. As a result, the Leading Positive Organizational Change program was launched. This is an initiative for empowering champions with the skills they need to prepare the process of change, to implement change and to motivate and manage people during the change process. Also, several team workshops were organized in order to increase employee participation in action plan design by using a specific methodological process of team/individual change management. After the workshops, action plans were created and implemented during 2015.

4.3 DEVELOPMENT OF HUMAN CAPITAL

Related objectives: "Build leadership capabilities, fill technical competency development gaps and have a global leadership competency framework"

To respond to the increasing speed of change and inevitable market volatility, MOL Group adapts its people development practices in order to remain agile and stay ahead of the change curve.

Training and development data for MOL Group [GRI G4-LA9]

MOL GROUP TRAINING DATA			
	2013	2014	2015
Average training time per employee (hours)	22	24	34
Average cost of training per employee (th HUF)	57	76	114
Average hours of training per employee group (hours)			
Top Management (HAY 24 and above)	19	52	53
Middle Management (HAY 21 to 23)	34	53	77
First Line Management (HAY 18 to 20)	40	52	69
Expert (HAY 14 to 17)	37	38	61
Executor (HAY 13 and below)	20	21	19
Average training cost per employee group (th HUF)			
Top Management (HAY 24 and above)	464	1,107	1,433
Middle Management (HAY 21 to 23)	287	854	1,426
First Line Management (HAY 18 to 20)	207	368	483
Expert (HAY 14 to 17)	127	200	161
Executor (HAY 13 and below)	42	61	42

Learning and development objectives

MOL Group values, promotes and facilitates employee skills development as a key driver for meeting its strategic goals. In 2015, MOL Group rolled out 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 industrial challenges of the 21st century, professionals at all levels need to acquire fresh sets of skills.
2. Building leadership capabilities. Besides equipping the current leaders with the necessary new skill sets, MOL Group is building its next generation of global leaders via its unique talent programs

Technical capacity building

MOL Group HR has identified ways to manage human resources through industry downturns and market volatility in a way that mitigates risks to personnel and enhances organizational strength and performance over time.

To clarify roles, work and key competence requirements in most critical technical jobs, MOL Group has introduced and is continuously expanding its Technical Competency Management system. The system defines competency expectations according to job roles. It grants access to training in line with the outcomes of competency assessments and tracks progress against learning objectives.

To build sustainable internal capabilities and transfer knowledge in critical roles, MOL Group introduced a Technical Career Ladder in its E&P business for core petrotechnical jobs for the first time in 2015. MOL Group has also created a targeted high-impact learning program for its petrotechnical early-career talent pool to accelerate their development.

Employees enrolled in Technical Competency Measurement (number of people)

	2011	2012	2013	2014	2015
Exploration & Production	630	650	750	850	1,100
Downstream	230	500	750	950	950
HSE	-	30	30	300	300
Total	**860**	**1,180**	**1,530**	**2,100**	**2,350**

E&P HR Workstream

Further to the above, in June 2014 E&P and HR started a Technical Capability Building program to provide every petro-technical employee with a structured career path and a targeted development program. After the design phase in 2014, the focus in 2015 was on implementation across the E&P community. The different elements of the program have been developed and implemented with the involvement of the technical E&P community, the most important achievements for 2015 being:

- Determining 4 Disciplines and 14 Job Families
- Defining 7 clear and consistent Technical Career Ladder (TCL) levels
- Developing 34 competence models and learning curricula during more than 150 workshops and 50 SMEs
- Allocating 940 petro-technical professionals (PTPs) a Technical Career Ladder (through completion of technical self- and cross-assessments)
- Starting the Mentor Program and nominating 36 Mentors for 106 Mentees
- Involving 33 UPPPers and Growwwers in the UPPP EDU program

The three most significant, tangible achievements are related to:

- The reallocation of cca. 106 PTPs to the appropriate level of their career ladder
- Assigning to each PTP a tailor-made two-year Individual Development Plan
- Approval of the 2016-2017 technical training budget

The implementation period for the E&P HR Workstream finished in 2015; from now on all these activities will be part of the annual cycle and a component of regular work.

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.

After the success of LEAD I. (MOL's leadership education program for the Group's top talents), we launched a second generation of LEAD in 2015 in partnership with the regionally acknowledged Cotrugli School of Business (Croatia) and the globally-renowned Thunderbird Global School of Management (USA). LEAD is organized around three nested leadership talent pools.

LEAD I. proved to be of great assistance in strengthening the Group's management. 47% of the participants were promoted within 2 years of the start of the program.

MOL Group's modular leadership development program, INTENSITY (run in co-operation with Management Centre Europe (MCE), the largest provider of talent development programs in Europe and the Middle East) has proven to be successful based on the first year's experience. During the first year (2015) MOL Group developed 489 leaders and successors in the program through 48 courses, and attained an overall course satisfaction rate of 83%.

As a reward for this achievement, INTENSITY won the Leadership Excellence Award for 'Best Use of Classroom Training' offered by HR.com based on feedback from INTENSITY participants.

Downstream division-specific programs

HOST Program: MOL Group decided to better utilise its continuously developing service station network across the CEE region. MOL Group Retail wanted to do this by differentiating itself significantly from its traditional fuel retail competition. To this end, Retail defined its strategy in 2014 and created a fundamentally new concept that puts the customer experience at the forefront.

The "Attendant to HOST" Programme targets cultural change and the transition of staff behaviour from inward-looking to more customer-focused. After the tendering procedure, the procurement process will be closed in Q1 2016 when we plan to launch the next phase of the project with an external partner.

PIMS Academy 2015: in co-operation with the Hungarian University of Pannonia, MOL Group re-launched an accredited post-graduate course in September 2015. The program (organized every second year) helps educate specialists to be able to deal with the complex challenges of Oil and Gas supply chain business activities by providing them with solid knowledge about professional, market-leading software.

Production Rotation: MOL Group's Production Rotation Program is a great opportunity for experts working at DS Production sites across the Group to work & learn for 1-2 months at a site other than their current workplace. In 2015, nearly 30 employees participated in the programme.

4.4 COMMITMENT TO FAIR EMPLOYMENT

Related objective: "Enhance responsible employer practices to ensure the engagement and diversity of the workforce"

Employee relations

MOL Group is supportive of the freedom of association and collective bargaining, and is committed to continuously improving social dialogue. In 2015, according to a weighted-average calculation based on data provided by MOL's European Work Council, more than half of all employees were represented by trade unions in companies where such representation is possible (94.9% of all employees).

Trade unions and collective bargaining agreements (%) [GRI G4-11]

	2011	2012	2013	2014	2015
Employees covered by trade unions	95	95	96	94	95
Employees covered by collective bargaining agreements	95	92	90	89	92

One example of such employee representation is the New Europe Program which was extended in 2015 for the period 2016-2020. This agreement between MOL Group and the European Works Council has been in place since 2006, providing a framework for the key activities that contribute to the sustainable and responsible operating of MOL Group.

The Program focuses on six areas (Social Dialogue, Talent Acquisition and Management, Capability Development, Reward and Recognition, Diversity and Inclusion, Health Protection and Promotion, Occupational and Process Safety), and, in line with the key directions elaborated for each area, it defines measures which should be implemented for the benefit of employees between 2016 and 2020.

The European Works Council represents employees at the group level. The European Works Council contains members from all major subsidiaries. Employee representatives (one third of all members) on MOL's supervisory board are delegated by MOL Plc's Works Council.

At MOL Plc. (Hungary) employee representatives are invited to Collective Agreement (CA) negotiations, professional discussions about CA-related issues and a process of commenting related to the activities of employer and works councils meetings (on a monthly basis).

In 2015, a total of 51 sessions took place with the objective of promoting information-sharing. Further to this, 35 meetings took place which involved discussions and/or negotiation about specific topics.

The Works Council (WC) of INA, Plc. in Croatia was established in 2011 and has 25 members. The employer engages in ongoing dialogue with the Works Council in the following areas: consultation, presentation of company business plans, participation in employee assemblies organized by the Works Council (2 assemblies were held in 2015) and the provision of support to facilitate Works Council operations and trade union (TU) activities in accordance with the law and the collective agreements. 22 meetings were held with social partners (WC & TUs). 15 meetings with TUs which resulted in agreement about 2 social clauses for workers were held. All INA employees have the chance to join a trade union. At INA, Plc. 5 trade unions are active: the Oil Industries Trade Union INAŠ, the Oil Industry Union - SING, the Autonomous Trade Union of Workers in Energy, Chemistry and Non-Metal Industry of Croatia – EKN, the Croatian Drivers' Trade Union – SHV, and the New Solidarity Trade Union – SNS.

34 meetings were held between Slovnaft (Slovakia) and trade union representatives in 2015. Slovnaft undertakes to respect the right of any employee to be a member of a trade union.

The topic of the health and safety of employees is an integral part of the agreements and discussions which are held with trade unions. More examples from different MOL Group companies can be found in subchapter Health Protection and Promotion above.

Diversity and inclusion

Diversity & Inclusion (D&I) is an important pillar and key driver of MOL Group's overall Human Capital platform and is crucial for sustaining the strength of international growth. MOL Group's Diversity & Inclusion vision is to build a stronger company by fostering an inclusive culture that leverages diversity as a competitive advantage. With strong support across the business, MOL Group is committed to promoting a culture of diversity and to creating an environment that allows the global workforce of diverse backgrounds, experiences and perspectives to contribute to collaboratively achieving results without boundaries. MOL Group fosters equal opportunities for all employees and job applicants, irrespective of race, colour, religion, gender, national origin or age.

MOL Group's Diversity & Inclusion strategy addresses 3 key elements: internationalization, the retention of young talents and knowledge transfer between generations.

Internationalization is clearly visible at MOL Group's HQ, where 14% of all employees (representing 29 nationalities), are non-Hungarian. Moreover, more than 280 employees are working on international assignments. Meanwhile, the proportion of female Growww program participants is at around 36%.

To support the second pillar of the diversity strategy, the MOL Group Diversity employee value proposition was created to attract and retain young talent (Generation Y). One significant achievement is the Flexible Working Arrangements Program that was launched to improve business efficiency and leverage productivity and individual innovation while promoting employees' work-life balance through the provision of flexible working opportunities. Part-time employment is also increasing. The technical career ladder for the E&P workforce was also introduced, as described in the section on Development above.

Part-time employment at MOL Group

	2010	2011	2012	2013	2014	2015
Part-time employees (number of people)	191	261	293	263	282	380
Proportion of part-time employees to total workforce (%)	0.59%	0.83%	0.99%	0.91%	1.03%	1.46%

MOL's Women Leadership Network was initiated to strengthen the communication, collaboration and professional networking of MOL's female leaders, and to promote knowledge transfer between different generations. Approximately 60 female leaders across MOL Group participated in a group-level event dedicated to this network in July 2015.

To further support our Diversity & Inclusion strategy, a comprehensive framework was developed to help generate new initiatives on an ongoing basis during 2015 and 2016. Preparations had already commenced in 2015 for creating employee networks such as the D&I Champions Network and Employee Resource Groups (for example, the Young Employee Network, and the Multicultural Network, etc.) to bring people together. Also, a brand new program – FEMMe: the Female Engineers MOL Program Me - was initiated to address the key challenges which women face in the Oil and Gas industry.

In 2015, INA partnered with MAMFORCE to pursue certification in the Mamforce basic standard. This standard is awarded to organizations that recognize the needs of their employees and that manage to organize work and working environment while respecting the principle of maintaining a balance between a professional and private life, along with the equal growth and development of each employee.

MOL Group is committed to ensuring equal opportunities in recruitment, career development, promotion, training and reward processes for all employees.

In Hungary, the employee representation bodies and the Company signed MOL Plc.'s 3rd Equal Opportunity Plan in 2015 (for the period 2015- 2017). Equal Opportunity Plans with similar content have been also signed and made public by our affiliate companies MOL Petrochemicals and Petrolszolg Ltd.

In terms of rehabilitation procedures, MOL Group pays special attention to employees whose ability to work has changed and those with disabilities. If the ability to work any of MOL's employees is reduced, then the Company will always investigate further employment options. MOL operates a rehabilitation committee to support this process.

On the one hand, MOL has assessed the positions at MOL Plc. which can be filled by employees with disabilities. Additionally, new recruitment channels for employees with disabilities have been identified and can now be used. On the other hand, we also track the number of employees with a reduced working capability to be able to provide better opportunities for these employees. Since legal definitions of reduced work capability vary by country, we use our own internal definition. Our aim is to be able to provide employment for everyone, which is a challenging goal in an industry where employees often do heavy physical work. In 2015, 545 people with reduced work capability were employed throughout MOL Group, which represents 2.3% compared to total headcount. At MOL Plc. 12 disabled people were employed in 2015, which resulted in HUF 9.8 million savings on the rehabilitation contribution the company would have to pay otherwise.

5. COMMUNITIES

General aim: Enhance trust and credibility among stakeholders

ACHIEVEMENTS:

- In 2015, MOL Group supported social investment projects with 0.27% of its EBITDA, or 1.9 billion HUF in absolute terms (excluding leveraged donations derived from tax-base decreasing donation instruments)
- 80% of MOL Group member companies had issued Local Operative Regulations about social engagement by the end of 2015
- The London Benchmarking Group (LBG) social investment measurement model was deployed in international upstream operations

CHALLENGES:

- Managing community concerns and introducing local grievance management systems to an increasing number of sites
- Establishing a long-term strategy together with local communities and not-for-profit organizations in operational areas outside Europe

5.1 COMMUNITY RELATIONSHIPS

Related objectives:

- *"Develop a group-level social engagement plan"*
- *"All countries to have an annually updated social engagement plan, implementing key pillars of engagement"*

By 2015, we had managed to deploy our social engagement plan to 80% of all companies within MOL Group. Most of the countries where MOL Group operates are now covered.

Community engagement

Community engagement is all about hearing the voice of communities which live in the vicinity of operational areas, understanding their needs, social and environmental concerns and priorities and forming partnerships that increase the prosperity and sustainability of the communities, as well as support the reliable business operations of the company.

MOL Group and its member companies engage with local stakeholders in several different ways. The most common is through site-level relationships, public hearings and joint activities. General operation-related concerns are usually related to operating technologies (e.g. seismic measures, or investment projects that have environmental effects such as noise, emissions, or immissions). Naturally, we maintain ongoing communication with authorities and official bodies related to the regulatory environment and our license to operate. Responses, comments and suggestions acquired through consultations and dialogue with the opinion leaders and representatives of main interest groups are used as a valuable source of information in activity planning. In addition, we also have some special ways of engaging which are designed to shape people's attitudes and ways of thinking about how sustainability can be promoted.

At the end of 2014, MOL Group issued new internal regulations about social engagement to provide group-level guidance about principles and practices related to engagement with local communities and the process of identifying and involving stakeholders. This covers interactions with local community stakeholders, including opinion leaders, municipalities, associations, non-profit organisations and foundations during standard business operations. 80% of MOL Group member companies had already issued respective local regulations by the end of 2015.

Activities deriving from the implementation of the regulation are used to create individual company/site/operation-level Social Engagement strategies and plans, and as of December 2015, these will be reported on an annual basis to the Sustainable Development Committee of the Board of Directors of MOL Group.

As an element of community interaction, we also focus on managing grievances. MOL Group considers each grievance notification from a community to be significant. Both in Pakistan and in the Kurdistan Region of Iraq MOL Group has local procedures in place for grievance management. To receive and manage grievances from both internal and external stakeholders we also operate an online grievance management system through which anybody can submit an ethical notification. One of the most frequent causes of local grievance is the environmental concern of local communities. In 2015, 42 grievances related to environmental issues were received by our operational sites.

Non-European Operations

In international upstream operations, relationships in the industry with local communities, governments and partners alike are fundamental to fulfilling MOL Group's mission. Maintaining a continuous flow of information is the cornerstone of any cooperative efforts between a company and the local community, and is ensured by Community Relationship Officers wherever needed. Community Relationship Officers are MOL Group employees from the indigenous population. These individuals are the primary contact points for local communities. Anyone can freely contact them any time regarding business activities, and they also survey the need for social investment activities. Community Relationship Officers also play a crucial role in selecting from requests for support by the local population, while adhering to central, corporate objectives.

European Operations

In the Central-Eastern European region, we are capitalizing on existing relationships with municipalities and governments. The most important operational sites of MOL Group in Europe are facilities with up to 50 years of history. Our relationship with the communities that surround our facilities is well-established and its management is part of daily operations.

Slovnaft focuses on increasing awareness of local stakeholders. As part of its commitment to transparent operations (in the form of Slovnaft's 2014 "Responsible neighbour" campaign) a survey was carried out into what disturbs the people who live around the Bratislava refinery, and what can be done in order to minimise negative impacts. As a result of this survey, a new SMS/email notification system will be implemented in 2016 to strengthen the flow of information about operations to the people in the Slovakian capital.

INA is systematically working on recognising the specific needs of local communities so as to develop and expand partnership-type relations based on mutual understanding and support. Communication to communities occurs through public debates that are regularly held in the process of environmental impact assessments and the obtaining of environmental permits.

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"

In 2015, MOL Group supported social investment projects with 0.27%[1] of its EBITDA.

Donations, in-kind giving and volunteering at MOL Group [GRI EC8]

SOCIAL INVESTMENTS BY COUNTRY*	UNIT	HUNGARY	ROMANIA	SLOVAKIA	CROATIA	ITALY	INTER-NATIONAL UPSTREAM	TOTAL
Donations in cash**	HUF million	675.2	176.0	177.9	168.7	1.9	601.1	1,800.8
In-kind giving (product/services)	HUF million	18.1	0.0	5.6	10.6	0.0	0.0	34.3
Leverage	HUF million	2,212.9	-	-	-	-	-	2,212.9

* including companies with approved Corporate Giving Plans

**excluding the value of volunteering

Social responsibility objectives are designed to improve social and environmental conditions and contribute to the long-term socio-economic development of communities, rather than simply funding community investment projects.

To achieve meaningful change, business interests are aligned both with overarching societal and environmental considerations and are in harmony with the long-term priorities of local communities.

Social investment priority areas for MOL Group are the following:

- Education: MOL seeks to facilitate access to basic and secondary education in areas where such infrastructure is not assured. Investing into local human capital benefits both business and society.
- Healthcare: our goal is to create benefits by either granting access to healthcare services and drinking water, or promoting sports and a healthy lifestyle, depending on the specific needs of local communities.
- Environmental protection: we define our own standards and supporting projects which are geared to saving traditional habitats.

Diversified initiatives and projects which only require support during the start-up phase and which are later self-sustaining are preferred, especially when such initiatives are responses to global concerns.

A best-in-class tool - London Benchmarking Group (LBG) methodology - has been adopted at a group level to manage and report on social investment. In 2015, the model was extended to international upstream company operations to measure business and community benefits and to improve the effectiveness of our corporate giving programmes. In 2015, 100% of the value of MOL Group's social investments is covered by the LBG methodology .

Non-European Operations

Relationships with industry, with local communities, governments and with partners alike are fundamental to fulfilling MOL Group's mission. In international upstream operations Community Relationship Officers select from local community requests on the basis of central objectives. MOL always strives to understand local community needs and then create tailor-made social investment action plans for each area. A common feature of these social investments is that MOL makes a contribution to supporting local public service and infrastructure, which both have a lasting impact on the lives of communities.

In Pakistan (MOL Pakistan), a certain level of social investment is obligatory. Pakistan complies with and exceeds this requirement by making voluntary contributions to relevant stakeholders. Obligatory contributions as defined in contracts are mostly targeted at infrastructural development, such as check dams or water supply schemes, and also include general social welfare commitments to the value of HUF 75.5m (TAL, Margala and Margala North Blocks).

In the Kurdistan Region of Iraq, MOL Group's subsidiary Kalegran supported several projects, in line with our strategic priorities. Examples include the construction of new health centre in Meerbalian village, expansion of the youth centre hall and the renovation

1 Without corporate tax optimization indicated as leverage, according to LBG methodology.

of a sports centre in Akre and the construction of a committee hall in the village of Shush. In the Kurdistan Region of Iraq, MOL Group also provided humanitarian aid to Kurdish refugees displaced internally in Iraq through local suppliers with the support of Ministry of Natural Resources and local authorities.

European Operations

In Central Europe, MOL Group companies are well-established brands. These companies carry out an annual corporate giving awareness tracking survey which investigates customer habits and the recognition of existing programmes to understand the needs of society. Similarly to 2014, this survey involved more than 8,000 stakeholders at a group level. According to the survey results, health care and health promotion are the most popular causes. 55% of stakeholders would donate most to support better communication about healthy lifestyles and the prevention of diseases. Second on the list is environmental protection (54%), while education is fourth (38%). Identifying and supporting talent is also supported by 30% of the population.

MOL Group's corporate giving budget is aligned with business efforts and public expectations. According to our internal data collection system, 40% of donations tracked in the LBG data collection toolkit have a focus on education and young people, while 6% are spent on improving health. MOL's corporate giving is also connected to business interests, such as the above-mentioned non-European projects in international exploration and production operations, which account for 28.4% of the total social investment budget. Other such initiatives include, for example, maintaining cooperation with our most important customers and professional organizations. LBG-related data does not contain donations related to Corporate Tax Optimisation.

The social investments of MOL Group companies in Central Europe are mainly carried out through foundations which support various causes such as young talents (sports and art categories) and health care and special therapies for chronically ill children. The majority of our social investments are administered through such organizations in different proportions (Hungary: 85%, Slovakia: 51% Romania: 100%, Croatia: 60%).

In Hungary, Slovakia, Romania, Croatia and Italy we also support local environmental initiatives through our Green Belt Programmes. In 2016, the project will be extended to the Czech Republic as well.

Volunteering

The current volunteering practice of MOL Group is rich in types of activity, but partially segmented. There are numerous similar, but well-functioning initiatives.

MOL Group Volunteers' Club - a group-wide platform of Corporate Volunteering - was launched in May 2014 as a long-term initiative. The MOL Group Volunteers' Club regularly organises events to express our responsibility towards local communities and improve employee engagement at the same time.

Corporate volunteering by employee/country

	HUNGARY	SLOVAKIA	CROATIA	ROMANIA	INTERNATIONAL UPSTREAM	ITALY	TOTAL
Employee volunteering (hours)	592	320	4,624	368	0	0	6,085

In 2015, the INA Volunteer Club undertook 36 initiatives in which 546 members participated for a total of 4,360 volunteer hours. These focused on providing ecological and humanitarian assistance and involved projects targeted at children and youth. Volunteers have a Facebook application where fans and visitors can suggest or vote for volunteering projects. Currently, the INA Volunteer Club has 737 members, an increase of 41% since 2014. For the second time, the INA Volunteer Club received a "Recognition for the contribution of the business sector to the development of volunteering". This recognition serves as confirmation of the values that INA and INA's volunteers promote through their activities.

We have several other similar initiatives within MOL Group, such as the Green Belt volunteering system in Hungary and Italy. This also includes our city programme and collection of in-kind donations for disadvantaged families in Slovakia, and a collaboration with the "Dévai Szent Ferenc" Foundation in Romania for renewal-related work.

MOL Group's target for 2016 is to prepare a mid-term strategy and develop a common corporate volunteering platform for employees to generate synergy through creating high-level guidelines and best practices.

5.3 LOCAL SUPPLIERS AND LOCAL EMPLOYMENT

Local suppliers

Employing local people where we operate, as well as hiring local contractors when 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, also taking into consideration the expectations of local governments.

In Central Europe, local suppliers comprise the absolute majority of all suppliers. 89% of them are registered in the country where they are contracted and work is undertaken. This makes MOL Group a key component of the economies of these countries.

Number and ratio of local suppliers [GRI G4-EC9]*

	LOCAL SUPPLIERS	TOTAL	LOCAL SUPPLIERS	
REGION/COUNTRY	NO.	NO.	BY NUMBER	BY CONTRACTED VALUE
Hungary (MOL Plc. and other subsidiaries)	13,211	14,211	93%	66%
Hungary (MOL Petrochemicals Plc.)	1,172	1,586	74%	47%
Slovakia (SLOVNAFT a.s.)	1,950	2,497	78%	44%
Croatia (INA d.d.)	1,086	1,279	85%	78%
CEE / SEE REGION Total	**17,419**	**19,573**	**89%**	**62%**
UPSTREAM INTERNATIONAL Total	**855**	**1,138**	**75%**	**79%**
Group total	**18,274**	**20,711**	**88%**	**64%**

*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 relationship MOL Group has with all the stakeholders of the region, including local governments and communities.

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 Russia where the involvement of local enterprises is close to 100%.

Ratio of local suppliers in E&P International countries [GRI G4-EC9]

	PAKISTAN	OMAN	RUSSIA	KURDISTAN REGION OF IRAQ
Proportion of local suppliers* (to total number)	74%	59%	98%	42%

*Locally-registered suppliers

Having a local supply chain creates the greatest benefits to society and to the local economy, especially when locally-owned small businesses are hired as contractors. The total value of contracts signed in 2015 between MOL Group and locally registered businesses in 2015 was HUF 44 bn (EUR 141 mn) in upstream international countries (Pakistan, Oman, the Kurdistan Region of Iraq and Russia).

Supplier management

In 2015, the development of a Supplier Qualification System (SQS) commenced. This system will be an important component of a group-level, integrated system to cover all supplier-related information from the pre-screening to the post-evaluation stage. SQS will include basic legal, ethical, financial and HSE information about suppliers and will allow automatic risk assessment to take place to facilitate the pre-screening process.

As part of the strategic sustainability plan, a total of 3 supplier sustainability audits were conducted in Hungary. The companies which were visited agreed to implement corrective activities in certain areas such as implementing the code of ethics or sustainability KPIs into their managerial incentive schemes, or introducing an employee performance management system.

Local employment

Across E&P International Operating companies, in the MEA (MOL Pakistan, Kalegran, MOL Oman), CIS (Russian OpCos – MOL Russ, Baitex, Matyushinskaya Vertical) and North Sea (MOL Norge, MOL Energy UK) countries, MOL follows local regulatory requirements and Production Sharing Agreement stipulations (where applicable) to ensure local content and expat quota ratios. In line with those regulations, the majority of employees at upstream international subsidiaries where we operate are nationals of the respective countries. In every OpCo, MOL focuses on developing its local technical and office employees and ensures expat knowledge transfer (through, e.g. mentoring, tutoring, internal training, etc.).

Local senior executives (HAY 21 category and above) are employees with local citizenship, and managers (HAY 17-20 categories) are also nationals of the respective countries.

Local managers in major international upstream locations [GRI G4-EC6]

COUNTRY	INDICATOR	LOCALS	TOTAL
Russia	Number of local senior executives	2	2
	Number of local managers	7	8
Pakistan	Number of local senior executives	2	4
	Number of local managers	18	29
Overall Result	**Number of local senior executives**	**4**	**6**
	Number of local managers	**18**	**37**

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 in which the company can have a significant positive impact on the societies of host countries is by improving access to infrastructure and energy as a result of our operations. Development of infrastructure and improved energy access can both be directly related to our operations, or can occur based on contractual or other commitments.

In 2014, MOL Pakistan provided financial aid for the construction of a new bridge. The new Khushal Garh bridge is a safer and better connection between the two main provinces of Khyber Pakhtunkhwa and Punjab in Pakistan.

MOL Group also supports the building of check dams for local communities in Pakistan. These structures slow the velocity of water streams, making them more appropriate for agricultural use. Such a dam was built in Ahmadi Banda in 2014, and construction commenced in 2015 in Makori and at Serki Piala in the Hangu District with expected completion in 2016.

6. ETHICS AND GOVERNANCE

General aim: Focus on responsible operations and long-term economic development

ACHIEVEMENTS:

- The second-highest number of ethics notifications were filed in International Upstream, proving the effective uptake of the grievance mechanism by target audiences
- Ethics operations were further enhanced in 2015 with the establishment of a Group Ethics Officer position, and with the nomination of local ethics officers at every subsidiary with more than 20 FTEs
- Group Ethics Council membership was renewed, with the representation of all group-level senior managers of business and functional units
- A total of 14,855 hours of ethics training, eLearning courses and managerial presentations were successfully deployed in European operations in downstream business, including for our filling station staff

CHALLENGES:

- Deeper assessment and understanding of human rights-related risks in supply chain is required with a focus on international operations
- Further improvement of ethical corporate culture and development of strong institutions to provide effective, comprehensive investigation of grievances and real remedies to stakeholders

One of the most essential components of MOL Group's operation is our commitment to ethical behaviour. In the long run we can only face the challenges of competitive market environments successfully if we accept the imperatives of moral responsibility, both as individuals and as a company. We are aware that ethics is at the core of corporate governance and that it should be integrated into our corporate strategy and operation. Our sustainability strategy mirrors this approach by linking ethics and governance issues. Accordingly, our annual report contains a new Ethics and Governance chapter and deals with both areas in a detailed subchapter.

6.1 ETHICS AND COMPLIANCE

Related objective: "Implement key pillars of ethics management system (code of ethics, e-learning, managerial presentation, business partner code of ethics) in all companies and reach 100% coverage"

MOL Group is determined to operate in good faith within the appropriate legal framework, obeying relevant laws, rules and regulations. We view regulatory measures as a minimum baseline, while our ethical framework goes beyond legal compliance, integrating standards which are commensurate with our stakeholders' expectations.

In order to strengthen fair market behaviour, respect fundamental human rights, fight corruption and preserve and develop our ethical values we operate a comprehensive ethics management system. Its foundation is our Code of Ethics (CoE) covering, inter alia, human rights, various transparency and integrity topics, anti-corruption, privacy, community relations, HSE and fair market behaviour. The CoE is available in 13 languages (English, Bosnian, Croatian, Polish, Hungarian, German, Italian, Russian, Romanian, Serbian, Slovakian, Slovenian and Ukrainian). 100% of all MOL Group employees receive and sign our Code of Ethics and we make efforts to integrate ethical values and expectations through our entire supply chain. The Business Partner Code of Ethics which highlights the ethical values that are of utmost importance to our supply chain – including human rights, anti-corruption and fair market behaviour – is a component of 98% of supplier contracts. 68% of joint ventures in which MOL Group has a stake of below 51% have adopted an agreed-upon version of the Code of Ethics.

Significant organizational changes have been made to make our ethics management system more efficient. The MOL Group Ethics Council is now the highest-level forum dedicated to upholding Code of Ethics-related decision making. In 2015, the Council's composition was renewed, and all group-level senior managers of business and functional units including the Chief Operating Officers (COOs) of MOL Group companies (MOL Nyrt., Slovnaft a.s.) are now members of the Ethics Council. We are also continuing the good practice of assigning to the Council an independent external Ethics Council chairperson who is a business ethics expert, and one employee representative. INA Group has been operating an Ethics Council and reporting on a quarterly basis to the MOL Group Ethics Council.

Ethics Council operations were reinforced with the establishment of the Group Ethics Officer position for the Group Compliance & Ethics organization. The Group Ethics Officer is responsible for managing the ethics grievance and investigation mechanisms and for ensuring professional compliance activity and decision preparation support for the Council, under the supervision of the external Ethics Council chairperson. Local ethics operations were further enhanced in 2015 with nomination of local ethics officers at every subsidiary with more than 20 full-time employees (the previous threshold was 200 FTE). Their work was supported by a local ethics officer workshop, held for the first time in 2015.

Within the ethics management system MOL Group places special emphasis on disseminating the Code of Ethics' values and norms through ethics-related trainings.

- Ethics eLearning courses – addressing all topics covered by the Code – were successfully completed by employees with Intranet access at Slovnaft Česká republika, Papoil, MOL Retail, MOL Čerpací stanice, MOL Romania, MOL Slovenija, and partly at MOL Plc. and MOL LUB Ltd.
- 100% of managers and 96% of employees have attended an annual presentation and discussion delivered by direct managers on actual ethics-related achievements and ethics cases. 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 ethical awareness in retail networks, tailor-made trainings were conducted for service station operator partners and attendants in Slovakia and Hungary. Special ethics training was conducted for managers in Croatia.
- Based on estimates, eLearning and ethics presentations delivered by managers and filling station training events totalled 14,855 hours.

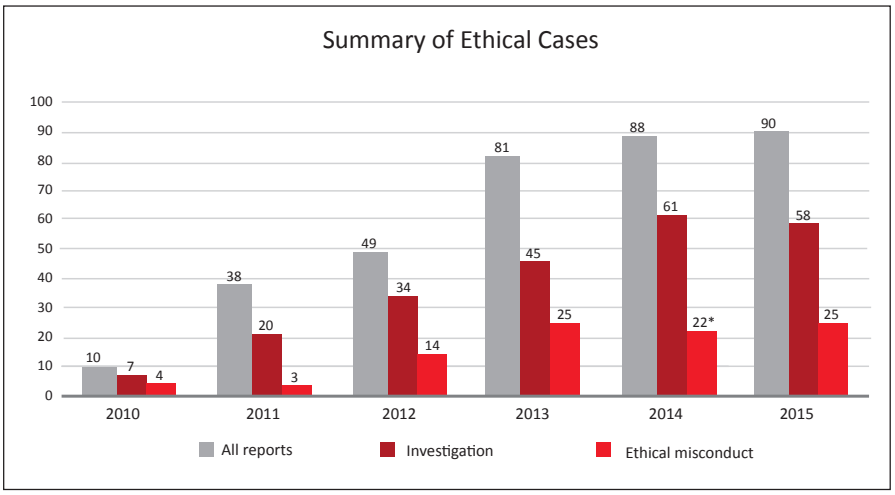
Ethics risk assessment has been a key pillar of our ethics management system since 2011. In 2015, we further developed this activity with the widely applied probability / impact matrix approach and by external benchmarking of countries in which MOL Group operates (33 subsidiaries from 15 countries provided input for the risk assessment process). According to the results, the highest ethical risks in MOL Group are fraud, breaches of HSE rules, and business partner gifts, while the riskiest countries for MOL Group operations both from a corruption and from a human rights perspective are Iraq, Pakistan, Russia and the Ukraine. In order to decrease risks, several activities have commenced:

- In-depth discussions about retail-related cases
- Improvement of security training in Hungary
- Ethics awareness-raising, including a poster campaign against harassment, discrimination and corruption which was launched in 2014 continued in 2015 at all MOL Group companies

6.2 ETHICAL CASES

Receiving grievances and reports, investigating ethics-related issues, ensuring whistle-blower protection, responding to ethics-related questions and general decision making support is coordinated by the Group Ethics Officer on behalf of the Ethics Council. Grievances and whistle-blower reports are handled confidentially while the (web-based) grievance channel is publicly available in English and in Hungarian and anonymous reports are accepted as well. In addition, the Ethics Council operates a 24/7 hotline.

The number of ethics reports and ethics investigations has increased over the last 5 years. Compared to the 88 ethics-related complaints/reports submitted in 2014, a higher number (90) were received by MOL Group and the INA Group Ethics Council in Croatia this year. This continuous increase in the number of reports concerning possible ethical misconduct indicates an improvement in the awareness of internal and external stakeholders. The proportion of ethics complaints and reports arriving from external (non-MOL Group company employee) stakeholders is also increasing (53% of the total in 2015).



* Investigations which commenced in 2014 and closed in 2015 revealed an additional 6 cases of misconduct, resulting in a total of 22 case of misconduct for 2014. As of the end of 2015, 14 investigations were ongoing.

External reports were primarily submitted by customers (23%), supplier's employees (19%), former employees (14%), suppliers (10), and local communities/citizens (6%). Further reports or grievances were filed by a tender bidder, a shareholder and a journalist - one each (6%). With 19% of external reports – since a whistle-blower has the option not to disclose any detail – no connection with MOL Group was indicated.

Ethics reports were received from 8 countries. Hungary (33%) and Croatia (17%) – the counties with the largest MOL Group operations - and also Pakistan (27%) are top of the list. The latter figure is probably connected to the weaker rule-of-law and the tendency to seek alternative forms of justice where possible.

The most frequent topics of ethics complaints were harassment/poor communication (25%), fraud and theft (13%), corruption and bribery (10%), discrimination (6%), and conflicts of interest (6%). The table below 2 shows how the ethics reports can be categorised by topic.

Topics of ethics-related reports in 2015

TOPICS	SHARE OF ETHICS REPORTS IN 2015 [%]
Harassment / Poor communication	25
Other	28
Fraud / Theft	13
Corruption / Bribery	10
Discrimination	6
Conflict of interest	6
Unlawful termination	5
Inadequate service / Impoliteness	4
HSE Breach	3

Regarding ethical reports, in 58 cases an investigation was justified, and in 25 cases ethical misconduct was verified. (Ongoing cases: 13 in MOL; 1 in INA).

Consequences for ethical misconduct included the termination of 7 employment contracts, 9 written disciplinary notices, 2 verbal disciplinary warnings and 2 fines distributed to filling station operating partners. In the remaining cases the Ethics Council ordered a customer reimbursement, anger management training, an apology, the publication of an extraordinary communiqué about certain ethical and compliance issues, and gave a process improvement recommendation to avoid further misconduct. In 2 confirmed cases of corruption employment was terminated and two suppliers were excluded. In 2015, we continued conflict of interest the contribution of a supplier's agent was excluded from all MOL Group orders.

In 2015, stakeholders sought advice from the Ethics Council in 13 instances, all of whom received satisfactory replies. The Ethics Council regularly reports about ethics-related cases to the Executive Board and Supervisory Board and annually publishes on the web the established cases of misconduct in an anonymous form to raise awareness of ethical norms. More information about the nature of such misconduct is available on our website (http://molgroup.info/en/sustainability/ethics-and-governance/ethics-and-compliance/ethical-cases).

Regarding security reports, in 2015 from the total of 1,241 investigations MOL Group Security identified 562 cases of misconduct (45.2%). The increase in the number of investigations compared to last year is due to the launch of a more systematic conflict of interest investigation process in Croatia. 71.4% of misconduct cases were committed at filling stations, 13% were thefts and frauds in MOL Group companies, 8.4% involved misuse of corporate property or breaches of security rules, 4.6% involved conflicts of interest and 2.6% related to security risks that concerned business partners. As a result of the revealed conflicts of interest, the managers who exercised the employer's rights were informed so that consequences could be determined for individuals. Within MOL Group's filling station network, we distributed financial penalties to distributors and terminated the operational contracts/employment contracts of some station attendants. When criminal offences were committed against MOL Group companies, charges were pressed against the perpetrators.

6.3 HUMAN RIGHTS

MOL Group is committed to respecting fundamental human rights, a principle which is also included in our Code of Ethics and is rolled out along the supply chain through our Business Partner Code of Ethics as a binding requirement. Furthermore, MOL Group takes responsibility for protecting and conducting due diligence processes and recognising human rights. In 2015, we continued to adopt the UN Guiding Principles on Business and Human Rights (the 'Ruggie Framework').

In 2015, ethics eLearning courses – addressing, inter alia human right issues – were successfully completed by employees with intranet access at Slovnaft Česká republika, Papoil, MOL Retail, MOL Čerpací stanice, MOL Romania, MOL Slovenija, and partly at MOL Plc. and MOL Ltd.

Starting from 2015, we are taking Human Rights Watch and Freedom House country evaluations into account in our risk assessments as external benchmarks. Based on these, the riskiest countries for MOL Group operations from a human rights perspective are Iraq, Pakistan, Russia and the Ukraine. A total of 30 subsidiaries in 15 countries have been subject to human rights reviews or impact assessments.

In 2015, we fully reinforced our public ethics whistle-blower channels, and case management was improved to create a comprehensive grievance mechanism capable of providing real remedy in the case of human rights violations. In 2015, a number of specific human rights issues and concerns were raised by internal and external stakeholders relating to topics such as personal data handling, confidential information, use of emails and the internet and relationships and unequal treatment in workplace. Grievances were received from local community inhabitants complaining of odours and pollution. Local individuals raised concerns about the enforcement of the legal right to land prospecting work. Concerned subsidiaries started to handle concerns and respond using appropriate remedial activity.

To ensure the protection of human rights through the supply chain, we strive to improve our Responsible Supply Chain Management and extend the implementation of our ethics values and norms, transfer human rights-related knowledge, conduct prequalification activities, audits, and due diligence. The Business Partner Code of Ethics which highlights the ethical values that are of utmost importance in our supply chain – including human rights – is a component of 98% of supplier contracts. In order to raise ethical and human rights-related awareness in retail networks, tailor-made training was conducted for service station operator partners and attendants in Slovakia and Hungary. Further elaboration of special human rights-related training material has also started, targeting not only our employees but our suppliers and partners as well.

In E&P operations in Pakistan, Iraq-Kurdistan and Russia we have delivered human rights training together with security training for 100% security personnel and contractors since 2014. Taking into account the local circumstances, public contractors are all included. Human rights-related training is provided as part of security training. In 2015, we were still assessing the viability and potential to provide soft skills training to private security contractors about various locally relevant topics. A pilot project is planned for Pakistan for 2016.

MOL Group is not engaged in activities which affect indigenous people. MOL's modus operandi ensures the safeguarding of the rights of tribal populations and indigenous people. In this spirit, we commit to gaining free prior and informed consent in the event that indigenous people should be relocated from their land. So far, no resettlements have occurred at any of our international operating locations.

6.4 TRANSPARENCY

The integrated Annual Report is MOL Group's most important sustainability-related disclosure. Several other forms of communication and channels are also used to disclose and inform internal and external stakeholders about our sustainability performance. Key sustainability performance indicators and activities have been part of "Quarterly Flash reports", alongside key financial indicators, for more than 2 years. MOL Group's website (**www.molgroup.info/en/sustainability**) contains additional information about the topics published in this report, some in more detail and in a format that better suits a larger, non-expert audience.

Large subsidiaries of MOL Group publish sustainability information in different ways:

- INA Group publishes integrated financial, non-financial Annual Reports. In 2015, Deloitte Croatia awarded INA Group's integrated Annual Report 2014 the first national Green Frog Award for the best sustainability report
- Every two years MOL Production publishes its sustainable development report about the three refineries: the Danube, the Tisza and the Zala. In 2015, results from 2013-2014 were published.
- MOL Logistics published its first Environmental Report in 2015
- Slovnaft publishes its key sustainability performance indicators in its Annual Report
- IES shares sustainability related information on its website.

We consult a number of stakeholder groups about sustainability performance in general, and reporting in particular. In 2015, among other related initiatives we can highlight the following:

- Similarly to previous years, the executive management of the European Workers' Council (EWC) reviewed workforce-related information published in the MOL Group Annual Report and web pages at the preparation stage
- Slovnaft carried out a community engagement campaign to inform the public about the construction phases of the LDPE4 plant (via push SMS) and surveyed the local population about the refinery's image. The latter was the basis for strategic and targeted local community involvement activities in 2016.
- INA initiated and organized in cooperation with the Croatian Chamber of Economy and Croatian Business Council for Sustainable Development a roundtable on sustainability reporting according to GRI guidelines. The goal was to exchange experiences and encourage smaller companies to report on sustainability.
- MOL Hungary organized a sustainability forum during the Health Safety & Environment days held at the Tisza refinery site together with major companies from the industrial site.

In countries where MOL Group is only involved in Exploration and Production operations, the energy industry as a whole may generate a significant proportion of national income (through royalties or production-sharing agreements). Consequently, MOL Group considers it fundamentally important to observe the Extractive Industries Transparency Initiative (EITI) principles and criteria for financial reporting. We started to support EITI at an international level in 2013 and have been cooperating with the initiative in the countries that are implementing the EITI system. MOL Group has operations or non-operated assets in several EITI compliant countries: the Kurdistan Region of Iraq, Cameroon, Norway and Kazakhstan.

7. ABOUT SUSTAINABILITY REPORTING

7.1 OUR APPROACH TO REPORTING

Since 2008, MOL Group has been reporting its financial, governance, environmental and social performance in one integrated report. Starting in 2013, sustainability performance information has also been included in quarterly management reports. We are continuously deepening the Triple-Bottom-Line approach to corporate management with activities that further improve the integration of financial and non-financial management. The disclosure about the management approaches in the Notes on Sustainability Performance section attest to these strategic activities.

Key achievements, challenges, performance data and trends relating to relevant sustainability topics for MOL Group are described throughout the report and are integrated into the descriptions of business operations and performance. A detailed account about 2015 sustainability performance is provided in the dedicated sections: Sustainability Performance and Notes on Sustainability Performance.

The main target audiences of the Annual Report are shareholders, investors and sustainability analysts. The structure of the chapters is tailored to meeting their information needs and reading habits. However, further information about MOL Group's policies, management approaches and other sustainability-related topics for all audiences is published on our website at **www.molgroup.info/en/sustainability**.

All sustainability performance data published in this report have been reviewed by EY. Each year, this assurance process is planned and performed according to the International Federation of Accountants' ISAE3000 standard. Within this framework EY reviews all data under a limited scope of assurance, and for CO_2 under ETS and Lost Time Injury Frequency Rates under a reasonable assurance scope. Since 2014, the assurance of sustainability performance has also been audited in accordance with the AA1000AS standard in order to strengthen our materiality process.

MOL Group follows the latest G4 guidelines of the Global Reporting Initiative (GRI), the most widely used sustainability reporting standard globally. The Annual Report's GRI accordance level is 'comprehensive', which means we are reporting on all indicators related to material aspects that have been identified (see more below under Materiality Assessment). A content index for the indicators which have been reported on is uploaded to the following website: **www.molgroup.info/en/sustainability/report-and-data/global-reporting-initiative-and-united-nations-global-compact-compliance-table**.

In addition, we use the GRI G4 'Oil and Gas Sector Disclosures' guidelines and the IPIECA-API 'Oil and Gas Industry Guidance on Voluntary Sustainability Reporting' protocol when defining the content of the report and selecting which indicators to cover.

7.2 MATERIALITY

We use materiality assessment as a means of prioritising material topics in reporting, without excluding any of the relevant topics. Topics considered to be material and strategic are described in more detail, whereas other topics (which are plotted on our materiality matrix) are covered less extensively. We discuss the process of materiality analysis further at the beginning of this report. The most material topics, according to our assessment, are GHG and energy efficiency, process safety, crisis management, ethics and transparency and also occupational and process safety management.

Less material topics in 2015 were suppliers, customers, human rights and biodiversity. From a GRI G4 reporting perspective, these topics are considered non-material, thus we only disclose a selection of indicators for them.

7.3 SCOPE AND BOUNDARY

MOL consolidates sustainability information based on a 'control approach'. We account for almost 100 percent of the sustainability data from operations controlled by the company, including those where MOL or one of its subsidiaries acts as operator.

HSE data is collected only at operations with significant potential health, safety and / or environmental impact. In 2015, there was one significant change (compared to 2014) in the scope of the companies covered: in 2014 November the steam generator located at the Duna Refinery became a consolidated and operated entity; this has considerable impact primarily on environmental and GHG data. HSE data coverage is 90.6% in proportion to revenue. In 2015, we were in the process of transitioning data collection to a dedicated management system called MARK HSE which runs on a platform provided by Enablon. MARK HSE covers environmental data, while safety-related data is collected using the so-called HSE Info system (closed as of January 2016). This process will be concluded in 2016 when all HSE data will have been collected and verified in MARK HSE.

Human Resources (HR) data, including sustainability reporting-related information, is collected using the group's SAP enterprise resource management system. The scope of HR data collection is 100% in terms of headcount and turnover. Other sustainability-related data are collected for subsidiaries with a headcount of over 100 employees. Data coverage in such cases is therefore lower (90.1% in proportion to revenue in 2015).

Social investment data is collected from operations and subsidiaries which have approved corporate giving plans. Such plans are elaborated based on business interests and local community interests and are segmented via a systematic stakeholder prioritization ranking method controlled by our social engagement policy. Data was collected for almost all donations activities, although only for 75.6% of operations, since not all entities have donation activities.

The supply chain is considered less material according to our materiality assessment since MOL's activities with the largest potential impact are executed within the company's operational boundaries, as described above. Hence, the performance of MOL Group's suppliers is included for the following indicators only:

- GHG Scope 2 and 3 emissions
- Contractor safety incidents, including fatalities
- Spending on local suppliers

7.4 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 performance data included in the sustainability chapter do 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 2015 sustainability performance of these companies that is found to be material.

Midstream Joint Ventures and non-operated companies:

- Hungary (FGSZ): this natural gas transmission company is a 100% consolidated subsidiary, but it is not operated due to the unbundling regulations of the European Union. The key sustainability performance of FGSZ is summarized in the table below.

Selected performance indicators for FGSZ Plc. 2014–2015

INDICATOR	UNIT	2014	2015
Total Direct GHG (scope-1)	mn t	106.198	107.632
Total Water Withdrawals	m^3	9.013	12.097
Number of Spills (>1m^3)		0	0
Fatalities – own employees		1	0
Lost Time Injury Frequency (LTIF) - employees		2.9	3.7
Total workforce		768	760
Donations	mn HUF	28	348

Downstream Joint Ventures and non-operated companies:

- Hungary (TVK Power Plant): this power plant became operated and consolidated in 2015 and has undergone significant energy efficiency improvements which are considered to affect the scope 2 emissions of MOL Group in this report. The power plant's performance will be integrated into reports from 2016 onwards.

- Slovakia (Thermal Power Plant): the operator (CMEPS) of this power plant continued to focus on waste recovery-related improvements which started in 2014. These involve the recovery of precious metals from the waste stream and the production of gypsum from desulfurization by-products.

Upstream Joint Ventures and non-operated companies:

- Europe (UK): HSE performance is discussed at senior meetings with JV partners. If there are any areas of concern or incidents, the lessons learned are discussed along with any remediation measures that are required.
- FSU (Kazakhstan): One major activity included the revision of the Environmental Management Plan and Application for the 2015 environmental emission permit.

Middle East (Kurdistan Region of Iraq, Pakistan) Joint Ventures and non-operated companies:

- In Pakistan, MOL has non-operated interests in two blocks (Karak, and Ghuri). MOL operational teams (Drilling, Project, etc.) review the HSE features of all projects that are undertaken by partners during the project sanction and approval process.
- In the Kurdistan Region of Iraq, Gulf Keystone (GKP) is the operator of the Shaikan field. Information about HSE performance is regularly received from this partner.

7.5 NOTES ON SUSTAINABILITY DATA

We calculate our sustainability performance indicators (as published in this report) mainly using measurements and calculations, whereas best available estimations are used only when necessary. Sustainability data is generated and calculated taking into consideration pertinent legislation at a local level. Aggregation processes are carried out according to relevant corporate guidelines and policies. In 2015, MOL Group renewed its sustainability reporting handbook which was cascaded to the local level. Collection of data is carried out through regional divisions and local businesses as necessary. The completeness and accuracy of the data that is reported is supervised at the group level and through a dedicated sustainability assurance process where the majority of sustainability performance data are reviewed following limited assurance, while two indicators – LTIF and CO_2 under ETS – go through a reasonable assurance procedure.

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 when needed). MOL Group does not believe that breaking down this data further according to destination and treatment method is material. Accordingly, it is not reported.
- According to the information provided by contractors, waste disposal methods were classified using European Union guidelines.
- Communal waste is not included in MOL Group waste figures since collectors are legally responsible for reporting the amount of waste collected, disposed and recovered.

Notes on Human Capital data:

- MOL Services Center, a holding of five companies, is financially consolidated as of 2015, but since in 2015 it was not operated by MOL, we did not collect HSE and HR info regarding the company. MSC will be regarded as a contractor in relevant HR indicators.

Notes on employee engagement data:

- Until 2010, the engagement score represented the average result of the answers expressed as a percentage. Since 2012, Aon Hewitt's 'Say, Stay, Strive' model has been used. Engagement is calculated by determining each employee's average response to the six engagement questions based on the Aon Hewitt six-point response scale. If the average rating for an employee equals or exceeds 4.5, that individual is assessed as 'engaged'. The engagement score is the total proportion of employees who are 'engaged'.

Restatements:

- Ethics and Governance: Ethics investigations started in 2014 and closed in 2015 revealed an additional 6 cases of misconduct resulting in a total of 22 misconduct cases for 2014, which we are hereby restating for 2015.
- In 'energy consumption data', 554,061 GJ was missing from Crosco in 2014. The relevant figures have been restated in the report.
- In 2015, we reported Total Recordable Injury Rate (TRIR) only related to MOL Group's own employees, which was 1.52 in 2014. In 2016, we decided to give a more complete picture by including contractors in this indicator, therefore we are restating the 2014 TRIR value for own employees and contractors, which is 1.50.

INDEPENDENT AUDITOR'S REPORT (SUSTAINABILITY)

EY INDEPENDENT ASSURANCE STATEMENT TO MOL MANAGEMENT

MOL Hungarian Oil and Gas ("MOL") management is responsible for the collection and presentation of the information within its 2015 Sustainable Development Report ("the Report").[1] MOL management is also responsible for the design implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with MOL management, was to carry out procedures to meet the requirements for a 'limited level' assurance engagement on Sustainable Development data[2] in the Report ("selected data"), and to meet the requirements for a 'reasonable level' assurance engagement for the EU Emissions Trading Scheme (ETS) CO_2 and Lost Time Injury Frequency (LTIF) data. 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 the Report is entirely at its own risk.

Our assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and to meet the requirements of a Type 1 assurance engagement as defined by AA1000AS (2008).[3] The AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness (collectively "the criteria") have been used as criteria against which to evaluate 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.

SUMMARY OF WORK PERFORMED

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. Interviewed a selection of MOL executives and senior managers to understand the current status of Sustainable Development activities and progress made during the reporting period of 1st January 2015 to 31st December 2015.

2. Reviewed selected documents relating to Sustainable Development aspects of MOL's performance, to understand progress made across the organisation and to test the coverage of topics within the Report.

3. Reviewed MOL's processes for determining material issues to be included in the Report.

4. Reviewed MOL's approach to stakeholder engagement through interviews with employees with responsibility for managing engagement activities at Group and selected site level managers.

5. Reviewed the consolidation of the selected data at Group level by:
   - Holding interviews with specialists responsible for managing, collating, and reviewing data at corporate level.
   - 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.

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 Selected data – Sustainable Development data described on page 2-3 of the Report

3 AA1000AS (2008) – The second edition of the AA1000 assurance standard from the Institute of Social and Ethical Accountability
Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1)

- 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.

6. Conducted site visits at four MOL locations (MOL Petrochemicals Plc, MOL Retail, SMAO, Ivanic Grad/INA Upstream) to test the application of MOL's reporting procedures and test a sample of performance data back to source documentation for accuracy and completeness. Our site visits focused on the following indicators presented in the Report: Energy consumption (Natural gas, Other hydrocarbon, Electricity, Other indirect energy), Air emission (Carbon Dioxide, Nitrous oxides, Sulphur Dioxide, Particulate Matter, Direct GHG emission), Water (Water Withdrawal, Municipal water supplies or other water utilities, Surface Water Withdrawal, Groundwater Withdrawal, Total Water Discharge), Waste (Hazardous Waste, Non-hazardous Waste, Waste Reused / Recycled, Aqueous drilling mud and cuttings), Spills (Number and volume of spills), HSE related expenditures (Number and value of HSE related penalties), Health and safety (Number of fatalities, Lost Time Injury, Lost Time Injury Frequency, Number of worked hours), Process safety (Tier 1 and Tier 2 process safety events), Employees (Number of full-time and part-time employees, Leavers, Employee turnover rate, Average hours of training per employee), Communities (Donations).

7. Reviewed the narrative content of the Report and the presentation of the selected data to assess whether:
   - 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.
   - The selected data presented in the Report corresponds with the information we have reviewed during the course of our work.
   - The Report is consistent with the requirements for "Comprehensive" reporting according to the GRI G4 Guidelines.
   - There is supporting evidence for 25 qualitative statements, selected on a risk basis, within the Report.

LIMITATIONS OF OUR REVIEW

Except for the EU Emissions Trading Scheme (ETS) CO_2 and Lost Time Injury Frequency (LTIF) data where we have carried out procedures to meet the requirements for reasonable assurance, we conducted our work to express a limited assurance conclusion over the selected data. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Our scope of work was limited to the Sustainable Development information included in the Report.

The scope of our engagement was limited to the reporting period, and therefore 2015 performance only.

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 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 have not provided assurance over claims made by MOL that are statements of belief or forward looking in nature.

The responsibility for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with MOL management. Our work should not be relied upon to disclose all such material misstatements, frauds, errors or instances of non-compliance that may exist.

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 which 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 Sustainable Development.

Materiality

Has MOL provided a balanced representation of material issues concerning its Sustainable Development performance?

- We are not aware of any material issues concerning the Sustainable Development performance of MOL which has been excluded from the Report.
- Nothing has come 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, accuracy and consistency of performance information

How complete and accurate is the 'selected Group data' presented in the Report (outlined above in step 5 and 6 of "Summary of work performed")?

- In our opinion, the Report presents fairly, in all material respects, the ETS CO_2 and own staff LTIF indicators of the Group for the year ended on December 31, 2015. We are not aware of any errors that would materially affect the other Sustainable Development data as 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.
- Nothing has come to our attention that causes us to believe that the selected data has not been collated properly at Group level.
- We are not aware of any errors that would materially affect the data as presented in the Report.

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.

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.

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.

- MOL implemented a new data collecting and reporting system in 2015. Whilst our procedures suggest there has been a general improvement in data quality following the transition, we have observed examples of where clarification is required to improve understanding of the new system and reporting definitions at the site level. We therefore recommend that MOL continues to work with individuals across the business, and refine its reporting guidance, to improve the understanding of the new system and reporting requirements.
- We have observed that MOL has interactions with a broad range of stakeholders on Sustainable Development, but that these interactions were not always documented in a formal manner at local levels. In 2015, the Company made considerable progress in this area, policies are implemented and communicated. We consider that stakeholder issues are captured by the various subsidiaries of the Group and issues are addressed. However, we recommend that MOL adopts a more systematic and consistent 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 still 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.

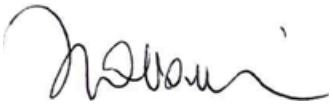
OUR INDEPENDENCE AND COMPETENCE

With the exception of this work, we have provided no other services relating to MOL's approach to Sustainable Development reporting throughout 2015.

We have implemented measures to ensure that we are in compliance with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1. 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.

Ernst & Young Kft.

Budapest, 1 April 2016



Havas István
Ernst & Young Ltd.
Budapest
1 April, 2016

EUROPEAN WORKS COUNCIL REVIEW

In 2016, the European Works Council (EWC) of MOL Group was asked once again to review the "Notes to Sustainability Performance" Chapter of the company's 2015 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. They also 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 at which 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 which concerns the Works Council.
- According to the EWC, the published information is accurate and the statements disclosed are valid.

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 metre oil 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 Mediterranean (CIF MED) region.

Butadiene (1,3 - butadiene)
1,3-Butadiene is a simple conjugated diene with the formula C4H6. Butadiene is produced as a by product 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.

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.

Company
MOL Hungarian Oil and Gas Public Limited Company

Crack Spread
Difference between product's quoted price and crude oil price. The crack spread figures change according to global oil market trends (like consumption seasonality, refinery supply, changes of stocks).

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.

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

MMbbl
Million barrel

MMboe
Million barrel of crude oil equivalent

mboepd
Thousand barrel of crude oil equivalent per day

MCM
Million cubic metre

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: C3H6. 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

Net debt
Net debt = Long-term debt, net of current portion + short-term debt + current portion of long-term debt – short term investments – cash and cash equivalents

IFRS
International Financial Reporting Standards, formerly International Accounting Standards (IAS)

Market capitalisation
Number of shares (issued share capital excluding Treasury stock) multiplied by the actual stock market price.

Net income
Attributable to equity holders of the parent Profit after taxation after the Groups share of associated companies and the deduction of profits due to minority interest.

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.

Business and Human Rights
This area is examining the impact of a company's activities on human rights, and proposes guidelines to manage these. In

2011, the UN Committee lead by Harvard Kennedy School of Government Professor John Ruggie published guidelines for states and companies regarding how to observe and manage their human rights impacts. MOL Group follows the resulting UN Guiding Principles on Business and Human Rights, and the corresponding general and sectorial indicator of the GRI G4 standard to devise its actions and report on activities.

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.

CO_2 intensity – CWT

We have been monitoring the GHG performance of our refining business since 2010 using the CONCAWE – Solomon CO2 intensity indicator (CWT – Complexity Weighted Tonnes). This indicator is production-based and takes into account the complexity of the installations. The methodology is based on different emissions factors characterising different point sources. The measurement unit is one tonne of CO_2 per one kilotonne of production (t CO_2/kt).

CO_2 intensity – HVC

In our petrochemical business we are using an indicator of the production of high value chemicals (HVC). With this, MOL Petrochemicals' performance becomes comparable on an international level. The measurement unit is one tonne of CO_2 per one kilotonne of production (t CO_2/kt).

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 Engagement Survey

Employee engagement is a strategic part of a healthy and productive workplace and a priority for sustaining and promoting our human capital and business strategy. We deploy biannually an employee engagement survey (the Roundtable Survey) in most of our companies within MOL Group and many of our locations worldwide. Since 2012, Aon Hewitt's 'Say, Stay, Strive' model has been used. Engagement is calculated by determining each employee's average response to the six engagement questions based on the Aon Hewitt six-point response scale. If the average rating for an employee equals or exceeds 4.5, that individual is assessed as 'engaged'. The engagement score is the total proportion of employees who are 'engaged'.

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.

European Works Council

European works councils (EWCs) are bodies representing the European employees of a company. Through them, workers are informed and consulted at transnational level by management on the progress of the business and any significant decision that could affect them.
The right to establish EWCs was introduced by Directive 94/45/EC for undertakings or groups of undertakings employing at least 1,000 employees in the European Union and the other countries of the European Economic Area (Iceland, Liechtenstein and Norway) with at least 150 employees in each of two Member States. Source: **www.ec.europa.eu/social/BlobServlet?docId=6647&langId=en**

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, CH4, N2O, HFC, PFC, SF6). MOL Group is collecting direct and indirect GHG emissions data according to international standards (e.g. GHG Protocol) listed under scopes:

- **Scope 1 emissions (direct emissions)** - are direct GHG emissions from sources that are owned or controlled by MOL Group. Scope 1 can include emissions from fossil fuels burned on site, emissions from entity-owned or entity-leased vehicles, and other direct sources
- **Scope 2 emissions (indirect emissions) -** are indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off-site, but purchased by the entity
- **Scope 3 emissions** - include indirect GHG emissions from sources not owned or directly controlled by MOL Group but related to the entity's activities. They are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. Some examples include third party deliveries, business travel activities and use of sold products and services (e.g. fuel, etc.)

GRI (Global Reporting Initiative)

A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.

Growww program:

The Growww graduate recruitment and development program, launched in 2007, provides graduates with a unique opportunity to start their career in a global company and to build work experience through training, on-the-job assignments and mentoring from the best professionals in various Oil and Gas disciplines in an intercultural working environment.

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

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.

Leverage (social investments)
Is the leverage of cash and resources coming from the employees, partners of a company or other third party donor, as a result of a social investment project implemented by the same company.

London Benchmarking Group donation measurement methodology
It is an internationally acclaimed method to measure a company`s social investments. Over 300 companies worldwide are using the LBG methodology to measure, manage and report on the value, output, leverage and impact of such projects.

LTIF (Lost Time Injury Frequency)
The number of incidents of lost time injury (LTI) per one million hours worked

Materiality assessment
The purpose of materiality assessment is to highlight a company`s most important strategic sustainability areas, which will be in the focus of transparency and of resource allocation to foster improvements. Materiality assessment is a key pillar of the GRI G4 reporting standard.

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, 1987).

Social Investments
The voluntary contribution of companies to communities located near their operations and to society at large with the aim to support external stakeholders in their fields of interest, typically through transfer of knowledge, skills or resources.

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

Technical Career Ladder
A career ladder in human resources is a system clearly setting professional knowledge and experience requirements to make career advancement and promotion more transparent. Group E&P and Group HR implemented a Technical Career Ladder (TCL) across the E&P community in 2015 and allocated 940 petro-technical professionals (PTPs) to 7 TCL levels through 14 Job Families.

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

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 °C), or which has similar volatility under the actual conditions of use (methane is not included); most ground-level ozone (smog) results from a reaction between NO_x and VOCs.

VRU
Vapour recovery unit – a relatively simple system that can capture vapours that otherwise will be vented into the atmosphere

HSE indicators
For the exact definitions of the HSE indicators please visit our Sustainable Development website.
www.molgroup.info/hu/sustainability

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ANNOUNCEMENTS

The company publishes its announcements

- in MOL's website: **www.molgroup.info/en/**, direct link: **www.molgroup.info/en/investor-relations/regulated-information**
- in Budapest Stock Exchange's website: **www.bse.hu/** and
- in Warsaw Stock Exchange's website.

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Table of contents

TOPIC OF INTEREST	COVERED IN THIS REPORT	ONLINE INFORMATION
CORPORATE GOVERNANCE		
Articles of association		molgroup.info Click: Corporate governance
Board of Directors	90	molgroup.info Click: Corporate governance
Composition of Board Committees	76	molgroup.info Click: Corporate governance
Executive Board	96	molgroup.info Click: Corporate governance
Supervisory Board	100	molgroup.info Click: Corporate governance
Corporate Governance Code		molgroup.info Click: Corporate governance
Corporate Governance policy		molgroup.info Click: Corporate governance
Corporate Governance Report		molgroup.info Click: Corporate governance
Declaration in connection with Corporate Governance Recommendations published by the Budapest Stock Exchange, regarding corporate governance practices		molgroup.info Click: Corporate governance
Independence criteria for Members of MOL Group Board of Directors	76	molgroup.info Click: Corporate governance
Principles on inside trading in MOL Plc. according to the Corporate Governance Recommendation of BSE	86	molgroup.info Click: Corporate governance
Remuneration paid to members of the Board of Directors and the Supervisory Board		molgroup.info Click: Corporate governance
Statement on the application of Warsaw Stock Exchange corporate		molgroup.info Click: Corporate governance
OTHER		
AGM Documents		molgroup.info Click: General meetings
AGM Resolutions		molgroup.info Click: General meetings
Dividend		molgroup.info Click: General meetings
Financial Calendar		molgroup.info Click: Events calendar
IR Contacts		molgroup.info Click: IR contact
RSS		molgroup.info Click: RSS
Share Price		molgroup.info Click: Share price performance