Corporate governance

MOL has always recognised the importance of maintaining the highest standards of corporate governance. 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 relevant stock exchange corporate governance recommendations to both markets each year.

MOL's corporate governance meets the requirements of the regulations of the Budapest Stock Exchange, the directives of the Hungarian Financial Supervisory Authority and the relevant regulations of the Capital Market Act. MOL also subjects its policies to regular review to ensure that they take account of continually evolving international best practice in this area. MOL's commiment to corporate governance best practice is also demonstarted by the approval of MOL's Corporate Governance Code in 2006. This document presents MOL shareholder' rights, the operation of MOL government bodies, as well as remuneration and ethical issues. MOL's Corporate Governance Code has been published on the company's website.

MOL's corporate governance practices were rated highly in a report issued on December 30th, 2003 by Deminor Rating, the international corporate governance consultancy and rating firm. The original rating was updated in 2005. Corporate governance initiatives in 2004 and 2005 were also taken into consideration, resulting in a higher overall rating. ISS Corporate Services (previously Deminor Rating) revises MOL's rating in 2007 and the updated rating is expected to be published after the Annual General Meeting of MOL.

Board of Directors

MOL's Board of Directors acts as the highest governance body of the Company and as such has collective responsibility for all corporate operations.

The Board's key activities are focused on achieving increasing shareholder value, improving efficiency and profitability, and ensuring transparency in corporate activities. It also aims to ensure appropriate risk management, environmental protection, and conditions for safety at work.

Given that MOL and its subsidiaries effectively operate as a single unit, the Board is also responsible for enforcing its aims and policies, and for promoting the MOL culture throughout the entire Group.

The principles, policies and goals take account of the Board's specific and unique relationship with MOL's shareholders, the executive management and the Company. The composition of the Board reflects this with the majority (eight of eleven members) made up of non-executive directors. At present, 7 members of the Board of Directors qualify as independent on the basis of its own set of criteria (based on NYSE recommendations) and the declaration of directors. The following members of the Board of Directors qualify as independent: Dr. Sándor Csányi, Dr. Miklós Dobák, Dr. Gábor Horváth, Miklós Kamarás, Dr. Ernő Kemenes, Iain Paterson and Mrs. Kálmán Simóka Dr.

Relationship with the shareholders

The Board is aware of its commitment to represent and promote shareholders' interests, and recognises that it is fully accountable for the performance and activities of the MOL Group. To help ensure that the Company can meet shareholders' expectations in all areas, the Board continually analyses and evaluates developments, both in the broader external environment as well as at an operational level.

Formal channels of communication with shareholders include the Annual Report and the quarterly flash reports, as well as other public announcements made through the Budapest Stock Exchange (primary exchange) and the Warsaw Stock Exchange. In addition, presentations on the business, its performance and strategy are given to shareholders at the Annual General Meeting and extraordinary General Meetings. Roadshow visits are also made to various cities in the UK, the US, Canada and Continental Europe where meetings are held with the investment community, including MOL shareholders and holders of MOL's Depository Receipts. Furthermore, investors are able to raise questions or make proposals at any time during the year, including the Company's General Meeting. Investor feedbacks are regularly reported to the Board of Directors. In 2006 MOL participated in 22 roadshows and investor conferences (5 US, Canada and 17 European) having over 360 meetings with potential and existing shareholders.

MOL has an Investor Relations department which is responsible for the organisation of the above activities as well as for the day-to-day management of MOL's relationship with its shareholders (contact details are provided in the "Shareholder Information" section at the end of this report). Extensive information is also available on MOL's website (www.molgroup.hu), which has a dedicated section for shareholders and the financial community.

Operation of the Board of Directors

The Board acts and makes resolutions as a collective body.

The Board adopted a set of rules (Charter) to govern its own activities when the company was founded in 1991; these rules are regularly updated to ensure continued adherence to best practice standards.

The Board Charter covers:

- scope of the authority and responsibilities of the Board,
- scope of the committees operated by the Board,
- provision of information to the Board,
- main responsibilities of the Chairman and the 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.

Report of the Board of Directors on its 2006 activities

In 2006, the Board of Directors held 10 meetings with an average attendance rate of 93%. Alongside regular agenda items, such as reports by the Committees' chairmen on the activities pursued since the last Board meeting, or an overview of capital market developments, the Board of Directors also individually evaluates the performance of each of the company's business units.

In line with the Company's strategic objectives, the Board of Directors decided on the acquisition of the majority stake in Bosnian Energopetrol, the purchase of a 100% stake in the Russian oil producing company BaiTex, and the acquisition of ownership of MSZKSZ Zrt. (Hungarian Hydrocarbon Stockpiling Plc.). In the course of the year, the Board of Directors reviewed the implementation of the strategic and business objectives of the Company's business units and their growth potential.

Committees of the Board of Directors

Certain specific tasks are carried out by the Board's Committees. These Committees have the right to approve preliminary resolutions concerning issues specified in the List of Decision-making and Authorities (LDA), which sets out the division of authority and responsibility between the Board and the executive management.

- The responsibilities of the Committees are determined by the Board of Directors.
- The Chairman of the Board of Directors may also request the Committees to perform certain tasks.

The members and chairs of the Committees are elected by the Board of Directors.
The Board allocates responsibilities to the various Committees as follows:

Finance and Risk Management Committee (previously Audit Committee)

Members:

- Dr. Miklós Dobák – chairman,
- László Akar,
- Dr. Ernő Kemenes,
- Iain Paterson, and
- Mrs. Kálmán Simóka Dr.

Responsibilities:

- review of financial and related reports,
- monitoring the efficiency of the internal audit system,
- review of planning, scope and results of the audit,
- ensuring the independence and objectivity of the external auditor.

Corporate Governance and Remuneration Committee

Members:

- Dr. Sándor Csányi – chairman,
- Zsolt Hernádi,
- Dr. Gábor Horváth, and
- Miklós Kamarás.

Responsibilities:

- analysis and evaluation of the activities of the Board of Directors,
- issues related to Board membership,
- promoting the relationship between shareholders and the Board,
- procedural, regulatory and ethical issues,
- reviewing corporate processes, procedures, organisational solutions and compensation systems, and making recommendations on the introduction of best practice standards.

Sustainable Development Committee

Members:

- György Mosonyi – chairman,
- Michel-Marc Delcommune,
- Dr. Ernő Kemenes, and
- Iain Paterson.

Responsibilities:

- ensuring integrated management of SD (Sustainable Development) issues at MOL Group and at divisional level,
- follow up and verification of the operation and appropriateness of the Sustainable Development Management System (SDMS) compared to rules, regulations and international best practice,
- regular review and evaluation of all proposals for SD audit and evaluation, the objectives set, and the results and report within SDMS,
- annual evaluation of the performance of its own work and that of the SDMS.

Report of the Finance and Risk Management Committee on its 2006 activities

In 2006, the Finance and Risk Management Committee held 5 meetings with a 92% average attendance rate. In addition to the regular items on the agenda, including the audit of all public financial reports, providing assistance with the auditor's work and the regular monitoring of internal audit, the Committee also devoted a considerable amount of time to the following topics:

- Risk management: the Committee took part in the formulation of a comprehensive, Group-level risk management model.
- Internal audit: the Committee evaluated the internal audit reports and strategy.
- Financial position: the Committee continuously monitored the Company's financial position.

Report of the Corporate Governance and Remuneration Committee on its 2006 activities

In 2006, the Corporate Governance and Remuneration Committee held 8 meetings with a 100% average attendance rate. In addition to the issues of corporate governance and remuneration, the Committee discussed a number of key strategic and results-related topics prior to their presentation to the Board of Directors for discussion.

Report of the Sustainable Development Committee on its 2006 activities

In 2006, the Sustainable Development Committee held 1 meeting with a 100% attendance rate. The Committee decided on 2007 targets and started a group-level sustainability revision.

Relationship between the Board and the Executive Management

The LDA sets out the manner in which the Board delegates authority and decision-making rights to the Executive Management in order to ensure that business, HSE, ethical, risk management and internal control policies as set forth by the Board can be implemented with maximum efficiency.

Guidelines of the Decision-making and Authorities List (LDA) include the following:

- ensuring the representation and enforcement of shareholders' interests through and by the Board,
- supporting a consistent and more efficient decision-making process at corporate level,
- achieving an appropriate balance between management freedom of decision-making and the strict internal control and performance measurement system requirements,
- decisions should be taken only when information of sufficient detail and quality is available,
- maintaining appropriate post-implementation review and control, and
- implementation of a functional business matrix management system, both at MOL and at subsidiary level.

The system laid down by the LDA is controlled by the internal audit process. Its role is to ensure compliance with, and to prevent deviation from, policies and strategies approved by the Board.

The structure of the List covers the Company's management levels, i.e., Management Level 1 denotes the Chairman and CEO and the GCEO. Management Levels II, III and IV represent the business unit managers and the senior managers of the subsidiaries.

The Executive Board (EB) operates as an intermediary between the Board of Directors and the above management levels. Its members are:

- Chairman and CEO
- Group Chief Executive Officer
- Executive Vice President, Finance
- Executive Vice President, Strategy and Business Development
- Executive Vice President, Exploration and Production
- Executive Vice President, Refining and Marketing
- Executive Vice President, Corporate Centre

The Executive Board provides a forum for preparing for decision-making. Members are required to offer comments and opinions, with the Chairman-CEO taking the final decision. If the GCEO or the Executive Vice President Finance have a dissenting opinion, the Board of Directors takes the final decision.

Incentives provided for non-executive directors

In addition to fixed remuneration, MOL operates an incentive scheme for non-executive directors, which allows the Company to motivate its directors, supporting the continued improvement in long-term Company performance, and value of the MOL shares. In addition, the aim of the scheme is to ensure that directors' interests remain in line with the interests of the Company's shareholders.

The basis of the effective incentive scheme for non-executive directors was approved by the Extraordinary General Meeting (EGM) on 1st September 2003. Updates and further revision of the scheme were authorised by the subsequent General Meetings (AGMs) in 2004 and 2005.
*if the Chairman is not a non-executive director, the deputy chairman (who is a non-executive) is entitled to this remuneration.

Elements of the Incentive Scheme:

Convertible bond program
the amount of available income in this element of the incentive scheme depends on the growth of the MOL share price, thus providing the highest possible alignment between the management's and shareholders' interests.

On 9th October 2003, directors participating in the program and the entitled top managers had a chance to subscribe for bonds convertible to privately issued "A" series ordinary shares, using a bank loan. As part of the program, 1,200 bonds with a 10 million HUF/bond nominal value were issued, with the option to convert to MOL shares in equal proportions within 5 years.

Board members were entitled to subscribe for 25 bonds/person, committee chairmen 30 bonds/person, and the chairman of the Board of Directors (or the deputy chairman if the chairman was an employee) 35 bonds/person, respectively.

Board members, who were not entitled to participate in the initial subscription as a result of certain limitations, had a chance to join the program in accordance with the resolution adopted by the AGM held on 30th April 2004.

Directors who are still unable to participate in the program due to legal restrictions will be compensated by the Company in cash, taking into consideration the profit that other directors are able to realise.

Fixed remuneration
In addition to their rights to subscribe for convertible bonds, as of 1st April 2003, directors are provided with the following fixed net remuneration, following each AGM:

Directors	25,000 EUR/year
Chairman*	41,500 EUR/year

Other Benefits

Directors who are not Hungarian citizens and do not have a permanent address in Hungary are provided with 1,500 EUR for each Board meeting (maximum 15 times) they travel to Hungary for. Directors who act as chairmen of the committees are provided with 1,000 EUR per month.

Incentive system for the top management

The Incentive System for the top management in 2006 included the following elements:

1. Incentive (bonus)
The maximum bonus amount is 40-100% of the annual base salary, paid in cash on the basis of the evaluation following the AGM. The elements of the incentive system include:

- Identification and evaluation of corporate and Group level key financial indicators (e.g. ROACE, operating cash flow, Lost time injury frequency, CAPEX efficiency, unit production, processing, operating, logistics costs, etc.).
- Identification and evaluation of particular individual targets related to the responsibilities of the particular manager in the given year.

2. Relative performance incentive
The basis of the relative incentive is 10% of the annual base wage, and is determined on the basis of rank or manager-specific performance ratings.

3. Share option program
The share option program was introduced in 2006, replacing the deferred payment in shares. The aim of the program is to motivate the management of MOL Group to increase the Company's long-term share price. The incentive is calculated on the basis of a MOL share purchase option, and is paid out in cash annually with a term of 5 years.

4. Bond program
Certain members of the Executive Board, top managers of MOL Plc., and some further key managers of MOL Group are also entitled to take part in the long-term convertible bond programme approved by the EGM of 1st September 2003. (The participants of this program do not take part in the above-mentioned option program.)

The following bonds were subscribed through the bond program in October 2003:

Members of the Executive Board (4 persons)
335 bonds
Other top managers (4 persons)
220 bonds
Key managers of the MOL Group (8 persons)
250 bonds

In July 2004, 3 other managers joined the program and were entitled to buy a total of 105 bonds from the bond portfolio.

In September 2004, a total of 80 bonds were repurchased from 2 top managers. In October 2004, the Executive Chairman-CEO of the Company approved a purchase of 24 additional bonds by 2 top managers who were already taking part in the bond program. In 2005, the company repurchased 36 bonds from a top manager, whilst there were no changes in the program in 2006.

Other Fringe Benefits
These include company cars (also used for private purposes), life insurance, accident insurance, travel insurance, liability insurance, and an annual medical check up.

Supervisory Board

The Supervisory Board is responsible for monitoring and supervising the Board of Directors on behalf of the shareholders. In accordance with MOL's Articles of Association, the maximum number of members is nine (present membership is nine). In accordance with Company Law, three members of the MOL Supervisory Board are elected employee representatives with the other six appointed by the shareholders.

The General Meeting held on April 27, 2005 approved a new remuneration scheme for the Supervisory Board. Under the new scheme, the members of the Supervisory Board receive remuneration of EUR 3,000/month, while the Chairman of the Supervisory Board receives remuneration of EUR 4,000/month. In addition to this monthly fee, the Chairman of the Supervisory Board is entitled to receive EUR 1,500 for participation in each Board of Directors or Board Committee meeting, up to 15 times per annum.

Audit Committee

In 2006, the general meeting appointed the Audit Committee, comprised of independent members of the Supervisory Board. The Audit Committee strengthens the independent control over the financial and accounting policy of the Company. The independent Audit Committee's responsibilities include the following activities:

- providing opinion on the report as prescribed by the Accounting Act,
- auditor proposal and remuneration,
- preparation of the agreement with the auditor,
- monitoring the compliance of the conflict of interest rules and professional requirements applicable to the auditor, co-operation with the auditor, and proposal to the Board of Directors or General Meeting on necessary measures to be taken, if necessary,
- evaluation of the operation of the financial reporting system, proposal on necessary measures to be taken, and
- providing assistance to the operation of the Supervisory Board for the sake of supervision of the financial reporting system.

Members of the Audit Committee include John I. Charody, Attila Chikán Dr., Mihály Kupa dr, and in case of long-term incapacitation of any of the permanent members, Sándor Lámfalussy Dr.

External auditors

The MOL Group was audited by Ernst & Young in both 2006 and 2005, excluding the ZMB joint venture in Russia and the operating company of the Fedorovsky Block in Kazakhstan in both years (these entities were audited by Deloitte & Touche and PricewaterhouseCoopers, respectively).

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

Ernst & Young also provided other services to MOL Nyrt. during 2006 and 2005.

Non-audit services in 2006 and 2005 were mainly related to due diligence services performed for MOL.

The Board of Directors does not believe that non-audit services provided by Ernst & Young compromised their independence as auditors.

Fees paid to the auditors (HUF m)	**2006**	**2005**
Audit fee for MOL plc (including audit fee for interim financial statements)	185	157
Audit fee for subsidiaries	315	278
Other non-audit services	52	134
Tax advisory services	34	74
Total	**586**	**643**

Framework of a comprehensive risk management function

According to the latest developments in the area of risk management, MOL Group – similarly to leading international corporate boards - has paid increasing attention to this function, which forms a key part of its corporate governance structure. 2006 was the first full operating year following the implementation of the new Group Risk Management (GRM) function and the appropriate integrated risk management approach. A major widening of risk management scope was achieved by incorporating Enterprise Risk Management (ERM) into the structure. As a result, GRM now consists of an integrated, comprehensive, 4-pillar system managing a broad variety of risks.

Financial risk management – handling short-term, market related risks

Financial Risk Management has been a longstanding function within Group Treasury prior to its integration under the GRM umbrella.

Financial (commodity price, FX and interest rate) risks are measured using a complex model based on the Monte Carlo simulation (which takes into account portfolio effects as well) and are managed – if necessary - with risk mitigation tools (such as swaps, forwards and options). This function concentrates on a relatively short, 12-month time horizon. Reports on compliance with limits linked to strategic and financial objectives of the Group are compiled for the senior management on a monthly basis.

Insurance management – transferring excess operational risks

The purchase of insurance, as an important risk mitigation tool used to cover the most relevant operational exposures, also forms part of GRM. The major insurances are: Property Damage, Business Interruption, Liability, and Control of Well Insurance. Insurance Management typically has a one year cycle with annual renewal, which is followed by a report to the top management. Since insurance is managed through a joint program for the whole group (including MOL, TVK and Slovnaft), MOL Group is able to exploit considerable synergy effects.

Enterprise risk management – incorporating a broad variety of risks into one long-term system

While the above-mentioned functions of GRM are focused on particular types of risks (financial and operational), ERM integrates these along with a broad variety of strategic risks. ERM tries to capture these risks in one comprehensive and dynamic model. Following identification, different classes of risk are quantified based on a common methodology, on consolidated basis, built on the assessment of their likelihood and possible impacts.

This state-of-the-art risk management system was introduced at MOL Group last year, based largely on the existing and competent financial risk management practice; it has since successfully been rolled out across all business units. The 10-year time horizon of the model also reflects the new aspects of longer term strategic risks. The ERM process identifies the most significant risks to the performance of the company (both divisional and on a group level) and calls for a decision to be made regarding which risks should be retained and which should be mitigated and how. Some of the risks are managed centrally, while some are dealt with by the divisions, overseen by nominated risk owners. From 2007 the annual cycle of risk quantification and prioritisation – following each year's planning period - will be turned into systematic and pragmatic risk mitigation actions, progress of which will be reported quarterly to the top management.

Business continuity management (BCM) – preparing for unexpected operational events

Based on ERM findings and the experience gained from insurance management, we now have a deeper understanding of the sources and nature of risks. As a result, MOL Group recognises the necessity of Business Contingency Plans, Crisis Management processes and other risk control programs. In the second half of 2006, GRM has led a pilot program at the Refining & Marketing Division, and plans to introduce Business Continuity Management at all divisions with high operational risk exposure in 2007.

Further development plans

Given that the structure of an appropriate and up-to-date risk management is now in place, and key methods have been developed, in the future the newly-introduced GRM procedures should become regular processes. The risk awareness culture across the whole organization has already been enhanced, due to the group-wide involvement during ERM and BCM projects. Another overall benefit of the broad applicability of ERM is its positive effect on corporate value: the ongoing integration of its results into key decision-making processes, including the strategic review, capital allocation, and the risk-return impact of particular business decisions, can significantly improve the business portfolio of MOL Group.

Board of Directors

1. Mr. Zsolt Hernádi (47)

Chairman of the Board of Directors since 7th July, 2000, Chairman & Chief Executive Officer since 11th June, 2001, member of the Board since 24th February, 1999.
Member of the Corporate Governance and Remuneration Committee.
Between 1989-1994 he occupied various posts at the Kereskedelmi és Hitelbank Plc., being its Deputy General Manager between 1992-1994. He was CEO of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001, and a member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was Board member of the Hungarian Banking Association. Since 2001, he has been a member of the European Round Table of Industrials.

2. Dr. Sándor Csányi (54)

Member of the Board of Directors since 20th October, 2000, and Vice Chairman since 2001.
Chairman of the Corporate Governance and Remuneration Committee.
He started his career at the Ministry of Finance and continued at the Ministry of Food & Agriculture later at the Hungarian Credit Bank. From 1989 to 1992, he was Deputy CEO of the Commercial & Credit Bank (K&H), and since 1992, he has been the Chairman & CEO of the OTP Bank Plc. On 28th April, 2006, a shareholders meeting re-elected him for an other five-year term as Chairman & CEO of OTP Bank Plc. He is European Board member of MasterCard, Board member of the Hungarian Banking Association and co-chairman of the National Association of Entrepreneurs & Employers (VOSZ). He is also Chairman of the Supervisory Board of two OTP Bank Group members: DSK, which is Bulgaria's largest retail bank, and OTP Garancia Insurance. He has been an honorary professor of the University of Western Hungary since 2004. Dr. Sándor Csányi is a member of the International Association of Business Leaders, and of the Institut International d'Etudes Bancaires.

Other members of the Board of Directors

3. László Akar (54)

Member of the Board of Directors since 11th October, 2002,
Member of the Finance and Risk management Committee.
Between 1977-1990 he held various positions in the National Planning Office and Ministry of Finance. Between 1994-1998 he was political state secretary at the Ministry of Finance, secretary of the Government's Economic Committee, and deputy governor of the IMF, representing Hungary. Since 1998 he has been General Manager of GKI Economic Research Co. and since 2002, Chairman of the Supervisory Board of the National Bank of Hungary. In 2005 he won the Farkas Heller prize. In 2006 he received the French Chevalier de l'Ordre National du MériteOrdre.

4. Michel-Marc Delcommune (59)

Member of the Board of Directors since 28th April, 2000.
Member of the Sustainable Development Committee of MOL, also a Board member of TVK Plc.
He was MOL Group Chief Financial Officer between 11th October, 1999 and 1st September, 2004, than Group Chief Strategic Officer until 11July, 2006.
He joined the PetroFina Group in 1972. From 1990 he was primarily responsible for Corporate Finance and Insurance as Senior Vice-President and Chief Financial Officer. From 1999, he served, in addition, as Director – Human Resources, and handled the successful merger of PetroFina with Total. He is a member of the International Advisory Board of Cornell University Business School. Mr. Delcommune is a Belgian citizen.

5. Dr. Miklós Dobák (52)

Member of the Board of Directors since 29th May 1996,
Chairman of the Finance and Risk management Committee.
He is Chairman of the Institute of Management and Professor of the Department of Management & Organisation at Corvinus University. He is an international partner of Horváth & Partners Consulting Company.

6. Dr. Gábor Horváth (51)

Member of the Board of Directors since 24th February, 1999,
Member of the Corporate Governance and Remuneration Committee.
He has headed up an independent attorney's office since 1990. His main activities cover corporate, corporate financial and company organisations law. He is member of the Supervisory Board of OTP Bank Plc. and CD Hungary Plc.

7. Miklós Kamarás (62)

Member of the Board of Directors since 11th October, 2002,
Member of the Corporate Governance and Remuneration Committee
He held various senior positions at ÉPGÉP Co. between 1972-1990, finishing as CEO. He was Deputy General Manager of ÁPV Plc. (the Hungarian Privatisation & State Holding Co.) between 1995-1998. From 1998, he was a partner at Deloitte & Touche Hungary and head of several auditor firms. Between 2002 – 2004, he was CEO and a Board member of ÁPV Plc., and Chairman of the Board of Budapest Airport Plc., until 30th May, 2005. At present he is Chairman of MÁV Plc. and Chairman of the Supervisory Board of BAUGÉP Ltd.

8. Dr. Ernő Kemenes (67)

Member of the Board of Directors since 11th October, 2002,
Member of the Finance and Risk management Committee and the Sustainable Development Committee.
He was lecturer, then Head of Department at Budapest University of Economic Sciences from 1963. He held various senior positions in the National Planning Office, the Ministry of Education & Culture, and the Office of the Prime Minister between 1968-1997. He was also head of the National Planning Office between 1987-1990. He was head of Deloitte & Touche Hungary and one of the leading managers in the Central & East European Region between 1992-2001. Member of the Council of the Hungarian National Bank between 1992-1998, he is a retired university professor of Budapest University of Economic Sciences & Public Administration. He participates in preparing country reports for the OECD, EU and IMF. He is a Supervisory Board member at B.I.L. Ltd and Reneal Ltd.

9. György Mosonyi (58)

Group CEO and member of the Board of Directors since 19th July, 1999.
Chairman of the Sustainable Development Committee, Chairman of the Board of Directors TVK Plc.
From 1974 onwards, he worked for the Hungarian Agency of Shell International Petroleum Co. and from 1986 he held the position of commercial director. In 1991 he worked at Shell headquarters, London. He was managing director of Shell-Interag Ltd between 1992-93 then Chairman and Chief Executive Officer of Shell Hungary Rt between 1994-1999. During this period he became Chairman of Shell's Central & East European Region and CEO of Shell Czech Republic in 1998. He is Honorary President of the Association of Joint Ventures and vice-chairman of the Hungarian Chamber of Commerce & Industry.

10. Iain Paterson (60)

Member of the Board of Directors since 24th February, 1999,
Member of the Finance and Risk management Committee and the Sustainable Development Committee.
From 1970 onwards, he held various positions at British Petroleum Plc in Great Britain, USA and the Middle East. Between 1984 and 1998, he was with Enterprise Oil Plc, serving from 1991 as a Main Board member with responsibility for international activities. He is currently also Chairman of ITE Group Plc, Chairman of Sondex Plc, and a non-executive director of Hunting Plc and Armor Group International Plc. Mr. Paterson is a British citizen.

11. Kálmán Simóka Dr. (61)

Member of the Board of Directors since 11th October, 2002,
Member of the Finance and Risk management Committee
She held various senior positions in the Ministry of Finance between 1975-1985. She was Director-General of the State Treasury between 1995-1998, and since 2000, she has been CEO and Board member of the Budapest Funeral Company. Chairman of the Supervisory Board of the Civis Hotels Co.,and she is also a Supervisory Board member of Guest Co., and the Hungarian Development Bank (MFB).

Executive Board

1. Zsolt Hernádi (47)

Chairman of the Board of Directors since 7th July, 2000, Chairman & Chief Executive Officer since 11th June, 2001, member of the Board since 24th February, 1999.
Member of the Corporate Governance and Remuneration Committee.
Between 1989-1994 he occupied various posts at the Kereskedelmi és Hitelbank Plc., and between 1992-1994 he was its Deputy General Manager. He was CEO of the Central Bank of Hungarian Savings Cooperatives between 1994 and 2001, and a member of its Board of Directors between 1994 and 2002. Between 1995 and 2001, Mr. Hernádi was Board member of the Hungarian Banking Association. Since 2001, he has been a member of the European Round Table of Industrials.

2. György Mosonyi (58)

Group CEO and member of the Board of Directors since 19th July, 1999,
Chairman of the Sustainable Development Committee. He is Chairman of TVK Plc. Honorary President of the Association of Joint Ventures and vice-chairman of the Hungarian Chamber of Commerce & Industry.
From 1974 onwards, he worked for the Hungarian Agency of Shell International Petroleum Co. and from 1986 he held the position of commercial director. In 1991 he worked at Shell headquarters, London. Between 1992-93 he was managing director of Shell-Interag Ltd and between 1994-1999 Chairman and Chief Executive Officer of Shell Hungary Rt. During this period he became Chairman of Shell's Central & East European Region and CEO of Shell Czech Republic in 1998.

3. József Molnár (51)

Group Chief Financial Officer since 3rd September, 2004. Since April 2001, he has been a Board member of TVK, and since January 2004 a Board member of Slovnaft a. s.
From 1978 to 2001, he held various management positions at BorsodChem Plc, including Pricing Department Head from 1982 to 1987, and Economics Department Head from 1987 to 1991. Between 1991 and 2001, as Chief Financial Officer and first deputy to the CEO, he contributed to the crisis management and reorganisation of the company, and later to the creation of its vision, and then its privatisation. He played a key role in the stock exchange listing of BorsodChem shares. He was CEO of TVK between 2001 and 2003, and MOL Group Planning & Controlling Director until his appointment as Group CFO in September 2004.

4. Lajos Alács (44)

Since 1st July, 2006 Lajos Alács is Executive Vice President of MOL Group, responsible for Strategy & Business Development.
He started his career in MOLTRADE-Mineralimpex Plc in 1988 as Area Manager, since 1992 he was Director of Crude Oil Processing and Risk Management. Between 2003 and 2006 he worked as General Manager.
Prior positions at MOL Plc:
1999 – Director – Crude Oil Purchase
2001 – Director – Fuel Sales
2002 – Director – SCM
2003 – Director of Commercial
Member of the Board at Hungarian Hydrocarbon Stockpiling Association.

5. Zoltán Áldott (39)

Exploration and Production Executive Vice President since September, 2004.
Between 1990 and 1991, he was an associate at Creditum Financial Consulting Ltd., and then, between 1992 and 1995, he held various positions at Eurocorp Financial Consulting Ltd. From 1995 to 1997, he was Manager – MOL Privatization Department, and from 1997 until 1999 Director - Capital Markets. From 1999, Mr. Áldott served as Director of Strategy & Business Development. From November 2000, he acted as Chief Strategy Officer and then, since June 2001, as Group Chief Strategy Officer. Since September 2004, he has been Executive Vice President of MOL Exploration & Production Division. He is also a Supervisory Board member of INA d.d., and Board member of the Budapest Stock Exchange.

6. Horváth Ferenc (46)

Since November 2003, Mr Horváth has been Executive Vice President of MOL Refining & Marketing Division, a unit integrated with Slovnaft. From 1984 until 1989, he worked for Mineralimpex, the Hungarian Foreign Trade Company for Oil & Mining Products, in the fields of crude oil and natural gas imports, and crude oil product exports. Between 1991 and 1997, he was Managing Director of Allcom Trading Co., the Hungarian Mineralimpex-Phibro Energy joint-venture, dealing with the European trading of crude oil and crude oil products. He joined MOL Plc in 1998 as Director - LPG Business Unit, and worked from January 2001 onwards as Sales Director, being responsible for the sales of MOL's entire product range (petrol, diesel, petroleum products, bitumen, LPG, lubricants, and so on). In 2002, he became Commercial Director, sales activities having broadened to encompass the supply of crude oil and raw materials necessary for the refining of crude oil.

7. József Simola (41)

Corporate Centre Executive Vice President since April 2006. Member of the Board of Directors of Slovnaft a.s.since May 2004. Member of the Board of Directors of TVK since April 2005.
Between 1991 -1992 he worked as an SAP expert at General Electric – Tungsram. After that he was employed as auditor and consultant at Arthur Andersen. In 1995 he participated in the French INSEAD MBA programme. In 1996 he joined the Boston Consulting Group, where he held various managerial positions in Hungary, Germany and Australia. Director of Corporate Centre of MOL Group since 2003 and Human Resources Director simultaneously since September 2004. Corporate Centre Executive Vice President since April 2006. Between April 2004 and April 2005 he was a member of the Supervisory Board of TVK.

Supervisory Board

1. Dr. Mihály Kupa (66)

Chairman of the Supervisory Board since 11th October, 2002.
Chairman of the Audit Committee and contributes to the Board and to the Finance and Risk Management work.
Between 1969 and 1975 he held various senior positions in the Statistical Office, between 1975-1984 in the Financial Research Institute, and between 1984-1990 in the Ministry of Finance. Between 1990 and 1993 he was Minister of Finance, and from 1992 to 1993 Vice-President of the Council of Governors of the World Bank and IMF in Hungary. In 1991, and again in 1998 he was Member of Parliament (Independent). He is a Supervisory Board member of the National Theatre Company.

2. Dr. Attila Chikán (63)

Member of the Supervisory Board since 30th April, 2004, Deputy Chairman of the Supervisory Board since 5th December, 2005.
Member of the Audit Committee.
Since 1968 he has been working for Budapest University of Economic Sciences. (Until 2004 predecessor of Corvinus University of Budapest.) Between 1989 and 1998 he was Head of the Business Economics Department and acted as Minister of Economic Affairs in 1998 and 1999. He was Rector of Budapest University of Economic Sciences between 2000 and 2003 and is a Doctor of the Hungarian Academy of Sciences. At present he holds several positions in Hungarian and international professional organisations, and membership of the editorial boards of several international journals. He is Chairman of the Supervisory Board of Richter Gedeon Plc.

3. Piroska Bognár (49)

Member of the Supervisory Board since 11th October, 2002, as an Employee Representative.
Mrs Bognár joined MOL in 1976. She has been President of MOL Trade Union of Chemical Workers since 2001 and Managing Director of Fókusz Kom Komáromi Training & Cultural KHT, since August 2003.

4. John I. Charody (80)

Member of the Supervisory Board since October 11, 2002.
Member of the Audit Committee.
Member of the British Empire and Justice of Peace, he worked in the Geophysical Institute of the Oil Exploration and Development Company between 1953 and 1956. Then he was a director in Australia of various companies including Bridge Oil Ltd., Aurora Minerals, Project Mining and CEO of Winton Enterprises Pty. Ltd. and Galina Investment international consulting company. Fellow of the Institute of Australian Directors since 1971, fellow of the Australian Institute of Management since 1967, Justice of Peace since 1972, he was awarded the M.B.E. by H.M. the Queen for service to Australia in 1973. In 1990 he was appointed Minister of Commerce in Budapest by the Federal Government of Australia with regional responsibilities in 12 countries. In 1997, the President of the Republic of Hungary awarded him the Officer Cross of the Republic of Hungary for his services to fostering Australian-Hungarian financial and commercial relationships. He has been Deputy Chairman of the Board at QBE Atlasz Insurance Private Ltd. Co. since 1997, Member of the Supervisory Board at Nemzeti Ingatlanfejlesztő Ltd. and Board Member of Pick Rt. and Csányi Foundation and Director of Civil Security Service Ltd.

5. Slavomír Hatina (60)

Member of the Supervisory Board since 11th October, 2002.
Mr. Hatina joined Slovnaft in 1970, working in various positions. From 1994 to December 2001, he worked for Slovnaft a.s., Bratislava (1994-1998 as CEO, 1998-2001 as President). From 1994 to February 2005, Mr. Hatina was Chairman of the Board of Slovnaft, a.s. A Doctorate Honoris Causa was bestowed on Mr Hatina by the Slovak University of Technology in 2001. He is Chairman of Slovintegra a.s. and Slovbena a.s. Mr Hatina is a citizen of Slovakia.

6. József Kudela (60)

A member of the Supervisory Board since 30th November, 1994 as an Employee Representative, Mr. Kudela joined MOL in 1971. He has been chairman of the MOL Miners Trade Union since 1989.

7. Dr. Sándor Lámfalussy (78)

Member of the Supervisory Board since 24th February, 1999.
He was guest professor at Yale University between 1961 and 1962. For a time he was Director-General of the Bank of Brussels, and then, between 1976 and 1993, a member of management at the Bank for International Settlements. For the last nine years he has been CEO of the bank. From 1994 to July 1997, he was president of the European Monetary Institute (EMI), the forerunner of the European Central Bank, and became firstly a university professor then "professeur extraordinaire" at the Catholic University of Louvain, Belgium. In 2000-2001 he was the Chairman of the Committee of Wise Men on the Regulation of the European security markets, the recommendations of which were accepted by the European Council, and are now being implemented. At present he is member of the Supervisory Board of CNP Assurance France. Dr. Lámfalussy is a Belgian citizen.

8. János Major (55)

Member of the Supervisory Board since 30th November, 1994, as an Employee Representative.
Mr. Major joined MOL in 1970. He has been Secretary of the MOL Trade Union of Chemical Workers since 1994, and co-ordination secretary of MOL Trade Union of the Chemical Industry since 2003. He has also been a Member of the Legal, Administration & Employment Committee of the Municipality of Százhalombatta since 2002, and a Supervisory Board member of Fókusz Kom Komáromi Training and Cultural KHT, since 2003.

9. István Vásárhelyi (56)

Member of MOL Group Supervisory Board since 27th April, 2005.
Between 1978-1989, he held various managerial positions at Budapest Rozmaring MGTSZ (an agricultural co-operative). From 1992 to 1998, he was a trustee of the "Foundation against Cancer for Man and the Future". At the same time he was CEO of Budapest Capital Holding Management Plc. In 1995, he was appointed Managing Director, and since 2000, Director-General, from 2006 Managing Director of ROZA-PORTA Trading Ltd. Between 1994-2000, he was a Board member of Helia Hotels Plc. He was also a member of the Supervisory Board of ÁPV Plc. Between 1995-2002 (the State Privatisation Company), and, in 2000, was appointed Chairman of the Board of Képcsarnok Plc. (Fine Arts Trading), becoming chairman of the Supervisory Board from 2001 to 2003. Between 2002 and 2004, he was also a Board member of Dunaferr Plc. Since 2002, he had been Vice-Chairman of the Board of ÁPV Plc, and he has been Chairman of the Board of ÁPV Plc from 1th December 2006. From 2005 he has been member of the Board of Directors of Hitelgarancia Plc. He was elected trustee of the Szalmaszál Foundation Endowment for the Homeless from 2006 and member of the Board of Directors Graphisoft Pld.

Report of the Supervisory Board

The Supervisory Board performed its duties in accordance with its statutory obligations. The report of the Supervisory Board has been prepared pursuant to the report of the Board of Directors, the opinion of the auditors and the scheduled regular midyear reviews.

MOL is the leading integrated oil and gas company of Central and Eastern Europe, the market leader in Hungary, and, with parent company's net sales of HUF 1,873.6 billion and Group's International Financial Reporting Standards (IFRS) net sales of HUF 2,891.1 billion, the largest company in Hungary. The work performed last year by the Board of Directors can be deemed successful and this is also reflected in the share price. The weighted average stock exchange price of MOL shares increased by 22.3% in 2006 to HUF 21,745 (in 2005 this was HUF 17,774). The stock exchange closing price on 31st December, 2006 was HUF 21,600.

The accounting methods applied in developing the financial reports are supported by the report of Audit Committee as well, are in accordance with the provisions of the Accounting Act and are consistent with the accounting policies of the Company. All figures in the balance-sheet are supported by reconciliation and stock-taking where relevant. Assessment and payment of tax obligations were implemented as prescribed by law. The Company's 2006 financial statements provide a true and fair picture of its economic activities. For the MOL Group a total of 75 companies were fully, and a further 9 companies were partially consolidated, using the equity method. Last year the ownership structure changed: at the end of 2006 the shareholding of foreign institutional investors was 72.4%, including the 7.8% shareholding of The Bank of New York, the Depository of MOL ADRs. The ownership of domestic institutional and private investors amounted to 7.7%.

On 13 March 2006, MOL Plc signed a share purchase agreement to sell 6,007,479 Series "A" Ordinary Shares of MOL held in treasury to Magnolia Finance Limited ("Magnolia"). Simultaneously, Magnolia announced the sale of capital securities, exchangeable into the Series "A" Ordinary Shares of MOL, to international financial investors.

On 10 April 2006, MOL sold 1,404,217 Series "A" Ordinary Shares of MOL to BNP at market price. Simultaneously with the agreement, MOL and BNP entered into option agreements, with the expiration date of 18 December 2006. BNP and MOL signed agreements on 13 December 2006 regarding Series „A" Ordinary Shares of MOL held by BNP (including 7,552,874 shares purchased from Slovintegra-Slovbena in December 2005) extending the option rights on MOL shares held by BNP until 18 December 2007.

MOL exercised its option right on 29 May 2006 and purchased 10,898,525 „A" series MOL ordinary shares (representing 10% of MOL's registered capital) from Hungarian State Privatisation and Holding Company (APV Zrt.) in a stock exchange transaction. The purchase price was HUF 21,760 per share.

In November-December 2006, APV Zrt. sold 1,893,424 "A" series MOL ordinary shares, 1.73% of MOL's share capital, in a domestic public offering and a stock exchange auction at an average price of HUF 21,592 per share. After closing the transaction, APV Zrt. kept one voting preference share and one ordinary share.
The Supervisory Board endorses the proposal of the Board of Directors to pay a gross dividend of HUF 50 billion for 2006. The Supervisory Board proposes that the General Meeting approve the audited financial statements of MOL Plc for 2006, with a balance-sheet total of HUF 2,136 billion, after-tax profit of HUF 295 billion, and tie-up reserve of HUF 270 bn and the audited consolidated financial statements of the MOL Group for 2006, with a balance sheet total of HUF 2,165 billion and profit attributable to equity holders of HUF 329 billion. These reports do not include the impact of the proposed dividend submitted for approval to the General Meeting.

Budapest, 31st March, 2007

For and on behalf of the Supervisory Board and Audit Committee of MOL Plc:

Dr. Mihály Kupa
Chairman of the Supervisory Board

Corporate and Shareholder Information

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

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

The effective Articles of Association were accepted at the EGM held on 27 April, 2006, which was modified with some new activities on 7 February 2007. Access to the Articles of Association can be requested from the Company or electronic version can be downloaded from Company's web site.

Registered share capital as of 31 December 2006: 109,329,797 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:	12. 31. 2005		12. 31. 2006	
	Par value of shares (HUF th)	%	Par value of shares (HUF th)	%
Foreign investors	63,391,617	58.2	64,101,497	58.6
OMV	10,901,000	10.0	10,936,000	10.0
BNP Paribas+	7,561,680	6.9	9,003,359	8.2
Magnolia Finance	0	0.0	6,007,479	5.5
ÁPV Zrt.	12,792,002	11.7	2	0.0
Hungarian institutional and private investors	6,926,677	6.4	8,382,936	7.7
MOL Nyrt. (treasury shares)	7,412,275	6.8	10,899,104	10.0
Total	**108,985,251**	**100.0**	**109,330,377**	**100.0**

Share Information

MOL share prices are published by the majority of Hungarian daily newspapers. Magyar Tőkepiac publishes daily data on prices and trading volumes also listed by transaction. Indicative bid and ask prices of MOL's DRs on IOB can be monitored using the RIC code MOLBq.L on Reuters or MOLD LI on Bloomberg. MOL shares and DRs are traded on the American Pink Sheet OTC market. MOL share prices on the Budapest Stock Exchange can be followed on Reuters using the RIC code MOLB.BU or on Bloomberg using code MOL HB.

The following table shows trading data on MOL shares and DRs for each quarter of 2006.

Period	BSE volume (no. of shares)	BSE closing price (HUF/share)	IOB volume (no. of DRs)	IOB closing price (US$/DR)
1st quarter	23,414,179	22,345	38,402,354	101.6
2nd quarter	23,414,734	22,750	18,840,372	102.5
3rd quarter	17,418,436	19,600	14,671,529	89.8
4th quarter	19,124,097	21,600	12,284,250	113.5

Treasury shares

Resolution No. 7 of the Annual General Meeting held on 27 April 2006 provided authorisation to the Board of Directors for the purchase of MOL shares as follows:

The Board of Directors was entitled to acquire treasury shares pursuant to the following terms and conditions:

- Purpose of acquiring the treasury shares:
- supporting the achievement of the strategic goals of MOL, particularly use of treasury shares as consideration in acquisition transactions, or
- operation of share-based incentive schemes, or
- adding a new potential measure to optimize the capital structure through the repurchase of outstanding share capital (eventually, if justified by later cancellation of shares re-purchased), or
- facilitating the implementation of potentially attractive share-based or hybrid financing instruments.
- Mode of acquisition of treasury shares: with or without consideration, either on the stock exchange or through public offer or on the OTC market if not prohibited by legal regulations.
- The authorisation empowers the Board of Directors to acquire ordinary shares of the Company with a par value of HUF 1,000 each.
- The amount (number) of shares that can be acquired: the total number of treasury shares acquired or owned by the Company simultaneously may not exceed 10% of the share capital of the Company.
- The period of validity of the authorisation: from the resolution made on the Annual General Meeting for an 18 months period.

- If the acquisition of the treasury shares is in return for a consideration, the minimum amount can be paid in return for one piece of share is HUF 1, while the maximum amount is highest amount of the effective stock exchange price level of the day of the transaction, or of the volume weighted average daily stock exchange prices of 90 trading days before the date of the transaction or of the volume weighted average stock exchange price of 90 trading days before the date of signing the agreement for acquiring the treasury shares (particularly purchase agreement, call option agreement or other collateral agreement).

As at 31 December 2005, MOL owned 7,411,696 „A" series, and 578 „C" series ordinary shares. The number of "A" series shares increased to 10,898,525 and the "C" series did not change by the end of 2006. The changes were due to the following transactions:

Reasons for change	Number of „A" series shares	Number of „C" shares Shares
Number of treasury shares as at 31 December 2005	**7,411,696**	**578**
Shares sold to Magnolia Finance	-6,007,479	
Shares sold to BNP Paribas	-1,404,217	
Shares purchased on BSE	43,979	
Share dotation to employees and company officers	-43,979	
Shares purchased from ÁPV Zrt.	10,898,525	
Number of treasury shares as at 31 December 2006	**10,898,525**	**578**

MOL securities held by Directors and Officers of the company as of 31 December, 2006

Name	Current position	Number of MOL shares	Number of MOL convertible bonds
Zsolt Hernádi	Executive Chairman and Chief Executive Officer, member of the Board of Directors	86,443	52
Dr. Sándor Csányi	member of the Board of Directors, Deputy-Chairman	12,453	14
György Mosonyi	Group Chief Executive Officer, member of the Board of Directors	42,376	36
László Akar	member of the Board of Directors	16,356	10
Michel-Marc Delcommune	member of the Board of Directors	36,168	20
Dr. Miklós Dobák	member of the Board of Directors	15,232	12
Dr. Gábor Horváth	member of the Board of Directors	9,250	10
Dr. Ernő Kemenes	member of the Board of Directors	8,263	10
Iain Paterson	member of the Board of Directors	8,921	10
Miklós Kamarás	member of the Board of Directors	0	0
Kálmánné Simóka Dr.	member of the Board of Directors	8,395	10
Dr. Mihály Kupa	Chairman of the Supervisory Board	0	0
Piroska Bognár	member of the Supervisory Board, representative of the employees	484	0
John I. Charody	member of the Supervisory Board	0	0
Dr. Attila Chikán	member of the Supervisory Board	0	0
Slavomir Hatina	member of the Supervisory Board	0	0
József Kudela	member of the Supervisory Board, representative of the employees	360	0
Dr. Sándor Lámfalussy	member of the Supervisory Board	380	0
János Major	member of the Supervisory Board, representative of the employees	544	0
István Vásárhelyi	member of the Supervisory Board	167	0
József Molnár	Executive Vice President Finance	11,857	26
Lajos Alács	Executive Vice President Strategy and Business Development	6,778	10
Zoltán Áldott	Executive Vice President Exploration and Production	40,000	26
Ferenc Horváth	Executive Vice President Refining and Marketing	11,810	26
Árpád Olvasó	Senior Vice President Petrochemicals	0	0
József Simola	Executive Vice President Corporate Centre	2,846	16

Glossary

Average production cost
Total cost of lifting, gathering and processing of crude oil and natural gas.

Biofuels
Materials of agricultural origin, which can be used as motor fuels, alternative fuels. Currently, they are more expensive than fuels produced from crude oil, but the European Union supports their sales. Typical representatives are rape-oil methyl ester (biodiesel) and ethanol (it is not widely known that so-called Otto motor was originally planned to use ethanol). Recently, European Union decided that fuels of agricultural origin have to be blended to products sold in an increasing portion year by year from 2005 to 2009. From 2009, 5.75% will be the required biofuel portion.

Black products
Collective noun for fuel oils and bunker oils.

Boe (barrel of crude oil equivalent)
Volume equivalent obtained after conversion of the heating value of gas to crude oil on the basis of its thermal quantity. In its practical application, 1 boe is, in general, 6000 cubic feet (about 170 normal m3) of gas.

Barrel
Anglo-Saxon unit of measurement applied in the oil sector, one ton crude oil is nearly equal with 7-7,5 barrel. (Conversion rate applied onto crude oil grades in Hungary is 7,55 bbl/ton).

Brent type crude oil
Mix of North Sea crude oils whose quoted price is considered as a benchmark in the international crude oil market.

Brent-Ural Spread
Difference between Brent and Ural crude oil's international price. The price of Ural type crude oil is quoted in Rotterdam (FOB ROT) and Mediterran (CIF MED) region.

Condensates
General term for a group of liquid phase hydrocarbons in which light components dominate and which are extracted at the surface by natural gas separation.

Cogeneration plant
Coal or natural gas fuelled power station that is suitable for the simultaneous generation of electric and thermal energy.

Company
MOL Hungarian Oil and Gas Public Limited Company.

Crack Spread
Difference between product's quoted price and crude oil price. The crack spread figures change according to global oil market trends (like consumption seasonality, refinery supply, changes of stocks).

Cracking
collective noun for operations/technologies aiming at production of a mixture of lighter hydrocarbons (having lower boiling point) by cracking longer carbon chains (through splitting carbon-carbon bonds) of heavier hydrocarbon molecules. Cracking can be purely a thermal process as well as catalytic (in this case the cracking process promoted by using of catalysts).

Distillation capacity utilisation
The utilisation of the primary distillation capacity of a refinery.

Downstream
Refining and Marketing and Retail.

Dry well
An investigated borehole which does not confirm the existence of a hydrocarbon site or is not able to profitably produce crude oil or natural gas.

Enhanced oil recovery (EOR)
Processes/technologies that can be used to recover more oil relative to the primary and secondary methods.

FCC
Fluid Catalytic Cracking plant

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.

Horizontal drilling
Drilling at which horizontal or near horizontal range is created in the target layer following the vertical section in order to expand the inflow cross-section.

Hungarian Petroleum Product Association (MÁSZ)
Association of the most important Hungarian crude oil product trading companies.

Increased oil recovery (IOR)
A comprehensive term to define increased petroleum recovery methods, which includes all methods or processes other than production based on the energy of and in the reservoir (enhanced oil recovery (EOR), secondary and updated primary methods)

Liquified Propane Gas (LPG)
Hydrocarbon gas compound mainly consisiting of propane and butane, liquified under high pressure, which is sold in cylinders for household purposes. These days the motoric usage of LPG spreads. This fuel is the „autogas".

MMSCF
Million cubic feet. The key imperial measure used in the natural gas industry. One cubic meter is equivalent to 35.314 cubic feet.

MEH
Hungarian Energy Office.

Mining royalty
In accordance with international practice and the relevant provisions of the Mining Law, the Hungarian State requires to pay a mining royalty after any and all crude oil and natural gas produced in Hungary (except production applying EOR methods). The rate of this royalty has been 12% since January 1, 1998, except the extra mining royalty payable after the natural gas produced from fields developed prior to 1998. The royalty rate was modified from 2006 with multiplier of 1.02-1.05 as per the agreement between MOL and the Minister of Economy and Transport.

MOL filling station operated in franchise
Filling station operated under MOL-logo and with MOL product slate, but not owned by MOL.

Monomers
Basic compounds of polymers (plastics, rubbers), basic elements (links) of polymer chains in high-molecular-weight materials. Nowadays the most important monomers, the basic petrochemicals are short-chained olefins (ethylene, propylene, butadiene) along with their simple derivatives, and the simplest aromatic compound: benzene. Primary sources of all these monomers are the olefin plants.

MSZKSZ
Hungarian Hydrocarbon Stockpiling Association responsible for the strategic stockpiling of crude oil, crude oil product, natural gas.

Natural gas liquids
Liquefied hydrocarbons separated from natural gas, ranging from propanes to gasolines and also containing heavier components.

Net dry natural gas production
Total gas recovered, reduced by the quantity of produced or separated carbon dioxide and/or the condensates.

Net production
Total crude oil and natural gas quantity from the hydrocarbon fields following the deduction of mining royalties.

Olefin
This is collective noun for open-chained hydrocarbons including unsaturated double carbon-carbon bond(s). The simplest representatives of these compounds, ethylene and propylene are basic petrochemicals. The most important asset in olefin production is the so-called steam cracker (olefin plant), which converts naphtha, chemical gasoil and other light hydrocarbons to key products as ethylene and propylene by cracking and dehydrogenation.

Polyethylene
This is a kind of thermoplastics produced by polymerisation of ethylene. Today polyethylene has the largest share among commodity plastics. Parameters (such as pressure, temperature, applied additives and catalysts) of industrial processes aiming at production of

PE show significant differences, consequently a wide range of products with different characteristics can be produced. All of them can be classified into two groups according to their density: LDPE (low-density polyethylene) and HDPE (high-density polyethylene).There are significant differences at molecular level: LDPE shows inordinate structure, a mixture of heavily branched components resulting in softer, more flexible material, while HDPE is a denser, harder and stronger (with higher tensile strength) plastic due to its more structured hydrocarbon chains.

Polyolefins

This is collective noun for thermoplastics produced by polymerisation (polyaddition) of olefin monomers (e.g. ethylene and propylene). The most important commodity plastics, polyethylene and polypropylene belong to this class.

Polypropylene (PP)

A thermoplastic produced by polymerisation of propylene. Has a significant - and increasing - share among commodity plastics. Parameters (such as pressure, temperature, applied additives and catalysts) of industrial processes aiming at PP production show significant differences, consequently a wide range of products with different characteristics can be produced. Addition of ethylene into the polymerisation process as co-monomer leads to PP copolymers. PP can be used in a wide variety of application as it 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.

Proved developed non-producing reserve

Reserves that can be extracted from existing wells during the period of time available, but where, due to a lack of pipeline connections or lack of other mechanical elements or contractual obligations, the production and marketing of hydrocarbons has not yet started.

Proved developed producing reserve

The reserve that can be extracted from existing wells during the period of time available for production.

Proved reserve

Estimated quantity of crude oil, natural gas and liquefied gas products that can commercially be extracted from already known reservoirs with a high degree of certainty (over 90%) under the prevailing economic and operating conditions.

Proved undeveloped reserve

Reserve that can be extracted from new wells located in areas where no drilling has been made yet or from existing wells in which relatively significant expenditure is required for development.

Putting into production

Accomplishment of surface and underground facilities necessary for the production of hydrocarbon reserves.

Pyrolysis

Thermal cracking of hydrocarbons at high (usually above 650°C) temperature and low (few bars) pressure, which is the basic process in operation of olefin plants. Process is conducted in the presence of steam in order to minimize coke-formation.

Pyro-naphtha

Mixture of valuable by-products with significant aromatic content, having boiling points within the range of naphtha, arising besides main products (ethylene and propylene) in the course of pyrolysis of petrochemical feedstocks (naphtha, chemical gasoil and other light hydrocarbons) in olefin plants. Can be converted to basic aromatics (benzene, toluene, xylenes, etc.) by further processing, while after appropriate hydrogenation it can also be used as high-quality, high-octane mogas blending component.

Refinery margin

Difference between product's international quoted price and the actual crude oil price. Or: The unit profitability of a (theoretical or actual) refinery, which is determined by crude oil product, as well as unit refining costs.

Refinery complexity
– Nelson complexity index

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 measures for complexity is the Nelson index, which calculates complexity from the existence of different refinery plants and from the the ratio of their capacity to distillation capacity.

Refining cover

Total refining capacity divided by total volumes of product sold.

Reserve

Estimated volume of crude oil, condensate, natural gas and other components that we assume can be extracted in commercial quantities by using known recovery methods from a known accumulation following a given point in time under the actual economic circumstances and Government regulation.

Residue upgrading

To transform residues (heavy fuel oil) into more valuable white products.

Russian export blend

(API degree: 32.5, sulphur content: 1.25%) Mix of Russian crude oils whose quoted price is considered as a benchmark in the international crude oil markets.

SAPPO

Slovak Association of Petroleum Industry and Trade

Steam cracker (olefin plant)

Technology for production of key basic petrochemical products (olefins: ethylene, propylene, and aromatics: benzene, toluene, xylenes), on the basis of thermal decomposition (cracking) and dehydrogenation of petrochemical feedstocks (naphtha and chemical gasoil) produced by the refineries or lighter saturated hydrocarbons (ethane, propane, butane) in the presence of steam. Main products of the process (ethylene, propylene) are raw materials of polyethylene and polypropylene production, while the by-products can widely be used in organic chemical industry, plastics and rubber production or as gasoline blending components.

SCM (Supply Chain Management)

Supply Chain Management coordinates the procurement of crude oil, other refinery feedstock and products, refining, logistics related to procurement or sales, as well as the wholesale of crude oil products. It targets to maximise MOL Group profit with optimising through the whole value chain.

SPE based reserve valuation

Method used by the Society of Petroleum Engineers

Spot contract/sales

Short term sales, usually in a contract for one delivery.

Term contract/sales

Long term contract, usually for one year or longer term.

Toe (tonne of crude oil equivalent)

Mass equivalent received from the heating value of gas following conversion to crude oil on the basis of heat unit. As a rule, 1200 Nm^3 gas is equivalent to 1 toe.

Transit

Gas transmission through pipeline, which crosses the border of one member of the European Economic Area and its starting or end-point is outside the European Economic Area.

Upstream

Exploration and Production Segment.

Ural Blend and Brent-Ural spread

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. Brent-Ural spread is the differential between world market prices of Brent and Ural type crude oils. The price of Ural crude is quoted in Rotterdam and Mediterranean region.

White products

Products (LPG, gasolines, and gas oils) that can be extracted from crude oil, having lower viscosity (in general, higher value products).

Financial Terms

CAPEX
Capital Expenditure
Cash Flow at Risk (CF@R)
Methodology to measure the risks of the MOL Group. It takes into account the exposures and the volatilities of the different businesses within the MOL Group portfolio.
EBITDA Earnings before interest, tax, depreciation and amortisation
Operating profit plus depreciation and amortisation.
DR
American Global Depository Receipt, depository certificates issued by a foreign depository on the issuers shares, which are deposited with a Hungarian custodian.
EBITDA margin
Ratio of EBITDA divided by net sales revenues.
EPS
Basic earnings per Share is based on the profit attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period
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 = Long-term debt, net of current portion + short-term debt + current portion of long-term debt – short term investments – cash and cash equivalents.
IFRS
International Financial Reporting Standards, formerly International Accounting Standards (IAS).
ISDA International Swap Dealers Association
The ISDA Master Agreement is a general agreement between counterparties to provide legal assistance with regards to derivative transactions.
Market capitalisation
Number of shares (issued share capital excluding Treasury stock) multiplied by the actual stock market price.
Net income
Attributable to equity holders of the parent Profit after taxation after the Groups share of associated companies and the deduction of profits due to minority interest.
NOPLAT
Net Operating Profit Less Adjusted Tax.
Operating cash flow
Net cash provided by operating activities to be used for investment activities, interest payments and dividend payments to shareholders.
Return on average capital employed (ROACE)
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 – securities – short term liabilities + short term loans and credits.
Return on Equity (ROE)
Net income divided by shareholders equity.
Shareholder's return
Return resulting from the movements of the share price and the amount of dividend paid.
Short position
Exposure to a factor (e.g. commodity price, foreign exchange rate, interest rate) where the profit and/or the cash flow of a company is negatively influenced by an increase of such factor.

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Announcements
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