



Annual Report 2007





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MOL at a glance

MOL is a leading integrated oil and gas group in Central and Eastern Europe. We are one of the most efficient Upstream and Downstream players in Europe on a per barrel basis. We are market leaders in each of our core activities in Hungary and Slovakia.

Our market capitalisation was at USD 15.6 bn at the end of 2007. Our shares are listed on the Budapest, Luxembourg and Warsaw Stock Exchanges and the DRs traded on London's International Order Book and on OTC in the US.

Our main objective is to provide sustainable growth in our captive markets and to exploit potential in new markets by implementing a dynamic development and expansion strategy and realizing further internal efficiency improvement. In 2007 we accepted our new organic strategy to grant further growth to complement our acquisition efforts.

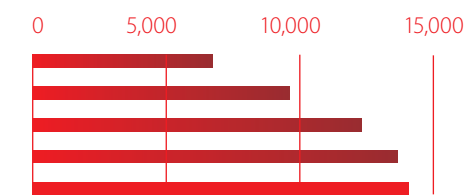
Our core activities in a snapshot:

- **Exploration & Production:** Our company is a key player in the Upstream business with over 70 years experience in Hungary and 15 years in the international arena. Our twin objectives are to maintain the optimum level of Hungarian production and to develop a strong and balanced international portfolio.
- **Refining & Marketing:** With the acquisition of IES in 2007 we operate three high complexity refineries with outstanding product yields, retail and wholesale activities supported by extensive crude and product pipeline system. The number of our filling stations are close to 1000.
- **Petrochemical:** The division is one of the largest polymer player in Central Europe, operated in full integration with our Refining & Marketing division. Our products are present in more than 40 countries.
- **Natural gas:** For this division, the main focus is transmission via our extensive high pressure gas pipeline. In line with our strategy in 2007 we re-entered into the gas storage and trading segment, which provide further growth opportunities to our company.

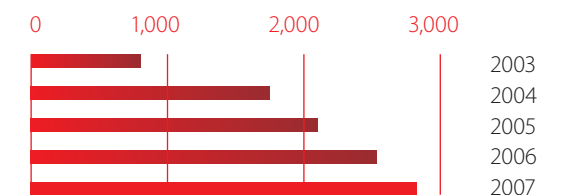
The clean EBITDA contribution of the various segments in 2007 was: Refining & Marketing 51%, Exploration & Production 26%, Petrochemicals 13% and Natural gas 10%.

Key financial and operating data

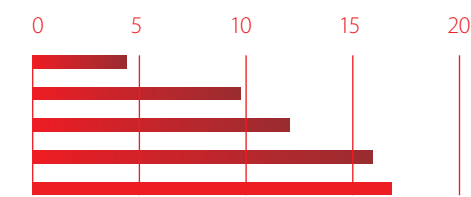
Net sales revenue (USD m)



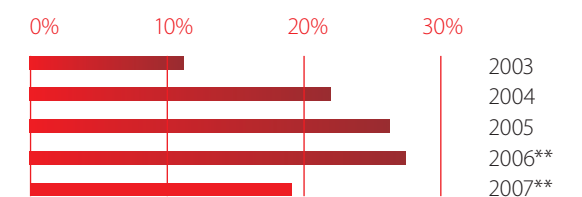
EBITDA (USD m)*



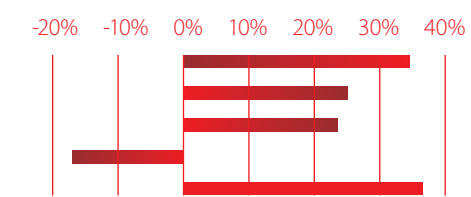
Basic earnings per share (USD)



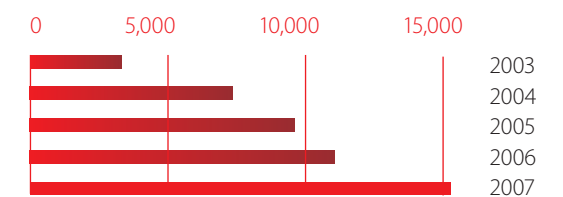
ROACE (%)*



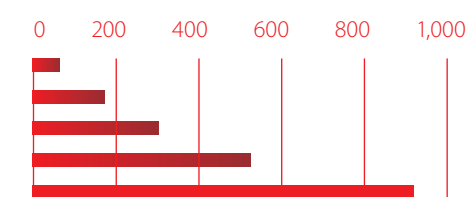
Gearing (%) *



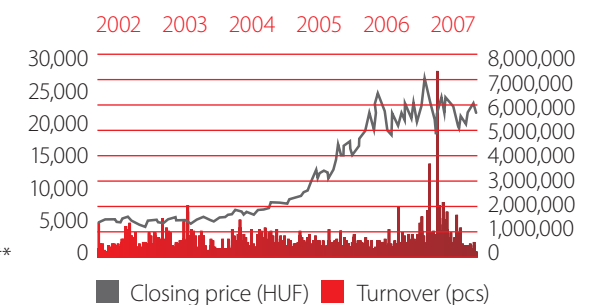
Market capitalisation (USD m)*



Dividend (HUF/share)



MOL shares on BSE



* Definitions can be found on page 215. ** Excluding one-off gains on gas divestments in 2006. In 2007 it excludes the one-off gain on acquisition of TVK shares and subsequent settlement from E.ON in connection with the gas business sales. *** Subject to the number of treasury shares and the approval of the AGM.

Key Exploration & Production data	2006	2007	'07/'06 %
Gross crude oil reserves* (MM bbl)	93.0	125.1	34.5
Gross natural gas reserves* (MM boe)**	173.2	130.3	(24.8)
Total gross hydrocarbon reserves* (MM boe)	266.2	255.4	(4.1)
Average crude oil production (M bbl/day)	53.3	50.1	(6.0)
Average natural gas production (M boe/day)	49.3	40.3	(18.3)
Total hydrocarbon production (M boe/day)	102.6	90.4	(11.9)
Key Refining & Marketing data	2006	2007	'07/'06 %
Total refinery throughput (kt)	15,110	16,303	7.9
Total crude oil product sales*** (kt)	14,307	15,501	8.3
Gas and heating oil fuel yield (%)	44.2	44.4	0.2
Gasoline yield (%)	20.5	21.1	0.6
Fuel oil yield (%)	3.4	3.0	(0.4)
Total number of filling stations****	772	992	28.5
Key Petrochemical data	2006	2007	'07/'06 %
Olefin sales (kt)	244	277	13.5
Polymer sales (kt)	1,126	1,210	7.4
Key Natural Gas data	2006	2007	'07/'06 %
Hungarian natural gas transmission (m cm)	17,278	14,961	(13.4)
Transit natural gas transmission (m cm)	2,386	2,390	0.2

*Gross proved reserves according to SEC rules without INA's 25% ** Including condensate *** Excluding LPG and gas products but including feedstock transfer to Petrochemical segment **** Only fully consolidated subsidiaries

Key financial data, IFRS (HUF bn)	2006	2007	'07/'06 %	2007 USD million
Net revenue	2,891.1	2,594.0	(10)	14,112.9
EBITDA	542.4	496.0	(9)	2,698.8
Operating profit	409.6	355.5	(13)	1,934.2
Operating profit excluding special items*	326.7	299.4	(8)	1,629.1
Profit before tax	377.1	344.3	(9)	1,873.0
Profit for the year attributable to equity holders of the parent	329.5	257.8	(22)	1,402.6
Profit for the year attributable to equity holders of the parent excluding special items*	213.7	210.4	(2)	1,144.7
Operating cash flow	529.5	315.5	(40)	1,716.6
Capital expenditures and investments	187.2	363.4	94	1,977.1
Basic EPS, HUF and USD	3,424	3,057	(11)	16.6
Return On Equity (ROE) %	30.5	32.5	7	-
Return On Capital Employed (ROACE), %**	32.8	22.6	(31)	-
Clean ROACE*%**	27.2	18.5	(32)	-

* Excluding one-off gain and the profit of the gas subsidiaries sold (Wholesale and Storage) of HUF 82.9 bn in 2006. In 2007, it excludes the one-off gain on the acquisition of TVK shares (HUF 14.4 bn) realised and subsequent settlement from E.ON in connection with the gas business sales of HUF 44.3 bn, of which HUF 26.9 bn income has been accrued in Q4 2007 for the settlement period of July-December 2007. The payment pertaining to this is expected to take place in Q1 2008. ** Based on NOPLAT





Letter from the Chairman - CEO and the Group CEO

Dear Shareholders,

2007 was a very successful financial year as well for MOL, continuing the trend of record results seen over the past two years. This consistent outstanding financial and operational performance is testimony to the success of our overall strategy of maximising the potential from growth in 'New Europe' while providing superior returns. Our continuous emphasis on operational efficiency and the integrated nature of our operations played a key role in enabling us to continue to achieve improved results. We are confident that similarly to the previous years in 2007 we could maintain our leading role in Europe regarding efficiency both in our Upstream and Downstream businesses. Key indicators also testify to our success: we attained clean EBITDA of USD 2.4 bn, which corresponds to ROACE of 19% excluding one-off items. Operating profit excluding special items increased by 5% in USD terms. Other than the weak US currency, our industry environment remained favourable, with strong crude prices, healthy crack spreads and petrochemical margins.

Two milestone strategic alliances

We continued the successful implementation of our strategy and signed two decisive strategic alliances. We made an agreement with the leading Czech-based energy company, CEZ to set up a 50-50 joint venture. The JV will focus on construction of gas-fired power generation in four countries of Central and South Eastern Europe with the first major investment being the planned construction of two 800 MW combined cycle gas turbine power plants (CCGTs) at the refineries of Bratislava and Százhalombatta. The strategic co-operation enhances the energy integration and complexity of our refineries. The energy produced will provide the opportunity to enter the attractive energy market, allowing us to capture significant market share. As a sign of its commitment to the strategic alliance, CEZ purchased 7% shareholding in MOL.

Another key milestone for us was the signing of a strategic co-operation agreement with Oman Oil Company S.A.O.C. (OOC). Within the framework of the alliance, we have sold shares, representing 8% of MOL's registered capital to OOC. As part of the strategic deal, we will take over certain international assets and cash from OOC. In addition, we have agreed on the joint development of future business opportunities as strategic partners both in Exploration & Production and Refining & Marketing. We believe these strategic alliances will help MOL to implement its strategy and will support the creation of significant added value for our shareholders.

Continued focus on international activities in our upstream business

In line with our strategy of building a focused but robust Upstream portfolio in our core markets, we continued our dynamic geographical expansion. In Russia, in Western Siberia, we acquired the Matjushkinskaya oil field with significant exploration upside. Furthermore we acquired two exploration blocks in the Kurdistan Region of Iraq and a 40% interest in a Cameroon offshore licence (Ngosso Block). (The

transaction is subject to closing.) We entered into the development and production phase at the Pakistan Tal Block and the development phase at the Russian Baituganskoye field. We signed a Memorandum of Understanding for joint investments with the Libyan Investment Authority (LIA), Qatar Petroleum International and the Oil and Natural Gas Corporation of India (ONGC). The captured exploration and development blocks together with our expertise and skills provide a solid basis to further increase the production level. This year saw continued efforts to build on our exploration activities with tests carried out at 16 exploration wells with a 50% drilling success rate. At the same time, unit production cost for total hydrocarbon production remained at a very competitive level of 4.18 USD/boe, reflecting our focus on delivering profitable growth. We continued to successfully supply EOR/IOR technologies in order to improve the recovery of our mature fields.

Efficient operations and successful expansion in downstream business

One of the key drivers of our favorable Group results was our ability to sustain the high efficiency of our refineries. At the same time, we increased production and sales volumes. As part of our organic strategy, in May 2007 we launched our hydrocrack project in the Duna Refinery allowing us to produce an additional 1.3 million tonnes of middle distillate per year with the aim of meeting the rising demand for gas oil.

2007 was also characterised by a high level of international activity with new initiatives including the acquisitions of IES downstream company in Italy and Tifon, a fuel retail and wholesale company in Croatia. Through the purchase of IES, MOL entered into a new market (North Italy) adjacent to our current focus area of Croatia, Austria and Slovenia. Thus it gives us a foundation on which to build a strong presence in the highly developed industrial region of North Italy and also a stable base to investigate further expansion towards the Mediterranean and South Europe. We see good opportunities for transferring our knowledge

and experience to improve the profitability of the refining and marketing operations of IES. Through a development program we intend to increase the performance of the refinery and we are committed to improve the product slate. Furthermore we are committed to finding a solution to improve the product slate towards the high demand middle distillate yield.

Through the acquisition of Tifon, we developed our network with 35 well-positioned, high throughput fuel stations. In addition, the company has more than 20 premium site development projects under implementation, expected to be finished within the next two years. This acquisition confirms MOL's commitment towards the Croatian market.

Record results in petrochemicals

Our petrochemicals division delivered strong results in 2007 as we continued to leverage the investments of the past years. Growing production and sales volumes, resulting from the utilization of new production capacities, allowed us to capitalise on the favourable external environment over the period. As a result of our timely and well-executed acquisition of a further 42% of shares, MOL Group's ownership of TVK increased to 94.9%.

Capitalising on our unique geographical position in the gas business

We supported FGSZ Gas Transmission Ltd. to initiate the foundation of a new, regional, independent gas transmission company. A new jointly owned and managed combined entity of gas transmission assets which are completely unbundled from gas trading and production would result in one of Europe's longest gas pipeline networks with higher efficiency and volume growth opportunity.

Consumers would also enjoy the benefits of an integrated platform for gas supply and a greater overall security of supply.

Our subsidiary MMBF Gas Storage Ltd. started work on an underground gas storage facility with total capacity of 1.9 bcm of which 1.2 bcm will serve strategic gas storage and the remaining 0.7 bcm commercial purposes. Our depleted gas fields offer further opportunities to build commercial underground storage facilities which are necessary to fulfil the increasing demand for gas consumption.

Looking ahead

As demonstrated by the above-mentioned achievements, 2007 was a very active year for MOL and we continue to seek opportunities to create further value in 2008, capitalising on both organic and external possibilities. The results achieved in 2007 prove that we are capable to implement our independent strategy. In line with our announced aims, the Hydrocrack project at the Duna refinery, field development in upstream and the gas business investment and other organic projects should help to boost Group EBITDA between 2006 and 2011 by a compound annual growth rate of 6.5% to reach a level of 2.9 billion USD in 2011 (assuming a business environment in line with that of 2006). As we announced in the summer of 2007, we intend to increase the dividend payout ratio to 40% (on normalised earnings) in line with the industrial average.

On behalf of the management team, I wish to thank all our employees for their dedicated and successful efforts, as well as our shareholders, customers and all other business partners for their continuing trust and support.



Zsolt Hernádi
Chairman and CEO



György Mosonyi
Group CEO

Overview of the environment

Robust global economic growth, marked slowdown beginning in developed economies

Global economic growth remained solid in 2007, the fourth consecutive year of outstanding growth. However, there has been an apparent slowdown in developed economies, primarily in the US, due to growing weakness in the housing market. Growth rates in Western Europe and Japan also weakened slightly from their recent peaks. However, emerging markets, especially China, continued to grow, fuelled by investments and external demand. The second half of the year saw the US mortgage related problems affect the entire financial system to create a liquidity crunch, which may cause further weakness. The US FED lowered its interest rates, which contributed to a further weakening of the US dollar against major currencies.

Supply side issues behind record prices

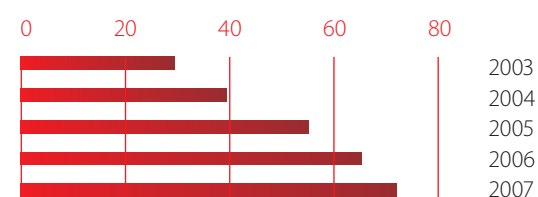
Oil prices climbed steadily from around 50 USD/bbl in January to almost 100 USD/bbl by year end. Global oil demand growth remained weak, at an annual rate of 1.2%, partly due to increasing prices.

The supply side, however, has been experiencing lasting difficulties. OPEC cut its crude output at the end of 2006, and kept its production lower throughout 2007, partly reversing those reductions in November 2007. In effect, annual OPEC output has been diminishing since 2005. On the other hand, non-OPEC supply growth has been lagging behind expectations. Projects are being delayed due to serious cost inflation pressures as the exploration and production business has run into major engineering bottlenecks. Even though demand increase was modest, supply difficulties led to excess depletion of existing inventory levels. Moreover, global spare capacities remained low, and geopolitical tensions resulted in fears of supply shortage. From the relative easing of late 2006, these developments led to a much tighter supply-demand balance reflected in price increases.

Demand patterns diverge further in advanced and developing regions

Similar to economic growth, oil demand also showed a significantly different pattern in advanced and emerging countries. In the main developed regions of the world, where oil prices are unregulated, demand dropped for the second year in a row. The downward adjustment was still concentrated in the non-transportation use of oil, but the increase in transportation fuels was also marginal. Moreover, the change in US consumer preferences towards more fuel efficient vehicles continued, hinting at a pronounced longer term effect of high prices. On the other hand, oil demand in emerging countries soared due to their buoyant economic growth, and the widespread regulations mitigating the effect of ever-higher prices cushioned by their vast reserves.

Average Brent crude oil price (USD/bbl)



Resilience of the world economy to be tested

The global economy seems to have remained much more resilient to the high oil prices than previously expected. This is due to increased energy efficiency and the decreased share of crude oil in the global energy mix following the previous oil shocks. Still, high energy prices represent a risk in the world economy, especially since recent years of worldwide expansion seem to be over. A US recession, though not yet certain, is more than just a vague possibility, given that the housing market troubles may induce consumers to cut back their spending, while investments are under pressure following the financial market turbulences. The main question is whether emerging markets can survive the financial hardship and reduced demand from developed countries. This will also be key to oil market developments.

Robust growth in Central Europe

Growth in Central Europe remained robust, fuelled by exports and also relatively strong internal consumption. This was reflected in continued growth in oil product consumption, especially in the case of diesel; however, there was some deceleration in demand growth from the record levels seen in the last couple of years, which is probably due to a slightly slower trade expansion.

Hungary: Meagre growth following fiscal consolidation

Maintenance of high fuel demand growth

In Hungary, GDP growth slowed markedly, despite strong export demand, following the austerity measures, which were necessary to cut back the enormous fiscal deficit. Households have been smoothing out their consumption through higher indebtedness levels. As a by-product of the fiscal package, consumer prices jumped, and there are still inflationary pressures, preventing the National Bank from lowering its interest rates significantly. As the fiscal situation eased, and interest rates stayed high, the forint appreciated against the euro, while the dollar weakness led to long unseen lows in the HUF/USD exchange rates. This resulted in lower fuel prices in 2007 than a year ago. Despite lower growth, diesel demand grew robustly and gasoline demand also increased moderately.

Slovakia: Excellent growth continues

Continued boom in diesel demand

The Slovak economy could increase the pace of GDP growth to 10.4% from an already impressive 8.5% last year. The drivers were robust exports, investments and household consumption. The excellent growth performance was combined with a shrinking budget deficit and low inflation, which contribute to meeting the Maastricht criteria needed for a 2009 Euro adoption. The robust economic growth led to strong demand for motor fuels, especially in the diesel sector, which grew by around 9%, while demand for gasoline showed modest gains.



Our businesses





Exploration and Production

MOL's E&P segment has over 70 years of experience in domestic Upstream, focused international activities since the early 1990s as well as a great emphasis on technical development and modern recovery methods. The exploration activities extend to 8 countries, 11 international exploration assets, with producing assets in 3 countries. Our average production was 90,4 M boe/day in 2007, while our P1+P2 reserves (according to SPE guidelines) were 434.2 MM boe including MOL's entitlement to 25% to INA reserves. Our Upstream business is a low cost producer, has access to good enhanced recovery opportunities, has an outstanding well success ratio and has been successful in partnering.

Highlights

- Outstanding results in Hungarian exploration, successful partnerships in conventional and unconventional exploration
- Intensive field development on the formerly acquired Russian, and earlier discovered Pakistani fields
- Building up a strong more balanced portfolio with significant upside potential
- First steps of geothermal energy exploration

Competitive advantage

According to Herold Global Upstream Performance Review, our Upstream business is one of the most efficient upstream operations in Europe with the highest profitability per barrel for the third consecutive year leading to an outstanding rate of return as measured by ROACE. Our extensive experience in operating mature assets and the ability to operate in CIS countries and our track record working of various host governments and national oil companies are significant organizational advantages as well. Existing conventional and unconventional resources provide us with competitive opportunities in our core regions.

Key Developments in 2007

Continouing efforts to maintain Hungarian production level

We continuously work on to maintain the production level on our mature Hungarian fields. To moderate the decline we carried out intensive field development activity to put into operation our undeveloped reserves. Parallel we apply EOR/IOR technologies to maximise the recovery and we investigate further opportunities exploiting a period of the favourable price environment. Thanks to our efforts the average Hungarian oil and natural gas production was 63.0 M boe/

day in 2007. Hungarian crude oil production (without condensate) fell by 6.8% to 16.5 M boe/day in 2007, compared to the previous year. Hungarian natural gas production (net dry) was 39.4 M boe/day in 2007, dropping by 17.8% year-on-year, of which 14% was caused by suspended production of the Szőreg-1 field.

Outstanding results in Hungarian exploration

In 2007, we enjoyed remarkable success in our domestic exploration and we continued our fruitful cooperation with our partners. Eight of the thirteen exploration wells completed in 2007 discovered hydrocarbons, giving a success rate of 62%.

Successful partnerships in conventional exploration...

In a partnership with Hungarian Horizon Energy, we fulfilled a drilling program in Eastern Hungary, which resulted in four gas and condensate discoveries.

... and in unconventional exploration

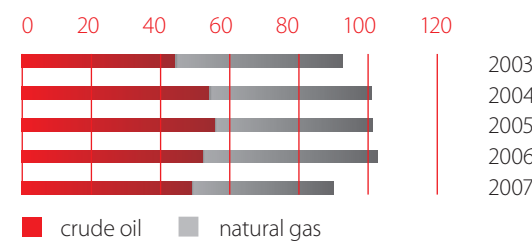
In May 2007, we signed an agreement with ExxonMobil's subsidiary, Esso Exploration International Ltd., to undertake a joint technical study of certain basins in Hungary, which have significant unconventional hydrocarbon resource potential. The objective is to leverage ExxonMobil's extensive experience, advanced technology and know-how along with MOL's superior understanding of the Hungarian petroleum geology and industry operations to achieve successful results. Based on the results of the study completed at the end of 2007, we intend to continue the exploration activity in cooperation with ExxonMobil. We are open for further partnerships in both areas.

Intensive field development on the formerly acquired Russian assets...

In 2007 we started the development of Baitugan field acquired in 2006. The main goal was to create the basis for the future production growth, which included the

modification and authorization of the existing plans, starting the reconstruction of surface facilities and selection of the contractors for the main tasks. Drilling activity on two wells started at the end of the year. The main tasks of the 2008 work program include 3D seismic acquisition, drilling of one horizontal well, 14 horizontal re-entries and the extension of surface system.

Average hydrocarbon production (thousand boe/day)



Our joint activity with RussNeft continued successfully in West-Siberian Zapadno-Malobalik (ZMB) field (MOL share: 50%). The field development and crude production performance has been carried out according to the yearly plans with the yearly crude oil output in 2007 reaching 1.2 million tons (8.72 million bbl) (MOL's share). Total number of wells in operation is 216.

... and on the formerly discovered Pakistani assets

In 2007, we entered the development and production phase in the Tal Block simultaneously with continued development activity, intensive exploration and appraisal work. Based on the promising well-testing results we made another discovery of natural gas and condensate in Tal block area.

Building up a strong and more balanced portfolio with significant upside potential...

In April 2007, we acquired a 100% stake in Matyushkinskaya Vertical LLC, the owner of the Matyushkinskaya block (3,231 sqkm) in the Tomsk region of Russia. This field was partly appraised and developed, which resulted in an increase in oil production

from 710 bpd at the time of acquisition to 1300 bpd by January 2008. The block's exploration potential was also estimated to be significant (57.7 million bbl risk weighted reserves). We target to achieve a production of 4,000 boe/day until 2010.

... at appropriate risk level

In 2007 we acquired shares in 2 blocks in Kurdistan (Iraq), which is one of the most prolific hydrocarbon regions of the world, and we signed an agreement with Tullow Oil Plc. to acquire its 40% non-operated interest in the Ngosso Permit, offshore Cameroon.

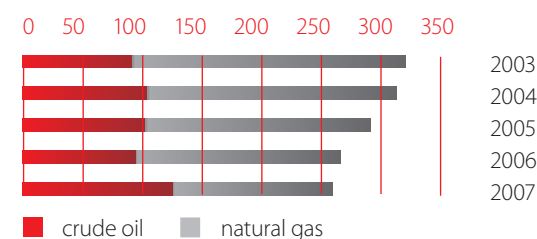
New international alliances

In 2007, we signed a Memorandum of Understanding with Qatar Petroleum International, with the Libyan Investment Authority for joint investments and at the beginning of 2008, we signed a Memorandum of Understanding with the Indian national oil and gas company (ONGC). These agreements can be a basis of a broader cooperation in exploration and production projects in these countries.

Accelerated technology development

In line with MOL Group's strategic aim, an IOR/EOR/EGR screening project was developed in 2007. Within the framework of this project, over 130 objects have been investigated as possible candidates for improved or enhanced hydrocarbon recovery application. According to the economic evaluations, 36 individual project plans were being selected to realize the certain domestic upside potential.

Proven reserves (MM boe)*



*according to SEC rules excluding MOL's 25% share in INA

CO₂ capture and storage is a new technology for us and potentially a major EU and global option for CO₂ emissions abatement. Moreover, CCS enables continued use of fossil fuels, thus giving a longer timeframe to achieve a transition to fully sustainable energy sources and energy utilization processes.

Renewables – Geothermal energy exploration

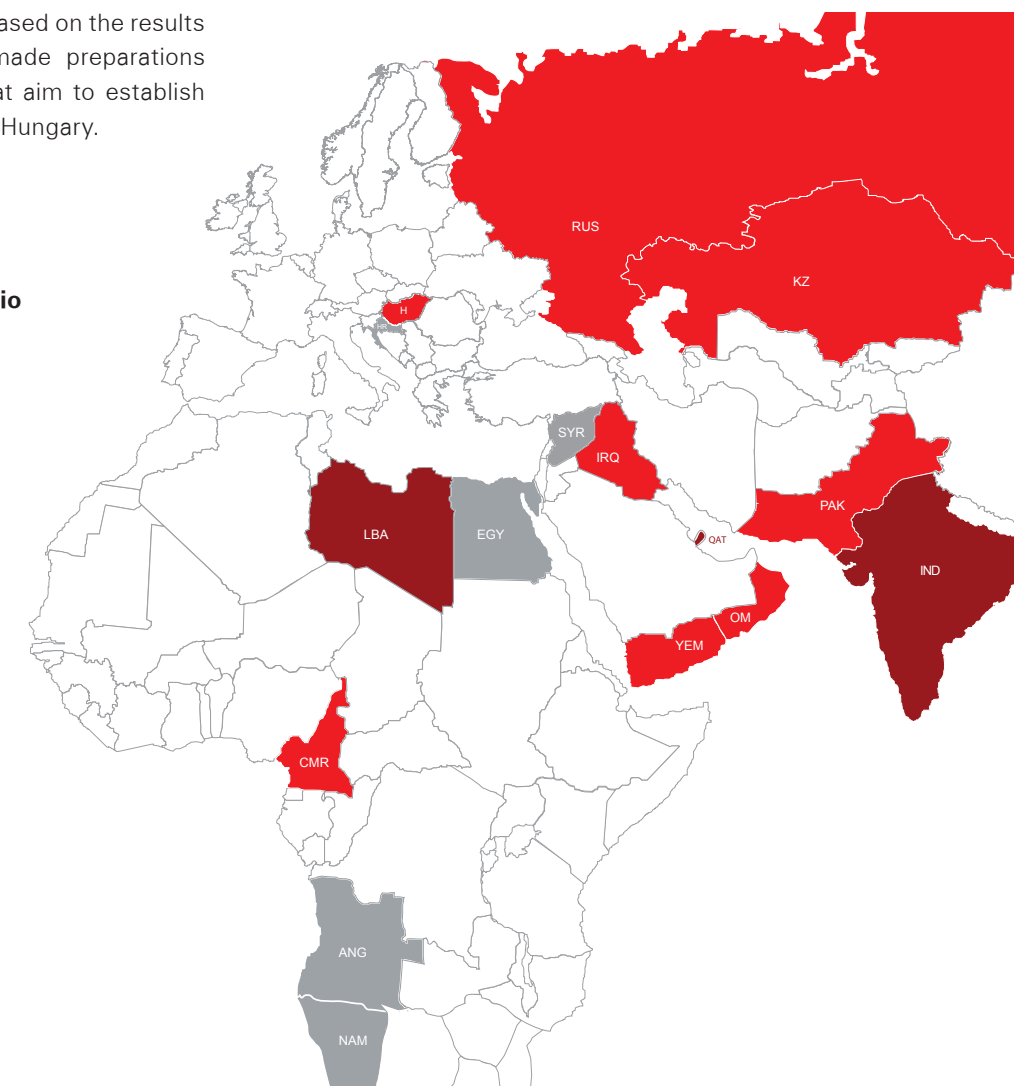
Geothermal energy exploration in Hungary is a new segment of the Renewable Concept of the Company. As the operator of a Hungarian-Icelandic-Australian consortium, we performed well completion and testing of two abandoned hydrocarbon wells for thermal water production and re-injection. One of them could be appropriate for supply of thermal water for a direct heat utilization unit. Based on the results of the pilot project, we made preparations for two further projects that aim to establish geothermal power plants in Hungary.

Outlook

We will use all possible growth platforms to achieve sustainable and long-term growth for our Upstream segment. Firstly, we plan to enter into further upstream acquisitions that would boost production and reserves. Secondly, enhanced investment in conventional exploration and development will provide medium term growth. Thirdly, unconventional investments in "synergy areas" (e.g. Enhanced Oil Recovery) will provide longer term growth. We maintain our focus on the core area (Central Europe, CIS, Middle-East and North Africa) based on our existing capabilities but also remain open to opportunities which may arise in other areas.

Balanced upstream portfolio

- MOL
- INA
- Initiated partnerships





Refining and Marketing

Superior profitability of our Downstream business in 2007 was supported by three high complexity refineries (NCI: Duna: 10.6, Bratislava: 11.5, IES Mantova: 8.4) and by fully integrated supply chain management to provide top quality products (sales turnover of 15.3 mtpa) and services with the integration of sustainability principles into daily operations. Superior retail profitability was achieved through efficient micro-market pricing supporting healthy retail margins in mature markets, continuous development of our Customer Value Proposition and structured rationalisation of operating expenses.

Competitive advantage

Besides leveraging our excellent asset base and the favourable geographical composition of our markets in 2007, we managed to acquire two downstream companies: IES in Italy and Tifon in Croatia. Furthermore, we started a significant refinery project to increase diesel production flexibility, distillation capacity and delayed coker intensification. The acquisition of IES and Tifon companies, together with the strong organic-growth program has increased our retail network by more than 200 retail sales points close to 1000 petrol stations.

Based on independent research, our downstream profitability is one of the highest in Europe supported by a favourable product slate with significant proportion of top quality motor fuels. We maintained our strong position in our core markets (Hungary and Slovakia) due to our outstanding product quality, the early introduction of biofuels and efficient commercial network.

As a result of continuous refinery developments, our motor fuel quality has been in compliance with the EU 2009 quality requirements since 2005, which enables our Downstream business to keep its regional market share and provides ability to adjust product yield structure of its motor fuel sales to the changing market needs. Gas and heating oil sales has experienced higher growth compared to gasoline driven by utilizing refinery production flexibility and integrated supply chain optimization.

Highlights

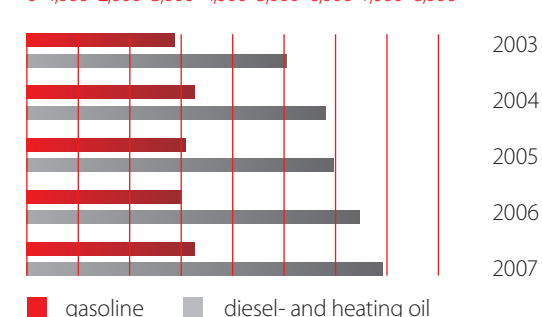
- IES acquired and integration started
- Hydrocrack Project package accepted and launched in Duna Refinery
- Strategic alliance established with CEZ Energy Company focusing on gas-fired power generation
- Acquisition of Tifon, a premium fuel retail and wholesale company in Croatia, with strong organic growth potential in the Croatian retail market
- Gasoline containing bio-ethanol successfully launched in all sales channels; bio-diesel sales commenced on 1 January 2008 in Hungary
- One of the biggest bio-diesel component production plants in the region established in Leopoldov, Slovakia, adjacent to MOL's Hungarian plant premises in Komárom

Key developments in 2007

Hydrocrack project to increase diesel production

The emerging challenge for the EU refining industry is the growing imbalance driven by the rapidly increasing diesel demand compounded with declining gasoline sales. Leveraging our commercial skills and outstanding track records in asset development and refinery operation, we can capture the emerging diesel growth opportunity via investing into further conversion (hydrocrack) package in the Duna Refinery. The proposed investments would result in an additional middle distillate (kerosene/diesel oil/heating oil) capacity of 1.3 mtpa containing the three main elements of the project package. We will ramp up crude oil processing capacity by 1.3 mtpa to ensure processing higher quantity of REB type crude oil partly because of declining domestic crude oil production. We will build a new VGO

Motor gasoline and diesel- and heating oil sales (kt)



Hydrocrack unit with 1.5 mtpa capacity, thus increasing the refinery conversion level. We also plan to upgrade the existing Delayed Coker unit with an incremental 0.3 mtpa capacity. The total capex budget of the investment program is estimated at around euro 300 million and would be on-stream by year end 2010.

IES acquisition - new refinery in Italy

MOL entered into a new European market through the acquisition of a private oil refining and marketing company based in North-East Italy of Italiana Energia e Servizi (IES). IES owns the Mantova refinery (NCI: 8.4, nameplate capacity: 2.6 mtpa) and has a chain of 176 retail stations, out of which 30 are directly-owned and employs 600 people. The company's area of operations is adjacent to our current key



territories in Croatia, Austria and Slovenia. This provides us with opportunities both to expand our downstream presence in North-East Italy and in adjacent markets and to supply the Italian market from the Group's INA refinery in Rijeka, Croatia in the medium run. We intend to transfer our best-in-class operating standards to improve profitability of IES's refining and retailing activities.

Joint Venture with CEZ – entry into the electricity market

We signed a strategic cooperation agreement with CEZ, the Czech Energy Company, providing an excellent opportunity to enter to the attractive power market as well as to increase our refinery complexity. We are going to create a joint venture in which each party is going to have a 50% equity interest. The JV will focus on gas-fired power generation opportunities in Central and South Eastern Europe, including Slovakia, Hungary, Croatia and Slovenia. The first major investment is the construction of combined cycle gas turbine power plants in our Bratislava and Duna refineries. In both locations, the installed capacity is going to be 800 MW. In addition, in Bratislava, the current thermal plant is going to be modernized and its capacity will be increased to 160 MW. The expected investment in both projects will be approximately EUR 1.4 bn. The volume of produced electricity provide safe and cost effective steam and power supply to our refineries and offer us an entry into the highly attractive regional electricity market, with the possibility to obtain significant market share.

Bio-fuels – maintaining our regional competitiveness

On 1st July 2007 we introduced bio gasoline (E5), which is sulphur-free and contains 4.4% bio-ethanol and beginning from 1st January 2008 we started selling diesel (B5), which is sulphur-free and contains 4.4% bio-diesel (FAME). Most of the required FAME is produced by two joint ventures partly owned by MOL. We established one of the biggest

bio-diesel component production plants in the region in Leopoldov, Slovakia and another at our Hungarian premises in Komárom with 100 ktpa and 150 ktpa capacities, respectively. The introduction of E5 and B5 products in the Hungarian market results in the reduction of Hungarian CO₂ emission by approx. 320 ktpa. The next phase of bio product development is to increase the bio-component content of our engine fuels, in accordance with the EU Bio-fuel Directive. We are committed to the development of second generation bio-fuels. The greatest advantage of second generation technologies is that they expand the scope of possible feedstock used in the production of bio-ethanol, alcohol of higher carbon number, and bio-diesel itself.

Tifon – expansion of retail network

We purchased 100% of Tifon, a fuel retail and wholesale company in Croatia. Tifon, a respected fuel retailer, currently owns and operates 35 well positioned fuel stations all over in Croatia. In addition, the company has more than 20 premium station development projects under implementation, expected to be finished within the next two years. The average throughput per station exceeds 4.2 mtpa and the retail market share of Tifon reached 7% at the end of 2007. The transaction contributes to the fulfilment of our retail growth targets. This acquisition, acknowledged also by our strategic partner, INA and the Croatian government, confirms our commitment to drive the region's consolidation and creates value for MOL and its strategic partner INA.

Customer Value Proposition – new retail services offered to customers

We are the first fuel retailer chain to introduce pharmaceutical products in more than 100 retail outlets in Hungary. The opening of the MOL pharma-sales points, which was evaluated positively by the customers, was followed by Shell. Furthermore, we started a regional cooperation with Marché (Mövenpick-group, Swiss gastro-company) to build Marché restaurants at MOL filling stations on highway



locations. Construction of three restaurants has already started in Hungary and further regional expansion is planned in the near future. As a result of new CVP elements and creative marketing campaigns, MOL customer preference increased and image has strengthened considerably in 2007 compared to the 2006 surveys.

Outlook

We will seek further growth outside our immediate CEE markets and evaluate opportunities in the broader region, including the Mediterranean and CIS. Strong project management of the hydrocrack project will enable us to achieve investment targets to increase gas and heating oil yields from 44% to 53% in 2011. IES integration will continue through harmonizing operations with our current activities and exploiting potential synergies.



Petrochemicals

In production capacity terms our Petrochemicals Division is the 8th largest polymer market player in Europe supplying polymers mainly to European plastic processing companies. We produce polyethylene and polypropylene, which are used in numerous areas ranging from packaging to agriculture and construction. The Division's production facilities are located in Tiszaújváros (TVK Plc. units) and Bratislava (Slovnaft Petrochemicals, s.r.o. /SPC/ units) and are operated in an integrated manner jointly optimised with refining.

Our strategy is to increase profitability in our traditional markets, develop our operations in new target markets and maintain our competitive cost position through continuous efficiency improvements.

Highlights

- Outstanding results of HUF 40.9 billion
- Record sales and production volume
- Reliable and economic operations
- Favourable external environment
- Increased ownership in TVK to 94.9%

Competitive advantages

Maintaining a high level of integration across our refining and petchem operations is one of our key objectives. Close integration with refining guarantees the security of feedstock supply while providing significant operational benefits for both Downstream and Petrochemicals Division, leading to an improved Group performance. Our geographical location also gives us a competitive advantage, offering convenient transportation to the high growth polymer markets to the East. We have a high quality asset base with a competitive product slate.

Key developments in 2007

Integration

Integrating our legally separate petrochemicals companies within our Group provides operational synergies and competitive advantages, while our common network of polymer sales brings high quality products and services to our customers. Through four years of best in class business practices, processes and systems have been developed to ensure uncompromised integration of our operations.

Outstanding profitability

2007 was an outstanding year for us with the highest operating profit in the history of the Petrochemicals Division. These results demonstrate the strength of our business model and our ability to capture fully the benefits of a favourable business environment. Operating profit increased by more than 76% year-on-

year. This significant profit growth was fuelled by the growing output volumes coupled with the rise of polymer products prices, exchange rate changes and additional improvements in internal efficiency. We were able to moderate the effect of significant energy price increases with energy savings.

Petrochemicals Value Chain Management

An optimisation model was elaborated and introduced aimed at improving the product margins generated by the Division.

Marketing improvements

Our successful marketing strategy builds on our favourable geographic position on the border of rapidly growing Eastern European region. We opened new sales offices in Kiev and in Bucharest to be able not only to provide a higher service level for our Ukrainian and Romanian customers, but also to increase our sales in the CEE region. We have improved our direct activity in our core markets (especially the Czech market). The preparation of the new customer segmentation project was started in 2007. In 2007 we have launched a new program series called Open Doors. The aim of the program is to strengthen the long-term business relationships, co-operation and personal communication with our key customers and to acquire new customer relationships as well. We consistently optimize our product portfolio. One of the guiding principles of our current product portfolio development project was to harmonize PP production of SPC and TVK in order to satisfy the demand of our customers more efficiently.

Reliable and economic operation

We continuously work to improve reliability of our operations. We launched advanced process control and real time optimisation at TVK Olefin-2 unit, and advanced process control at TVK HDPE-2 unit. These up-to-date computer systems support the economic performance and safety of our operations. At our SPC olefin unit we completed reconstruction of the steam cracker control system in order to replace an obsolete system. Within the framework of the

Control Room Centralization project, we have decided to put together all petrochemical control room operators within one control room in order to improve communication, safety, and workplace standardisation.

High capacity utilisation

Polymer production increased by 9% year-on-year as a result of better capacity utilisation of the olefin units and the new HDPE and PP units. This strong volume growth was achieved despite general overhauls being carried out in some units during the summer. We give high priority to keeping our product portfolio at the optimum.

Reconstruction and development program

We initiated modernization and efficiency improvement projects related to older production lines having weaker cost positions. Development options were elaborated regarding our olefin and polymer units to enable the Group to take advantage of dynamic polyethylene demand increase in the region and improve the flexibility and profitability of the value chain. We aim to realise capacity creeping projects at TVK with moderate Capex. We are also analysing the co-product upgrade opportunities at TVK. We launched the basic engineering procedure for intensification of the SPC Olefin unit and constructing a new LDPE unit.

Efficiency

According to an external benchmark study, our units are regarded as efficient in their respective categories and the Petrochemicals Division is considered to be competitive. This was one of the basis of our increased capacity utilisation. Analysing the past 3-4 years we can state that our cost efficiency has significantly improved.

Ownership increase in petrochemicals assets

The MOL Group is committed to continuing to create value throughout the value chain. To that end, MOL purchased a further 42.25% stake in TVK increasing our influence in the company

to 94.86%. This gives us more headroom to implement our petrochemicals strategy.

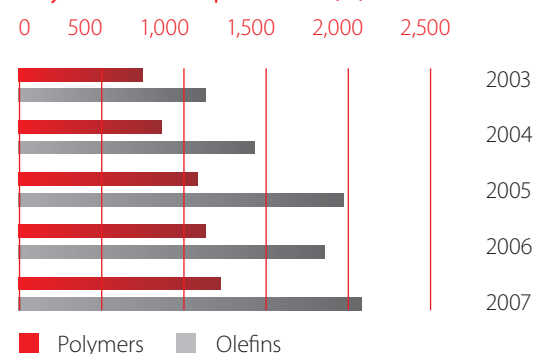
External environment

The petrochemicals industry achieved extraordinarily strong economic performance through the first three quarters this year despite high feedstock costs. Polymer demand was strong due to the growing consumption of the manufacturing sector driven by ongoing strength of the European economy. This stable demand allowed us to raise prices to support higher margins. In the last quarter of the year, the constant increase in feedstock costs together with slowing growth in demand, finally prompted a slight margin dip.

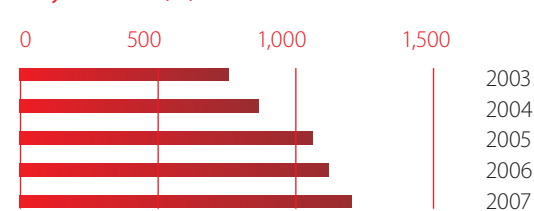
Outlook for 2008 and beyond

We are open to analysing potential mutually beneficial petrochemical partnerships. We also aim to fulfil the rapidly increasing polymer deficit in the CEE region in the coming years. Meanwhile, we will take further measures to improve operational efficiency. Our aim is to keep our plants running smoothly and efficiently in order not only to maximise production, but also to reduce costs.

Polymer and olefin production (kt)



Polymer sales (kt)



Natural gas transmission

FGSZ Gas Transmission Ltd. is the only company in Hungary with a licence to carry out natural gas transmission and system operation activities, which both take place in a regulated market environment. The Company owns and operates the full domestic high-pressure natural gas pipeline system. In addition to the transmission activity in the domestic market, we transit natural gas to Serbia and Bosnia-Herzegovina and are always striving to expand the transit markets. The primary responsibility of the company is to ensure, maintain and develop safe, optimised and environmentally-friendly operations through the high-pressure pipeline system and within that to off-take and transfer the natural gas from and to the suppliers through the high-pressure pipeline.

Highlights

- We launched projects to expand capacity to help us meet domestic consumption demands and growing transit-purpose transmission demands in addition to supply for the strategic natural gas storage facility.
- We secured uninterrupted and trouble-free natural gas transmission both to the domestic consumers and re-sellers, as well as to our Bosnian and Serbian partners throughout the year.
- We initiated the foundation of a new, independent regional gas transmission company with the integration of the gas networks in Central and South-eastern Europe
- We continued the reconstruction of the compressor stations to fully comply with the rigorous EU emission requirements on air polluting gases.

Competitive advantage

We have a 5,300 km-long high pressure gas pipeline system in Hungary generating stable cash flow for the group. Given our unique geographical location, we are also able to capitalise on expansion opportunities in the growing regional gas transit business. Based on international comparisons, the transmission system stands as one of the global state-of-the-art networks in respect of its technical standards. MOL processes in-depth knowledge of the whole gas value chain from the production and storage through the marketing without having the burden of conflict of interest as a result of its unbundled business structure.

Key developments in 2007

Capacity expansion projects – construction of new pipelines

As part of its gas strategy FGSZ Gas Transmission Ltd. has already started the expansion of the Hungarian import pipeline capacity by 30 mcm/day, which is

planned to deliver gas to Hungary and the region from Q3 2009. Total Capex for the project is HUF 69 bn. The new pipelines will deliver 25% growth in the domestic inlet capacities therefore improving the security of supply. In addition, it will enable us to enjoy a more pro-active role in future natural gas transmission businesses.

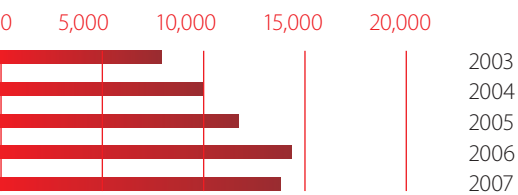
New initiative to establish a joint regional transmission company (NETS)

NETS aims to operate an integrated Central and South-East European gas pipeline network. Gas transmission companies in Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Romania, Bulgaria and Austria have all been invited to participate in discussions regarding the proposed new business entity. The initiative is open to other market players in the region as well. The new company would have one of the longest gas pipeline networks in Europe (27,000km) and would be well positioned to leverage international capital markets to finance major projects. Consumers would also enjoy the benefits of an integrated platform for gas supply and a greater overall security of supply.

Outlook

Increasing demands for transit-type gas transmission has required for the development of cross-border capacities. In 2007 we held negotiations on constructing transit pipelines to Croatia and Romania, respectively. We prepared the designs and plans for the said facilities so that the pipelines can operate to both directions. The Croatian planned commissioning date is 2010. The completion of the Hungarian section for the Romanian transit pipeline is expected by the end of 2009. If the inter-connection of the Hungarian and Croatian, and the Hungarian and Romanian gas transmission networks is implemented, it will significantly improve the security of supply, as diversification of sources of supply can enhance the security for the ever-increasing gas consumption. Such a genuine diversification of sources will also increase the competition in the gas sector.

Gas transit revenue (mn HUF)





Natural gas storage and trading

In line with our strategy we re-entered the gas trading and storage business resulting in a solid basis for our plans in the gas midstream synergies.

Highlights

- MMBF Ltd. (66.3% MOL subsidiary) started the establishment of an underground gas storage with a strategic capacity of 1.2 bcm and 0.7 bcm commercial capacities.
- MOL Energy Trade Ltd. started its Hungarian and Serbian gas sales and trading activities, resulting in more than EUR 3 million net profit in its first half year operation.

Competitive advantage

MOL has several depleted and depleting gas fields in Hungary, which can be converted into potential commercial storages the total capacity of which amounts up to 10 bcm.

In addition, MOL, in its energy trading activity, makes use of its accumulated market know-how and previous experience in order to realize upside value for new regional gas storage and transmission investments.

Key developments in 2007

Several projects, like development of the strategic and commercial gas storage, establishing a gas trading company, MOL-Gazprom cooperation, Nabucco project – aiming at further strengthening of the gas

business - are in development or preparation phase.

Development of the strategic and commercial gas storage

In order to ensure security of gas supply, MMBF Zrt. – 66.3% subsidiary of MOL – started the establishment of the underground gas storage with a strategic mobile capacity of 1.2 bcm and 0.7 bcm commercial capacities. The storage facility, in line with the legal provisions, has a daily peak withdrawal capacity of 20 mcm over a period of 45 days for the strategic activity and additional 5 mcm/day peak for the commercial part. The gas storage facility is developed from a producing reservoir, Szőreg-1. The main contractor of the development is MOL Plc. The development is proceeding according to schedule. We estimate that the necessary capital expenditure will be HUF 150 bn, including the HUF 67 bn purchase price of the reservoir which has been sold by MOL to MMBF Ltd. The present infrastructure

already enables MMBF to provide strategic gas storage services starting from January, 2008 whereas the whole development is expected to be completed by 2010. As a result of this transaction, MOL is again an active participant in the gas storage business.

Establishing a gas trading company

MOL Energy Trade Ltd. started its gas sales and trading activities in the liberalised gas market on 1st June 2007. It is currently providing gas to the entire MOL Group looking for new customers in the Hungarian and regional gas market, primarily supplying gas from its long-term gas import contracts and partially from domestic production.

MOL-Gazprom cooperation

In 2006, we established a joint venture with Gazprom with the aim of examining possible areas for cooperation, including extension of the Blue Stream gas pipeline towards Central and South-Eastern Europe and the establishment of underground gas storage facilities at depleted Hungarian gas fields. Feasibility studies are finalized decision on potential investments is expected in the first half of 2008.

Nabucco project

MOL is taking part in the Nabucco project, aimed at transporting natural gas from the Caspian region to Europe, in cooperation with Botas, Bulgargaz, OMV and Transgaz. The project, which is also supported by the European Union, will result in a 3,300 km long pipeline by the beginning of the next decade, with an initial transmission capacity of 8 bcm per annum, extended to 31 bcm per annum in the future. The consulting engineer has already been selected and will begin the front end engineering design work in 2008.

Outlook

Our intention is to use the opportunities arising from increasing competition to become a more active participant in the trade market.

Filling the strategic storage with gas, increasing import needs, source diversification, increasing transit demand and the regional logistics role all call for an increase in cross-border capacities.

MOL Energy Trade Ltd. targets a regional expansion and will further diversify its gas source portfolio in order to increase the security of gas supply.





Our strategic partner INA

MOL currently owns 25% plus one share of the share capital of INA. d.d., the national oil and Gas Company of Croatia, which was acquired in November 2003. INA produced 5.3 million tonnes of refined products in 2007 and operates more than 450 retail stations in the region. In 2007, INA produced more than 65.3 Mboe/day of hydrocarbon and closed the year with proven and probable reserves of 374 MMboe (according to SPE). In partnership with MOL, INA has a strong position in the fast growing South-Eastern European oil product market.

Acceleration of business co-operation between MOL and INA

INA and MOL have successfully conducted joint exploration in the Drava basin last year, focusing on two main projects, Zalata-P. Slatina and Novi Gradac-Potony. The joint investments and activities in these areas will continue in the coming years. Based on these achievements we are considering extending the scope of co-operation in conventional exploration to further areas.

In addition to this long-standing cross border co-operation we are jointly evaluating certain opportunities in the international upstream business with the aim of sharing risk and combining financial and human resources.

As part of the consolidated marketing strategy for the South Eastern European region, INA and MOL completed the acquisition of 67% ownership in Energopetrol d.d. Sarajevo, the leading petroleum wholesaler and retailer in the Federation of Bosnia and Herzegovina. Energopetrol owns and operates 64 filling stations in Bosnia and Herzegovina. The joint management team of INA and MOL has already started the restructuring of the company's operations.

In 2004, INA introduced the system of Supply Chain Management, with MOL's support and know-how. The benefits, such as improved cost control for the whole supply chain and improved customer relations have been realized since then. INA and MOL aim to further improve and harmonize these activities to enhance operational efficiency in refining and wholesale, to maintain lower inventory levels, and prepare integrated turnaround and maintenance plans.

Furthermore, MOL continuously provides INA with assistance in the implementation of an integrated SAP-based Enterprise Management System. After completing the first phase of this project in 2006, INA is on track to extend the SAP operation to other segments.

The changes initiated in business processes, such as the cost-cutting initiative and the introduction of an integrated procurement system at INA have all contributed to improved flexibility and enhanced transparency of operation.

Development of INA refineries is on track to provide first mover advantage in the South-European region

MOL provides INA with corporate know-how, drawing from the experiences gained from its own development, helping the company prepare for the forthcoming industry challenges and to be competitive with quality in each of the European markets it serves. As a result of the modernization program, INA's petroleum products will comply with the 2009 EU quality standards. The project, with a total capex of over USD one billion, will be executed over several phases. Since then, investments essential from an environmental perspective and the basic investments with respect to product quality have been completed. The program continues with further investment in quality improvement, including the residue upgrading projects.

Privatisation process for INA

In 2007, INA's privatization process further continued according to Croatian Privatization Law under which a maximum of 7 % of INA shares were made available to the current and former employees of the company at preferential terms. Following the transaction, the Government of Croatia remained the largest shareholder of INA with a 44.9% stake. The additional 7% of the shares are owned by the War Veterans Fund, while the total free float amounts to 23.1%.

Based on the agreement concluded with the Government of Croatia, MOL nominates two members of the seven-member Management Board of INA, including the Chief Financial Officer and the Corporate Services Director. In addition, MOL nominates two members out of the seven-member Supervisory Board.



Corporate Values

Sustainable Development

For MOL Group, Sustainable Development means a corporate commitment to the balanced integration of economic, environmental and social factors into our everyday business operations to maximise long-term stakeholder value and to safeguard our “licence to operate”.

Our goal is to become a company with an exemplary record in every field of our operations, to promote a systemic approach within the company which transcends local issues to result in thought and action on an international scale serving efficient and sustainable corporate operations. In order to achieve this objective, we aim to integrate the three pillars of Sustainable Development – social, environmental and economic – in equal measure, into our corporate strategy and all operational activities.

Strategic initiatives and action plan

In its business strategy, MOL Group announced its commitment to sustainable development. To support this ambitious commitment, in 2007, seven Group-level strategic SD initiatives were identified, to be implemented by 2010, based on key areas identified during the first Company sustainability screening exercise. These initiatives, with precisely measurable targets, covering 25 topics such as climate change, product stewardship and the need to attract talented recruits, embrace all of the Company’s activities and are indeed considered to be “key success factors” in the achievement of our strategic corporate business objectives. “Strategy” implies action; therefore MOL Group Business and Functional Units have developed almost 100 projects that will bring the Company closer to its long-term goal: sustainable operations.

Social Investments

New Europe Foundation

The New Europe Foundation, a public utility organisation has been managing a significant number of charitable programmes since its foundation in 2006, in a transparent and structured way.

The Foundation puts a special emphasis on programmes related to young talent support and children’s health. Under the slogan “May I help?” two programmes were established, the Talent Support and Child Healing programmes. Thanks to these two initiatives, 127 talented young sportsmen and women and 56 young artists received a total of more than HUF 41 million as financial support in 2007. Under the auspices of the Child Healing programme, 31 paediatric organisations offering rehabilitation programmes to chronically ill children were granted a total of almost HUF 38 million.

The programme was introduced in Romania and Slovakia from 2007 and the overwhelming

number of applications demonstrates its success in the region.

Green Belt Programme

Step by step we motivate local communities to plant and cultivate green areas through the regional environmental programme of MOL Group. It was first launched in 2005 in co-operation with the Environmental Partnership Foundations. Within the framework of this project – operating on a tender-system, highly observing the principle of transparency - by the end of 2006, in Hungary alone 13 communities had the chance to develop green areas, with the help of hundreds of voluntary workers.

Having seen the positive results and success of the programme, the partners decided to continue their co-operation in the countries where MOL Group is present, and in 2006 we announced the scheme again under the name “Green Belt Programme”. Its aim is to contribute to the creation and redevelopment of local green areas with the support of foundations which co-operate with local schools. From approximately 200 applications, 33 were granted financial support in 2007. At the end of 2007, a new tender was invited whose results were announced in March 2008.”

Based on our experiences we can say that as a special feature, this programme has an added value, meaning, that the benefit of a project is 3-4 times more than the actual donation we provide to a community. We have also gradually increased the amount of support in each country, year by year.

To reward the most successful applicants, MOL founded the MOL Green Belt Award in 2007, which was handed over to the local community (Mihálygyergéért Alapítvány) which created the most beautiful and environmentally friendly green area in the most efficient way.

Health, safety and environmental protection

Key performance indicators

In 2007, MOL Group took a great leap forward again in decreasing the number of work related injuries among its employees: the number of Lost Time Injuries (LTI), used as one of our key performance indicator, dropped to 37 from 58 in 2006. This means a nearly equivalent drop in relative terms as well: the frequency of LTI cases measured against one million worked hours (LTIF) diminished to 1.52 from 2.2 reaching its lowest ever level, well below our target for 2007 (LTIF to not exceed 1.8). This aligns with the ambitious strategic

goal of targeting LTIF to not exceed 1.0 by 2008, achieving excellent results compared to industry practice.

2007 was also the year we introduced leading indicators, as tools for proactively focusing on prevention of incidents.

Fortunately, there were no work-related fatalities among our own staff or contractors. However, one of our employees suffered permanent injury, and we regret to report that two 3rd party individuals passed away in road accidents where Slovnaft Trans' tank cars were involved.

STEP Programme

2007 was the first year of the workplace health promotion programme called 'Take a STEP for your health' launched to provide additional medical screenings beyond the legal requirements, preparing individual health plans to employees on a voluntary basis. The programme also includes health promotion actions like physical exercises, stress management and providing healthy food at the workplace. In the first year, almost 1000 employees seized the opportunity to ask for an individual health plan, and more than 2000 medical screenings were conducted.

Health promotion through physical exercise focused mainly on the implementation of local initiatives; sports opportunities of local communities were sponsored primarily through offering various season tickets for sport facilities. As a result of the internal competition, approximately 3000 employees got access to different sports at discounted rates.

Our goal is to achieve 75% participation of MOL Group employees in the health promotion programme by 2010, aiming to provide a possibility of a healthier life-style.

Process Safety Management

One of the most challenging operational safety tasks in 2007 was Group level implementation

of a comprehensive Process Safety Management system (PSM).

The basic mission of the new PSM system is the adaptation and implementation of a control system for all our hazardous processes, which is based on international experience and is suitable for managing all key factors, including the human factor.

PSM has several unambiguous benefits including corporate responsibility, business flexibility, risk reduction and sustained value. Business flexibility provides the license to operate and increase business options.

To introduce and develop a PSM system at MOL Group companies, we operate a large, dedicated PS expert network with more than 100 members. As an essential part of successful PSM implementation, we have performed basic PSM trainings including "Train the Trainer" sessions to provide personnel with the appropriate information, tools and understanding to conduct tasks in alignment with process safety needs.

The MOL Group PSM Manual was elaborated as basic standard defining requirements valid for all hazardous operations. The Manual describes the management system, responsibilities, PSM element principles and basic requirements necessary for efficient every day work at operations. Our aim is to implement a risk-based approach, addressing all potential hazards along the entire operation.

Human Values

Human values are manifest in the Human Resources strategy of MOL Group. The Human Resources strategy intends to support the realization of the objectives of MOL's 2006-2010 Business Strategy relying on the four base pillars (efficiency, growth, control with risk minimisation, capability).

Efficiency

During 2006 we outsourced the majority of HR administration. HR revised its processes as well as the structure of organization in order to provide better quality services more efficiently. HR also carried out the first customer satisfaction survey to be able to constantly evaluate future progress. The revision and development of main tools and key processes started in 2005 and were further developed during the past 2 years as integrated parts of one comprehensive concept, called Annual People Cycle. The cornerstone of this was the reintroduction of the Performance Measurement System (PMS).

Growth

HR focuses on creating sustainable competitive advantage for MOL Group by recruiting talents and managing development of human resources within the organisation in order to achieve the given growth targets. In 2006-2007 Divisional and Group level talent programmes were introduced in order to develop the participants' business and leadership skills and to prepare an internal talent pool to support the Group's growth strategy. The newly developed Career Management System aims at supporting the achievement of growth and continuous efficiency improvement via trained, committed and performance-oriented staff.

HR also started to focus on solving the problem of an aging Refinery and Upstream work force as well as on the lack of managerial succession, due to current trends in education, student preference and business environment. Revitalizing the Group's relations with higher educational institutions started in 2006 by signing long-term agreements with six outstanding Hungarian universities. Active presence at the campuses helped establishing direct links to students and building up MOL Group as an Employer Brand. As part of a long-term strategy to provide talents for Freshhh 2007, our online competition for graduates attracted more than 800 students from 12



countries, while Growww 2007, a one-year programme for graduates helped us fill more than 90 job vacancies across all divisions. HR also launched a new leadership competency model and a 360 degree feedback process in 2007, to facilitate and support feedback about performance.

Control and risk minimisation

In order to control and minimise risk arising from a potential strike situation, HR took a leading role together with the key businesses in renewing Employee Relations and actively managing relationships with trade unions and workers' councils. The most significant achievement on this area was the signing of a three-year-long Collective Agreement in most of the Group companies for 2007-2009.

Capability

The HR organization was restructured during 2007. Three new areas (Employee Relations, Strategic Recruitment and Knowledge Management including University Relations, and Business Development Support) were introduced without increase in headcount. In 2007 HR also introduced a new competency-based model and started to roll out a 360 degree feedback to more than 300 managers, based on the model.

By introducing the Business Development Support within HR, centralized capabilities are available to back M&A activities and integration efforts.

Future challenges

For 2008-2010 HR defined four key areas to focus on, in order to continue the work started three years ago and to achieve the following strategic objectives and strengthen a merit based culture at MOL Group:

- System approach and feasibility;
- Competency measurement and development;
- Talent attraction and management;
- Internal customer service and efficiency.

2008 will be the first year when all the previously introduced tools are linked together into one integrated system, the Annual People Cycle, including:

- the new Performance Measurement System (PMS), that is the focal point of a merit based culture,
- Career Management System and Competency Model as a basis of improving capabilities and efficiency of human resources.

Further development in the field of recruitment and retention is needed, therefore in 2008

- a Group Level Managerial Talent Program (MTP) starts in cooperation with the University of Bled which provides a mini MBA for 15 high potential individuals across the Group;
- we continue to work on graduate recruitment, focusing on students with engineering background (Freshhh 2008 and Growww 2008);
- Late 2007, a PIMS academy was started in order to secure professional expert level succession in SCM. Intensive assessments in Refining, US and Corporate Services will be delivered during 2008-2009.

Improvements that HR implemented in the system, regarding structure and the knowledge-related areas are key in facing challenges successfully in the forthcoming years. From 2008 till 2010 Human Resources will continue to shape a merit-based culture, while focusing on talent attraction and retention, succession and rotation planning, strengthening employer brand and improving career management further.

