MOL Hungarian Oil and Gas Public Limited Company

Parent Company Annual Report

31 December 2012

Content

Ernst & Young
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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of MOL Hungarian Oil and Gas Plc.

Report on financial statements

1.) We have audited the accompanying 2012 annual financial statements of MOL Hungarian Oil and Gas Plc. ("the Company"), which comprise the balance sheet as at 31 December 2012 - showing a balance sheet total of HUF 3,033,242 million and a profit for the year of HUF 9,241 million -, the related profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2.) Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Hungarian Accounting Law, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6.) In our opinion the annual financial statements give a true and fair view of the equity and financial position of MOL Hungarian Oil and Gas Plc. as at 31 December 2012 and of the results of its operations for the year then ended in accordance with the Hungarian Accounting Law.

Emphasis of matter

7.) We draw attention to note Note 3.4.6 in the supplementary notes to the financial statements describing that the Company departed from § 41. (1) of the 2000. C. accounting law based on its allowance described in § 4. (4) in order to harmonise field abandonment provisioning with the international industry practice. Our opinion is not modified in respect of this matter.

Other reporting requirement- Report on the business report

8.) We have reviewed the business report of MOL Hungarian Oil and Gas Plc. for 2012. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law. Our responsibility is to assess whether the business report is consistent with the financial statements for the same financial year. Our work regarding the business report has been restricted to assessing whether the business report is consistent with the financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the business report of MOL Hungarian Oil and Gas Plc. for 2012 corresponds to the disclosures in the 2012 financial statements of MOL Hungarian Oil and Gas Plc.

Budapest, 21 March 2013,

except for the effect of the HUF 46,000 million dividend approved at the shareholders' meeting relating to the year ended 31 December 2012,which is dated 25 April 2013.

(The original Hungarian language version has been signed)

Szilágyi Judit
Ernst & Young Kft.
Registration No. 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

Statistical code: 10625790-1920-114-01
Company registration number: 01-10-041683

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY

1117 Budapest, Október huszonharmadika u. 18.

2012

Annual Report
(with dividend)

József Molnár Chief Executive Officer	József Simola Executive Vice President for Finance	Krisztina Dorogházi MOL Hungary Financial Director

Budapest, April 25, 2013

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
Balance sheet for the year ending on 31 December 2012

Statistical code: 10625790-1920-114-01
Company registration number: 01-10-041683

data in HUF million

Code	Description	Previous year	Adjustments for previous years	Current year
A.	**NON-CURRENT ASSETS**	**2,165,427**	**131**	**2,231,013**
I.	**INTANGIBLE ASSETS**	**27,456**	**282**	**29,982**
1.	Capitalised cost of foundation and restructuring	0	0	724
2.	Capitalised research and development cost	2,412	0	3,223
3.	Property rights	8,677	551	10,749
4.	Intellectual property	4,395	(269)	2,089
5.	Goodwill	11,972	0	13,197
6.	Advances on intellectual property	0	0	0
7.	Revaluation of intangible assets	0	0	0
II.	**PROPERTY, PLANT AND EQUIPMENT**	**300,240**	**(151)**	**286,448**
1.	Land and building and related property rights	177,502	287	165,272
2.	Plant, machinery and vehicles	72,048	120	71,935
3.	Other equipment, fixtures and vehicles	5,389	120	5,087
4.	Livestock	0	0	0
5.	Assets under construction	45,228	(678)	44,154
6.	Advances on assets under construction	73	0	0
7.	Revaluation of property, plant and equipment	0	0	0
III.	**NON-CURRENT FINANCIAL INVESTMENTS**	**1,837,731**	**0**	**1,914,583**
1.	Long-term investments	1,230,640	0	1,434,374
2.	Long-term loans to related parties	466,409	0	349,911
3.	Other long-term investments	125,449	0	119,745
4.	Long-term loans to other investments	15,226	0	10,552
5.	Other long-term loans	7	0	1
6.	Long-term debt securities	0	0	0
7.	Revaluation of financial investments	0	0	0
8.	Fair valuation difference of financial investments	0	0	0

Budapest, April 25, 2013

József Molnár
Chief Executive Officer

József Simola
MOL Group Executive Vice President for Finance

Krisztina Dorogházi
MOL Hungary Financial Director

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
Balance sheet for the year ending on 31 December 2012

Statistical code: 10625790-1920-114-01
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data in HUF million

Code	Description	Previous year	Adjustments for previous years	Current year
B.	**CURRENT ASSETS**	**980,406**	**138**	**782,136**
I.	**INVENTORIES**	**194,629**	**(393)**	**167,863**
1.	Raw materials and consumables	64,366	(401)	57,368
2.	Unfinished production and semi-finished products	61,899	0	45,255
3.	Grown, fattened and other livestock	0	0	0
4.	Finished products	54,912	0	54,913
5.	Merchandises	13,452	8	10,327
6.	Advances on stocks	0	0	0
II.	**RECEIVABLES**	**497,493**	**531**	**290,273**
1.	Receivables from the supply of goods and services (customers)	111,108	219	96,793
2.	Receivables from related parties	195,798	11	133,520
3.	Receivables from other investments	0	0	0
4.	Receivables from bills of exchange	0	0	0
5.	Other receivables	170,894	301	41,949
6.	Fair valuation difference of receivables	0	0	0
7.	Positive valuation difference of derivative transactions	19,693	0	18,011
III.	**SECURITIES**	**89,095**	**0**	**115,180**
1.	Investments in related parties	92	0	402
2.	Other investments	0	0	0
3.	Treasury shares	89,003	0	85,798
4.	Debt securities for trading purposes	0	0	28,980
5.	Fair valuation difference of securities	0	0	0
IV.	**CASH AND CASH EQUIVALENTS**	**199,189**	**0**	**208,820**
1.	Cash and cheques	2,172	0	1,813
2.	Bank accounts	197,017	0	207,007
C.	**PREPAYMENTS**	**22,644**	**0**	**20,093**
1.	Accrued income	6,705	0	5,778
2.	Prepaid cost and expenses	15,939	0	14,315
3.	Deferred expenses	0	0	0
TOTAL ASSETS		**3,168,477**	**269**	**3,033,242**

Budapest, April 25, 2013

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Chief Executive Officer

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data in HUF million

Code	Description	Previous year	Adjustments for previous years	Current year
D.	**SHAREHOLDERS' EQUITY**	**1,847,096**	**287**	**1,853,512**
I.	SHARE CAPITAL	104,519	0	104,519
	Of which: treasury shares at nominal value	5,794	0	5,148
II.	REGISTERED BUT UNPAID CAPITAL (-)	0	0	0
III.	SHARE PREMIUM	223,866	0	223,866
IV.	RETAINED EARNINGS	1,306,962	0	1,414,526
V.	TIED-UP RESERVE	104,387	0	98,222
VI.	VALUATION RESERVE	2,470	0	3,138
1.	Revaluation adjustment reserve	0	0	0
2.	Fair valuation reserve	2,470	0	3,138
VII.	NET INCOME FOR THE PERIOD	104,892	287	9,241
E.	**PROVISIONS**	**143,941**	**0**	**144,646**
1.	Provisions for expected liabilities	143,941	0	144,646
2.	Provisions for future expenses	0	0	0
3.	Other provisions	0	0	0
F.	**LIABILITIES**	**1,155,356**	**(38)**	**1,012,402**
I.	**SUBORDINATED LIABILITIES**	**0**	**0**	**0**
1.	Subordinated liabilities to related parties	0	0	0
2.	Subordinated liabilities to other investment	0	0	0
3.	Subordinated liabilities to third parties	0	0	0
II.	**LONG-TERM LIABILITIES**	**612,516**	**0**	**641,185**
1.	Long-term loans	0	0	0
2.	Convertible bonds	0	0	0
3.	Liability from bond issue	477,695	0	447,935
4.	Liabilities from capital investment and development loans	0	0	0
5.	Liabilities from other long-term loans	134,351	0	84,139
6.	Long-term liabilities to related parties	1	0	108,809
7.	Long-term liabilities to other investments	0	0	0
8.	Other long-term liabilities	469	0	302

Budapest, April 25, 2013

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MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
Balance sheet for the year ending on 31 December 2012

Statistical code: 10625790-1920-114-01
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data in HUF million

Code	Description	Previous year	Adjustments for previous years	Current year
III.	**SHORT-TERM LIABILITIES**	**542,840**	**(38)**	**371,217**
1.	Short-term borrowings	5,051	0	0
	Of which: convertible bonds	0	0	0
2.	Short-term loans	71,784	0	30,241
3.	Advances from customers	810	0	429
4.	Liabilities from the supply of goods and services (suppliers)	138,276	105	106,324
5.	Bills of exchange	0	0	0
6.	Short-term liabilities to related parties	125,011	134	78,327
7.	Short-term liabilities to other investments	27	0	4
8.	Other short-term liabilities	113,907	(277)	103,549
9.	Fair valuation difference of liabilities	0	0	0
10.	Negative valuation difference of derivative transactions	87,974	0	52,343
G.	**ACCRUALS**	**22,084**	**20**	**22,682**
1.	Deferred revenues	274	0	472
2.	Accrued cost and expenses	18,215	20	19,306
3.	Other deferred income	3,595	0	2,904
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,168,477**	**269**	**3,033,242**

Budapest, April 25, 2013

József Molnár
Chief Executive Officer

József Simola
MOL Group Executive Vice President for Finance

Krisztina Dorogházi
MOL Hungary Financial Director

MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
Income Statement for the year ending on 31 December 2012

Statistical code: 10625790-1920-114-01
Company registration number: 01-10-041683

data in HUF million

Code	Description	Previous year	Adjustments for previous years	Current year
01.	Net domestic sales revenue	1,890,167	113	1,920,260
02.	Net export sales revenue	550,081	77	609,259
I.	**NET SALES REVENUES**	**2,440,248**	**190**	**2,529,519**
03.	Changes in own produced inventory	25,129	0	(16,643)
04.	Work performed by the enterprise and capitalised	10,473	305	9,356
II.	**CAPITALISED OWN PERFORMANCE**	**35,602**	**305**	**(7,287)**
III.	**OTHER OPERATING INCOME**	**114,785**	**73**	**29,418**
	of which: reversed impairment	0	0	1
05.	Raw material costs	1,371,064	669	1,417,852
06.	Value of services used	90,754	(171)	92,566
07.	Other services	214,539	16	199,612
08.	Cost of goods sold	187,026	(5)	205,841
09.	Value of services sold (intermediated)	15,700	0	5,132
IV.	**MATERIAL EXPENSES**	**1,879,083**	**509**	**1,921,003**
10.	Wages and salaries	37,055	0	39,816
11.	Other personnel expenses	6,094	107	5,976
12.	Tax and contributions	11,157	2	12,468
V.	**PERSONNEL EXPENSES**	**54,306**	**109**	**58,260**
VI.	**DEPRECIATION**	**51,019**	**662**	**49,555**
VII.	**OTHER OPERATING EXPENSES**	**450,756**	**(147)**	**413,076**
	of which: impairment	6,306	0	3,186
A.	**PROFIT OR LOSS FROM OPERATING ACTIVITIES**	**155,471**	**(565)**	**109,756**

Budapest, April 25, 2013

József Molnár
Chief Executive Officer

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MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY
Income Statement for the year ending on 31 December 2012

Statistical code: 10625790-1920-114-01
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data in HUF million

Code	Description	Previous year	Adjustments for previous	Current year
13.	Received (due) dividend	94,322	0	56,791
	of which: received from related parties	92,539	0	54,326
14.	Gain from the sale of investments	623	0	1,509
	of which: received from related parties	623	0	0
15.	Interest and exchange rate gains on financial investments	29,868	0	27,355
	of which: received from related parties	29,860	0	27,346
16.	Other received (due) interest and interest-type revenues	7,739	0	7,173
	of which: received from related parties	1,002	0	2,319
17.	Other revenues of financial transactions	266,761	(46)	137,398
	of which: fair valuation difference	29,595	0	49,056
VIII.	**TOTAL FINANCIAL INCOME**	**399,313**	**(46)**	**230,226**
18.	Exchange rate loss on financial investments	0	0	4,866
	of which: to related parties	0	0	0
19.	Interest and interest-type expenses	28,167	0	28,190
	of which: to related parties	694	0	2,921
20.	Impairment on investments, securities, bank deposits	99,806	0	20,646
21.	Other financial expenses	295,402	(63)	222,493
	of which: fair valuation difference	170,760	0	58,268
IX.	**TOTAL FINANCIAL EXPENSES**	**423,375**	**(63)**	**276,195**
B.	**FINANCIAL PROFIT OR LOSS**	**(24,062)**	**17**	**(45,969)**
C.	**ORDINARY BUSINESS PROFIT**	**131,409**	**(548)**	**63,787**
X.	Extraordinary revenues	142,688	0	1,596
XI.	Extraordinary expenses	123,382	0	4,125
D.	**EXTRAORDINARY PROFIT OR LOSS**	**19,306**	**0**	**(2,529)**
E.	**PROFIT BEFORE TAXATION**	**150,715**	**(548)**	**61,258**
XII.	Income tax	823	(835)	6,017
F.	**PROFIT AFTER TAXATION**	**149,892**	**287**	**55,241**
22.	Use of retained earnings for dividend	0	0	0
23.	Approved dividend and profit share	45,000	0	46,000
G.	**NET INCOME FOR THE PERIOD**	**104,892**	**287**	**9,241**

Budapest, April 25, 2013

József Molnár
Chief Executive Officer

József Simola
MOL Group Executive Vice President for Finance

Krisztina Dorogházi
MOL Hungary Financial Director

Statistical code: 10625790-1920-114-01
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MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY

1117 Budapest, Október huszonharmadika u. 18.

2012

Supplementary Notes
(with dividend)

József Molnár Chief Executive Officer	József Simola MOL Group Executive Vice President for Finance	Krisztina Dorogházi MOL Hungary Financial Director

Budapest, April 25, 2013

TABLE OF CONTENTS

1. General Information

MOL Hungarian Oil and Gas Public Limited Company (hereinafter referred to as MOL Plc., MOL or the Company) was incorporated on 1 October 1991 as a result of the merger of nine oil and gas companies of Országos Kőolaj- és Gázipari Tröszt (National Oil and Gas Trust, Hungarian abbreviation OKGT) owned by the Hungarian State.

The registered office of the Company is in Hungary, Budapest (1117 Október huszonharmadika u. 18.); its internet homepage is http://www.mol.hu.

The shares of the Company are listed on the Budapest and the Warsaw Stock Exchange. The Company's receipts (DRs) are listed on the Luxembourg Stock Exchange and are quoted on the online stock trading and the International Order Book in London and Pink Sheet OTC market in New York.

The core activities of MOL Plc. include exploration and production of crude oil, natural gas and gas products, refining, transportation and storage of crude oil, transportation, storage, distribution, retail and wholesale of crude oil products, MOL Plc. is the market leader in Hungary in all its core activities.

Signatories of the financial statements of the Company:

József Molnár, Chief Executive Officer
Address: 3700 Kazincbarcika, Akácfa u. 39.

József Simola, MOL Group Executive Vice President for Finance
Address: 1112 Budapest, Oltvány u. 17/E.

Krisztina Dorogházi, MOL Hungary Financial Director
Address: 2096 Üröm, Kárókatona u. 8.
Chamber of Hungarian Auditors registration number: MKVK-005171

2. Ownership structure

Number and nominal value of shares issued by MOL Plc., (categorised by share type):

Owner	*Number of shares (pieces)*						*Total nominal value (HUF million)*		*Share of ownership (%)*	
	"A" series shares		*"B" series shares*		*"C" series shares*					
	2011	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*	*2012*
MNV Zrt.*	22,179,547	22,179,547	1	1	0	0	22,180	22,180	21.22	21.22
Pension Reform and Debt Reduction Fund*	3,538,434	3,538,434	0	0	0	0	3,538	3,538	3.39	3.39
Foreign institutional and private investors	62,132,411	63,446,340	0	0	0	0	62,132	63,446	59.45	60.70
Of which:										
CEZ MH B.V.	*7,677,285*	*7,677,285*	0	*0*	*0*	*0*	*7,677*	*7,677*	*7.35*	*7.35*
Oman Oil Budapest Limited	*7,316,294*	*7,316,294*	0	*0*	*0*	*0*	*7,316*	*7,316*	*7.00*	*7.00*
Magnolia Finance Ltd.	*6,007,479*	*6,007,479*	0	*0*	*0*	*0*	*6,007*	*6,007*	*5.75*	*5.75*
*ING Bank N.V.***	*5,220,000*	*5,220,000*	0	*0*	*0*	*0*	*5,220*	*5,220*	*4.99*	*4.99*
*Crescent Petroleum Company International ****	*3,161,116*	*3,161,116*	0	*0*	*0*	*0*	*3,161*	*3,161*	*3.02*	*3.02*
Dana Gas PJSC	*3,161,116*	*3,161,116*	0	*0*	*0*	*0*	*3,161*	*3,161*	*3.02*	*3.02*
Domestic institutional and private investors	10,874,776	10,207,208	0	0	0	0	*10,875*	10,207	*10.40*	9.77
Of which:										
OTP Bank Plc.	*5,617,866*	*5,634,134*	0	*0*	*0*	*0*	*5,618*	*5,634*	*5.37*	*5.39*
MOL Plc. treasury shares	5,793,316	5,146,955	0	0	578	578	5,794	5,148	5.54	4.92
Total	104,518,484	104,518,484	1	1	578	578	104,519	104,519	100.00	100.00

The nominal value of series "A" and "B" shares is HUF 1,000, and of series "C" shares HUF 1,001. Due to the higher nominal value, series "C" shares entitle their holders to 1.001 (one point one thousandth) of votes, in contrast with the right to have one vote for series "A" shares.

* MNV Zrt. (Hungarian State Holding Company beforehand ÁPV Zrt.) has one share for preferential voting (this is one series "B" share). The Hungarian State Holding Company (MNV Zrt.) and the Pension Reform and Debt Reduction Fund are owned by the Hungarian State. Based on Articles of Association of the company they belong to the same shareholder group, due to cannot exercise more than 10 % of the voting rights.

** According to the announcement of ING Bank N.V. because of its indirect ownership its controlled voting rights are above 5 %.

*** Crescent Petroleum Company International and Dana Gas PJSC announced that they are parties acting in concern

Data of major investors with ownership above 5 %:

Name of the Company	Seat	Voting rights (%)	Corrected ownership due to Articles of Association (%)
Hungarian State Holding Company (MNV Zrt.)	1133 Budapest, Pozsonyi út 56.	10.00	21.22
CEZ MH B.V.	Weena 340, 3012NJ Rotterdam, The Netherlands	7.73	7.35
Oman Oil Budapest Limited	Ugland House, Grand Cayman, KYI-1104	7.36	7.00
Magnolia Finance Ltd.	22 Grenville Street, St Heiler, Jersey, Channel Islands, JE4 8PX	6.05	5.75
OTP Bank Plc.	1051 Budapest, Nádor utca 16.	5.67	5.39
ING Bank N.V.	Bijlmerplein 888,Amsterdam Zuidoost,1102 MG, The Netherlands	5.25	4.99
Crescent Petroleum Company International*	Crescent Tower, Buhaira, 20th Sharjah, United Arab Emirates	3.18	3.02
Dana Gas PJSC*	Crescent Tower, Buhaira, 20th Sharjah, United Arab Emirates	3.18	3.02

* Crescent Petroleum Company International and Dana Gas PJSC announced that they are parties acting in concernt on 31 December 2012. On 13 February 2013 Dana Gas PJSC has sold 1,675,000 pieces of MOL Series "A" Ordinary shares, which reduced the 3 companies' total ownership below 5%.

The table above has been prepared on the basis of registration notifications and shareholder's announcements as of 31 December 2012 and does not accurately reflect the ownership structure registered in the record of shareholders. Registration in the record of shareholders is not obligatory. Shareholders may exercise their voting right only if they are registered in the record of shareholders. Based on MOL's Articles of Association neither individual shareholder nor a group of shareholders may exercise voting rights above 10%.

3. Important elements of MOL Plc's Accounting Policy

3.1. Method of bookkeeping, report format

Based on *Act C of 2000 on accounting* (hereinafter: Accounting Act) as amended, MOL Plc. uses double entry bookkeeping and prepares an annual report with a balance sheet date of 31 December. As required by the Accounting Act the annual report consists of the balance sheet, income statement and supplementary notes including cash flow statement. At the same time, the Company also prepares a business report.
Based on the option given by the Accounting Act, from year 2005 the Company prepares its consolidated annual report in accordance with the International Financial Reporting Standards as adopted by the EU.

Based on Article 155 section (2) of the Accounting Act, the audit of Financial Statements is compulsory for the Company, year-end and interim financial statements are audited.
In 2011 and 2012 MOL paid HUF 156 million for the audit of the year-end and interim financial statements. Furthermore HUF 51 million and HUF 216 million was paid for tax advisory services in 2011 and 2012, HUF 16 million and HUF 45 million for other non audit type services was paid to the Auditor, in 2011 and 2012 respectively.

MOL Plc. publishes on its website the annual report and business report of the parent company, the consolidated annual report and business report, including the auditors' report and makes them available until the financial data for the second business year following the relevant reporting period are published.

From 1 July 2002 MOL Plc. has been using SAP R/3, an integrated resource planning information system for large companies with a modular structure.

3.2. Method and time schedule for report preparation

The preparation of the annual report is based on the annual financial statement close process. Business events of the current period are completed, checked and summarised during the annual closing, and also the booking tasks of any corrective adjustment necessary pursuant to the consequences of business events incurred between the balance sheet date and the balance sheet preparation date and to the changes in the market conditions.

In line with the scheduling of processes for closing the year of 2012, the date for preparing the balance sheet of the Company was set for *16 January 2013.*

3.3. The form of Balance Sheet and the Income Statement

Form of the balance sheet
In line with Article 20 section (1) of the Accounting Act, MOL Plc. compiles a balance sheet linked to the annual report, according to version "A" as required by Annex No. 1 to the Accounting Act.

Form of the income statement
MOL Plc. compiles its income statement based on the total cost method, according to version "A" included in Annex No. 2 to the Accounting Act.

3.4. Valuation methods and procedures used in the preparation of annual report

3.4.1. Changes in the Accounting Policy

Adoption of law amendments:
In the course of 2011 the Accounting Act has been amended several times. Company relevant amendments below were implemented in the Accounting Policy effective from 1 January 2012.

- According to the amendment of the Accounting Act, the definition of the cost of assets and services purchased in foreign currency has been amended in the policy.

- According to the amendment of the Accounting Act, the definition of research and development has been modified, i.e. research types defined by the Innovation Law should be applied in accounting.

- Fair valuation of capitalised costs of foundation and restructuring and also criteria of its impairment has been implemented into the Accounting Policy.

- Due to amendment of the Accounting Act requirement for accounting for impairment of constructions in progress has been included in the Accounting Policy in case their market value has decreased permanently and significantly.

- Accounting rules for withdrawal of treasury shares has been changed. The gain or loss on the cancellation should be recorded as a change in equity in the future. Previously it had to be charged to the income statement and consequently decreased corporate tax base.

- Deferred income resulting from badwill should be reversed at the time of the disposal of the investment, in relation to which the badwill was accounted for.

Other changes:

- The definition of assets classified software products has been clarified. Softwares where ownership and unlimited right of use is obtained by the Company are classified as intellectual property, and softwares not meeting the above criteria are classified as property rights.

- Furthermore to the above mentioned modifications, some smaller regulation changes were also included into the Accounting Policy.

The amendments made to the Accounting Policy do not have a significant effect on the 2012 Balance Sheet or Income statement of MOL Plc.

3.4.2. Valuation methods applied

In line with the the Accounting Act, MOL Plc. evaluates its assets and liabilities individually.

Foreign currency put into the foreign currency petty cash, *foreign exchange* transferred to the foreign exchange account, *receivables, non-current financial instruments, securities and liabilities* denominated in foreign currency are converted to HUF at the official FX exchange rate published by the National Bank of Hungary (NBH)for the date of receipt or for the date of settlement.
The Company converts foreign currency purchased against HUF, recorded on the FX account, to the selected NBH exchange rate on settlement date, pursuant to the fair valuation of financial instruments.

In the course of year-end foreign exchange revaluation, that is set out in Article 60 section (2) of the Accounting Act the Company revalue its assets and liabilities, except for foreign exchange liabilities linked directly to investments and property rights, and not covered by FX assets and the assets included in fair valuation.

The Company recognises exchange rate differences realised during the year and not realised at the end of the year on FX loans and FX liabilities, not covered by FX assets that relates to investments as part of the value of the investment.

The Company applies the principle of fair valuation on *financial instruments* held for trading purposes and derivatives held for hedging and trading (non-hedging) purposes in order to converge its practice to regulations of the European Community. The Accounting Act allows for applying fair valuation to financial instruments available for sale, but the

The Company does not make use of this opportunity. The Company applies fair valuation only to those financial instruments and financial liabilities and/or transactions in case of which the fair value can be reliably determined. Fair valuation is concluded during the interim and annual closings, based on information available on the balance sheet cut-off date.

All transactions of a clearing type or closing with the delivery of a financial instrument, derivative transactions for non-hedging as well as hedging purposes are valued at fair value.

The fair value is determined on the basis of the following (the list also represents the order in case there is more than one way to determine the fair value of a given instrument):

- stock exchange quote, in case of a sufficiently active market;
- over-the-counter market price, which reliably indicates the partner's evaluation (mark–to-market value) or arm's length agreements or supported by previous transactions and offers at the time of evaluation. The market value equals to the discounted net present value of the expected cash flows based on the yield curves. If such a value is available, it provides a better estimate of fair value than spot prices, because it takes into account the market's objective forecasts for the future;
- value calculated based on the market price of the components of the financial instrument;
- the value calculated by valuation procedures generally used in money market evaluations (e,g, discounted present value of cash flows), using external premises, based on the market values on the balance sheet cut-off date.

For *intangible and tangible assets,* individual valuation is based on individual and group records. Assets that may be deemed to be identical in terms of type, purpose of use, date of putting into operation, purchase cost or production cost, cost centre and responsible holder constitute a group.

The detailed rules for the method of scheduled and unscheduled depreciation the recognition and reversal of impairment and the depreciation rates applicable to each tangible asset are set out in the Depreciation Policy.

Purchase value of non-current investments acquired for foreign exchange:

- following the court registration of FX investments, in the case of foundation and capital increase the value of the investment at capitalisation is identical with the book value recorded as a receivable;
- shares and quotas acquired for foreign exchange are recorded at the HUF value, calculated at the official exchange rate, effective on the date of the purchase, published by NBH.

If the consideration for investments is paid prior to the acquisition of the ownership title, the purchase value is identical with the book value recorded as a receivable.

Non-current investments are valued individually, based on a weighted average price.
The Company accounts for impairment on the balance sheet cut-off date, if:

- for investments listed on the stock exchange and other capital markets – in the case of a sufficiently active market – the quoted prices drop significantly below the average book price for the long run (impairment is accounted for up to the average quote price valid at the balance sheet preparation date),
- for investments not listed on the stock exchange, the value of the Company's share from the equity of the investment decreases significantly below the book value in the long-term (impairment is accounted for up to the amount of equity for the investment).

Regarding non-current investments, the value of the investment (adjusted with goodwill and any loan given to them) is compared to the expected realisable value of the investment. If MOL's share in shareholders' equity is lower than the book value of the investment adjusted with the value of goodwill and loans given, the realizable value of the investment will always be determined.
Impairment will be recognized if:

- the realisable value is lower than the book value of investment corrected with goodwill and increased by the loan given to the related party; and
- future business expectations or strategic factors concerning the investment do not support the return of investment either.

If impairment is accounted for, the order is as follows:

- first the positive goodwill, after that the
- the investment, and if the impairment is above these aggregate amounts,
- the amount of the long-term loan given will be impaired.

In case a company is liquidated or wound up, the difference between the book value and the amount expected to be recovered is accounted for as impairment.

Investments in companies under liquidation or wound up, are reclassified to current assets at the time of the decision on beginning the procedures.

Long-term debt securities acquired for foreign exchange are recorded at the HUF value, calculated at the official exchange rate published by NBH, effective on the date of the acquisition of the title:
The Company values long-term credit securities based on weighted average price.
It accounts for impairment on the balance sheet cut-off date for securities traded on the stock exchange if the stock exchange price less interest decreases significantly below the average book price in the long-term.

The Company accounts for impairment on over-the-counter securities if the issuer's (debtor's) rating deteriorates in the long-term, i.e. for over one year. In connection with that the Company investigates the over-the-counter price decreased by the interest, the market value, the long-term trend of the market value as well as the issuer's (debtor's) market position, i.e. whether the issuer is expected to pay the nominal value plus accumulated interest on maturity, at redemption, or what proportion of this amount the issuer will pay. In this case, the amount of impairment to be accounted for is the difference between the book value and the market price as determined above, if the difference is significant.

For *securities with maturity within or in one year,* the over-the-counter price is used for evaluation at the balance sheet date. MOL Plc. performs evaluation based on the expected recovery of the nominal value plus accumulated interest. If recovery of the nominal value plus interest becomes uncertain, it accounts for the difference between the book value and the amount expected to be recovered as impairment.

If the circumstances that give rise to impairment cease to exist in whole or in part – if this trend is not expected to reverse within one year – the impairment accounted for will be reversed during the evaluation process on the balance sheet date if the change is significant.

The Company values *the inventories* individually. The valuation of assets booked in groups having the same parameters at average purchase price is also deemed to be individual valuation.
According to the Accounting Act the Company determines the purchase cost of materials, goods purchased, packaging materials owned by the Company and natural gas at weighted average purchase price; at final average purchase price for shop stocks of retail services; and at individual purchase prices (deposit) for packaging materials with a packaging fee.

Own produced inventories are valued at average production cost. The booked mining royalty payable for the quantity of produced natural gas and crude oil is included in the production cost of these inventories. The Company calculates the actual production costs monthly for own produced inventories.
In case of the own produced inventories, the Company applies the preliminary determined price method, in a way that based on the monthly actual calculations, monthly corrects the preliminary determined price. Accordingly the preliminary determined price equals to the average product cost at the monthly closing.

During the monthly performed actual product cost calculation the stock value difference is divided among inventory transactions of the relevant month at the monthly closing.

The Company reduces the purchase or production costs of own produced inventories if:

- the inventory does not comply with the requirements applicable to inventories (standards, terms of shipping, professional requirements, etc,) or with original designation or are damaged. Inventories in the group are continuously written off to the value of waste or recoverable materials throughout the year.

- the inventory complies with the requirements applicable to inventories, there were no changes in original mechanical conditions, but the Company is not able to use inventory for his primary intention because of changes in his business activity, used technology, or market conditions and therefore the inventory becomes redundant.
  In this case the decrease in the value of inventory is recognised as impairment until the estimated selling price.

- the purchase and production cost of inventories is considerably higher than the market price known at the time of preparing the balance sheet (including those that have become unnecessary or are not fit for their purpose). In that case, impairment is accounted for up to the market value known at the time of preparing the balance sheet or the expected sales price. The expected sales price must be reduced by the costs expected to be incurred over the course of the sale.
  For own produced refinery inventories the comparative price is the market price estimated by the Company based on the estimated relevant listed prices, the premiums stated in the commercial contracts and established according to trading potential as well as the exchange rate fluctuation premises.

  In case of inventories purchased as raw materials, semi-finished products to be used further on or hydrocarbon production in progress, it is investigated whether their value is recovered in the sale price of the finished products produced over the course of which such items are used in production. The recoverable amount determined this way is reduced by the costs expected to be incurred over the course of the sale. If there is no full return, impairment – if significant – is accounted for up to the level of return.

The Company does not apply reversal of impairment of inventories as a rule, but impairment may be reversed, based on individual assessment, in order to give a true and fair view.

The Company records emission rights (CO_2 allowances) as goods.

Based on the individual rating of *customers* and *debtors,* MOL Plc. accounts for impairment on receivables outstanding on the balance sheet date that are not settled by the date of preparing the balance sheet, if the book value of the receivable significantly exceeds the amount expected to be recovered from the receivable. Rating is made on the basis of information available at the time of preparing the balance sheet in the course of which the Company estimates expected percentage of collection of receivables. At the rating the criteria shall be set out that serve as the basis for determining the percentage of expected collection.

Major criteria for debtor rating:

- bankruptcy or liquidation proceedings have been launched against the debtor,
- payment warrant have been launched against the debtor,
- foreclosure proceedings have been launched against the debtor,
- the due date of the receivable from the debtor has been passed,
- written statement or information issued by a bankruptcy commissioner or liquidator,
- collection of the receivable is not likely due to the debtor's financial position (e.g. gearing ratio, bad solvency, etc.).

If the amount expected to be recovered out of the receivable based on the rating of the customer or debtor on the balance sheet date considerably exceeds the book value of the receivable (criteria for write-off are not in place or are in place only in part) the Company will reverse all or a part of the impairment accounted for earlier. The book value of the receivables following the reversal may not exceed the book value of the original receivable that is not yet settled.

If the criteria of a bad debt are in place, the receivable should be written off as credit related loss. Based on cost – benefit principle, receivables under HUF 50,000 and not paid in spite of a written demand note sent by a lawyer, are classified as as bad debt.

During the valuation of inter-company loans given for the financing of the operation of related parties - the Company proceeds in accordance with the rules applied for investment assessment.

Repurchased treasury shares are valued at the weighted average price determined by groups. Groups consist of similar type of repurchased treasury shares by depositories. Within groups a separate group is composed of treasury shares lent by transactions at the time of registration, after the lending term expires.
The Company will account for impairment at the time of evaluateing treasury shares at the end of the year if the weighted average stock exchange share price over the 90 stock exchange days prior to the balance sheet preparation date is lower than the book value.
During the year-end valuation the difference between the book value and the value of borrowing agreement recognised as deferred expenditure at the time of the lend have to be taken into account in the book value of treasury shares received back from lend and registered in separate group.
The Company does not recognize impairment for repurchased treasury shares if the stock exchange price is higher than the average book value at the time of balance sheet preparation.
Reversal of the impairment for repurchased treasury shares shall be recorded if the weighted average stock exchange share price over the 90 stock exchange days prior to the balance sheet preparation date is higher than the book value. Reversal may take place up to the amount of recorded impairment.
The Company does not account for a reversal of the impairment if the stock exchange share price known at the balance sheet preparation date is lower than the average book value.

The Company nets the interest liability calculated for *repurchased convertible bonds* against the interest receivable on convertible bonds included among securities.

Receivables due on *treasury shares lent* are evaluated individually taking the related accruals or deferrals into account.
The Company will account for impairment at the time of valuing receivables due on treasury shares lent at the end of the year if the calculated value of treasury shares - based on weighted average stock exchange share price over the 90 stock exchange days prior to the balance sheet preparation date - is lower than the aggregate amount of receivables and related accruals or deferrals.
The Company does not recognize impairment for receivables due on treasury shares lent if the lent treasury share‘s stock exchange price is higher than the aggregate value of receivables and related accruals or deferrals at the time of balance sheet preparation.
Reversal for receivables due to treasury shares shall be recorded if the lent treasury share’s weighted average stock exchange price during 90 stock exchange days prior to the balance sheet preparation date is higher than the aggregate book value of receivables and related accruals or deferrals, The Company does not account for a reversal of impairment if the lent treasury share’s stock exchange share price known at the balance sheet preparation date is lower than the aggregate value of receivables and related accruals or deferrals.
Reversal may be accounted for up to the amount of recorded impairment.

The NBH official rate applicable on the settlement date is used for the HUF translation of new foreign exchange following the exchange of *foreign exchanges on account.* The difference between the book value of old and the initial book value of new foreign exchange is recognised as other financial expense or income. The Company applies the above mentioned procedure in case of transfers between foreign exchange and foreign currency accounts and between accounts with same foreign exchange.

The Company’s bank accounts are managed in two different cash pool systems (notional or zero balancing). In both systems the limited purpose pool master account s is owned by the Company, and the transactions of the subsidiaries and the Company as a pool member are performed on the related sub-accounts.

Notional cash pool (NCP) in the accounting practice:
If at the end of the period (month) the cash pool master account

- has a negative balance MOL recognizes the negative balance as a bank loan, and any difference between the negative balance of the cash pool master account and the MOL cash pool sub-account is recorded as a loan received from, or given to, the subsidiary,
- has a positive balance, MOL indicates the cash pool sub-account balance as a cash or cash equivalent if the figure is positive or as a loan from the subsidiary if it is negative.

MOL accounts for the interest settled by the bank based on the cash pool sub-account balance as interest received from/paid to subsidiaries or the bank against financial income or financial expense.

Zero balancing cash pool (ZBCP) in the accounting practice:
The Company reports the positive balance of the master account as cash and cash equivalent, and the negative balance as an overdraft facility.
The Company accounts for the interest payable or earned on the basis of the pool master account balance as interest received from or payable to the bank, against financial income or financial expense.
The Company reports the cumulated balance of the amounts transferred from the subsidiary sub-accounts as loans received from or given to subsidiaries.
Any interest paid/received based on the sub-account balances is accounted as interest paid to/received from subsidiaries, against financial income or financial expense.
If the conditions specified in the Zero balancing cash pool agreement prevail, the receivables from/liabilities to subsidiaries will be taken out from the cash pool settlement and will be stated as a loan given to or received from the subsidiary pursuant to the bilateral agreement between MOL and the subsidiaries.

At filling stations the amount of the sale payable in euro presented on the bill prepared in HUF is based on foreign exchange rate determined by MOL and displayed at filling stations. In case the received cash in EUR are above the consideration of sale, the difference between the received amount and payable price shall be returned in HUF, and exchanged on the FX rate determined by MOL as presented above.
At filling stations the received cash in EUR is accounted for in HUF by using the official NBH FX rate applicable on the previous day of the settlement date for conversion.
The difference between the FX rate determined by MOL and the official NBH FX rate applicable on the previous day of the settlement date is accounted for as foreign exchange rate difference by the Company.

In case of exchange of *liabilities denominated in foreign exchange*, the new liability is converted into HUF by using the NBH official FX rate applicable on the settlement date of the agreement of the new liability.
In case of loan exchange transactions, when only the foreign exchange in which the loan is denominated is modified, the new FX loan is converted into HUF by using the official NBH FX rate applicable on the date of agreement.

For *assets denominated in foreign currency or foreign exchange,* both impairment and its reversal shall be determined in foreign exchange. The amount of impairment determined is converted into HUF at the book exchange rate of the given asset, while established reversals are converted into HUF at the weighted average exchange rate of impairments, less reversals. Impairment and reversal are accounted for before the year-end total foreign exchange revaluation.

In the Supplementary notes when presenting impairment and reversal of impairment the amount of impairment is recognised at the book exchange rate of the given asset, and the reversal of impairment is recorded at the weighted average exchange rate of impairments. The year-end FX rate difference of impairment and reversal is estimated in the cost value.

3.4.3. Depreciation policy

MOL Plc. interprets depreciation in accordance with the regulations of the Accounting Act, with the following additions:

In respect of property, plant and equipment, MOL Plc. usually applies *linear depreciation* based on the gross value; with the exception of assets that may be allocated only to one mine (excluding the property rights linked to these assets) catalysts and provision for estimated future cost of field abandonment of oil and gas production facilities following the termination of production booked as tangible asset, for which a depreciation method of units of production is used, that is based on the carrying value.

To determine the depreciation, impairment and reversal of impairment of buildings, equipments and field abandonment provisions accounted for as tangible asset belonging to a mine (crude oil and/or natural gas field), the applied method is the SPE (Society of Petroleum Engineers) method calculated on proved and unproved, commercially recoverable reserves.

LPG cylinders and the reinforced concrete big modular road surface plates – with value less than HUF 100,000 – are booked in group, and depreciated by linear depreciation in case of LPG cylinders over 5 years and in case of reinforced concrete elements over 10 years.

Selection criteria for technical-economic useful life and for depreciation rates are defined in the regulation issued on Group level, which includes the technical-economic useful life with adequate depreciation rate by the group of assets. The Company deviates from the depreciation rates defined in the regulation on the basis of individual valuation, in case of different usage characteristics, based on written technical qualification.

The economic useful life of assets are as follows: 10-50 years for buildings, 4-12.5 years for refinery equipments, 7-25 years for gas and oil transporting and storing equipments, 5-25 years for filling stations and their equipments and 3-10 years for other equipments.

Depreciation is accounted for in the SAP R/3 system on a daily basis at the end of each month.
No further depreciation may be recognised if the carrying value of the asset has already reached its residual value.
The residual value is not nil if it is clearly decided at the time of acquiring the asset that the asset's useful life for the Company will not reach 75 % of the asset's technical-economic useful life and the residual value is expected to be significant at the end of its useful life. The residual value may be determined in respect of individual assets or asset groups required for the undertaking of the core activities, representing a significant value at company level. The residual value is subject to yearly revision, modification should be made if the expectations significantly differ from previous expectations.
The Company will change the depreciation for assets if there was a substantial change (if the individual asset's useful life changes by at least +/- 2 years and the amount of annual depreciation for an individual asset changes minimum HUF 1 million) in the circumstances taken into account in determining the depreciation to be accounted for every year (gross value, useful life, proper use).
For intangible assets with a carrying value reaching HUF 10 million, and for tangible assets with a gross book value reaching HUF 50 million and carrying value reaching HUF 10 million the Company reviews the economic useful life annually. (The effect of the revision on the balance sheet and income statement for the financial year 2012 is disclosed in Note 9.)

The Company does not recognise scheduled depreciation for those assets, which value does not decrease all through their use.

The assets should be divided into main parts in the accounting records, and their depreciation should be accounted by parts, taking their useful life into account. The assets should be divided if the technical useful life of the main parts differs from the useful life of the assets determined by the Company. The definition of main part (component) is the smallest identifiable unit, that has a different useful life compared to that of other components and has a significant value compared to the value of the whole asset.

MOL Plc. accounts for *impairment* if intellectual property rights and titles can be enforced only in a limited manner or not at all within the expected depreciation period, if an intellectual product or a property, plant and equipment is missing, damaged or destroyed, or if the market value of intangible assets and property, plant and equipment is significantly lower than their carrying value over the long term.
If the market value of an individual asset cannot be determined, the Company creates the smallest asset group for which market evaluation is applicable.
For an individual asset or asset groups where individual market evaluation is not possible or does not reflect the real value of use of the asset or asset group, the comparative basis for impairment and impairment reversal

purposes will be determined by cash flow calculation based on profit-generating ability. The Company has created the asset groups in its Accounting Policy for determining the profit generating ability.

Impairment charged on the basis of market valuation will be reversed if the reasons for impairment do not exist anymore or exist only in part. The Company will account for reversals only as part of the year-end evaluation of assets.

In the Accounting Policy, the amounts of impairment and impairment reversal classified as significant have been determined separately for each asset group.

3.4.4. Rules for provisions

MOL Plc. provides for contingent liabilities against profit before taxation.

Provisions for contingent liabilities
The Company makes provisions for liabilities that are expected to arise due to severance payment and early retirement in case that it has an accepted plan for redundancies applicable to the coming years, which is elaborated in detail and has a significant financial impact furthermore if decisions related to redundancy are documented in details.

MOL Plc. makes provisions for retirement bonuses granted to employees. The amount of provision is determined considering actuarial calculation and MOL-specific financial assumptions.

MOL Plc. recognises provision to cover liabilities arising from jubilee bonuses of employees who work for the Company for a long time.

Provision is recognised for guarantees and sureties granted by the Company if there is a probability of more than 50 % that a part or all of the guarantee or surety amounts will be drawn. When determining this probability, it takes into account the financial and liquidity position of the company benefiting from the guarantee or surety, its willingness to pay in the normal course of business with MOL Plc. as well as any information obtained about its operation. The amount of provision is determined based on the possible draw downs weighted by probabilities.

The Company makes provisions to cover liabilities arisen from wholesale customer complaints if the amount is significant and if it is probable at the time of the balance sheet preparation that the quantity and quality of customer's complaint will be accepted..

The Company recognises provisions against profit before tax or tangible assets for future liabilities related to environmental protection and future liabilities on abandoning production on hydrocarbon production fields (provisions for field abandonment). The amount of the provision is the discounted value of the future liabilities expected to be incurred.
If the environmental damages relate to the production process the provision is recognised against profit before taxation. If the liability relates directly to the future removal of the assets, restoration of the original conditions, the provision is capitalised in the value of related oil and gas producing assets taking into consideration the expected return on future production process pursuant to the accounting principle of comparability.
Company capitalises in the value of property, plant and equipment (according to the regulations stipulated in Note 3.4.6.) that amount of provision which is expected to be incurred in relation to the damage caused by the construction and removal of oil and gas producing assets as the mining activity is ceased according to the Mining Act.

In line with the statutory obligation related to the emission of greenhouse gases, the Company recognises provisions on the following:

- any CO_2 emission uncovered as a result of the sale of CO_2 emission rights, received free of charge, and
- CO_2 emission in the current year, not covered by the emission rights received free of charge for the current year (surplus emission).

The amount of provision is assessed based on emission not covered and market price at balance sheet date.

The recognised provisions are proportionately released when the Company fulfils its return obligation arising from the statutory regulations with purchased CO_2 emission rights, either in part or in full.

Provision is recognised for liabilities expected to arise in connection with ongoing litigations, for the expected amount (based on a proportion determined subject to the litigation value and the expected outcome of the litigation) if at the time of preparing the balance sheet, it is probable that the Company will incur a financial liability on closing the legal dispute.

The Company recognises provisions for the value of unused points in the Regular Customer point collection scheme operated by the Company itself and the Multipoint point collection scheme operated with other companies.

The Company reviews provisions recognised based on all above title during the balance sheet preparation process and updates values, based on this revision, which is made irrespective of the amount and uses all available information.

3.4.5. Classification of errors for previous years

MOL Plc. determines the limits of significant errors at HUF 0. This means that it accounts for the effect of all errors concerning previous years regardless of their value and positive or negative sign as adjustments of previous years, so they do not affect the profit or loss of current period. The errors identified concerning the profit and shareholder's equity of previous years are shown in the middle column of the balance sheet and income statement, as adjustments to previous years.

The combined value of errors and their consequesnces classified as substantially influencing the true and fair view of the Company if their impact on profit and shareholder's equity is the lower of 20 % of the shareholders' equity of the year preceding the current reporting year or a change with correct sign exceeding 2 % of balance sheet total of the same year.

3.4.6. Application of Article 4 section (4) of the Accounting Act in the Company's financial statements for year 2012

In the course of the preparation of the 2005 annual financial statements, the Company departed from Article 41 section (1) of the Accounting Act based on its allowance described in Article 4 section (4) to give a true and fair view of the equity and financial position of MOL Plc. as at 31 December 2005 and of the results of its operations for the year then ended. Consequently, in order to appropriately match the expenditure with the related revenue, provision for field abandonment in the amount of HUF 50,076 million had been recognised as an increase of property plant and equipment, instead of charging the amount directly to the profit before tax. This treatment is consistent with that adopted in the consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards.

As a result of the departure from the accounting law regarding the field abandonment as at 31 December 2012 the property plant and equipment is presented with a higher value of HUF 7,477 million. The Company has registered capital reserve (in the amount of HUF 7,477 million) corresponding to the capitalised field abandonment provision included in the net balance of property, plant and equipment as of 31 December 2012 in order to cover future liabilities from the Company's equity.

4. The true and fair view of the Company's financial and earnings position

(the values in the formulas of calculated indicators are shown in HUF million)

This chapter presents the Company's asset, equity and financial position, as well as return and performance indicators, the sales revenue, with explanations where necessary.

4.1 Company's assets

4.1.1. Changes in the Company's assets

Description	*2011*	*2012*	*Breakdown (%)*		*Change (%)*
			2011	*2012*	
Non-current assets	2,165,427	2,231,013	68.34	73.55	3.03
Current assets	980,406	782,136	30.94	25.79	(20.22)
Accruals and prepayments	22,644	20,093	0.72	0.66	(11.27)
Total	3,168,477	3,033,242	100.00	100.00	(4.27)

The Company's assets decreased by HUF 135.2 bn between the two periods, in particular due to the re-classification of investment to non-current assets as a result of registering the capital increases by the Court of Registration.

4.1.2. Capital structure

Capital structure of the Company

Description	*2011*	*2012*	*Breakdown (%)*		*Change (%)*
			2011	*2012*	
Shareholders' equity	1,847,096	1,853,512	58.30	61.11	0.35
Provisions	143,941	144,646	4.54	4.77	0.49
Liabilities	1,155,356	1,012,402	36.46	33.37	(12.37)
Deferrals	22,084	22,682	0.70	0.75	2.71
Total	3,168,477	3,033,242	100.00	100.00	(4.27)

There was no significant re-arrangement in the equity and liabilities in 2012 compared with 2011.
Within the equity and liabilities the shareholders' equity increased by 2.8 percentage points while liabilities decreased by 3.1 percentage points. The liabilities were lower by 12.37 % compared to the base period mainly due to drop in short-term liabilities (HUF 171.6 bn). This later was driven by the higher value of liabilities (HUF 35.6 bn) due to the revaluation of the derivative transactions, the creditors (HUF 41.5 bn) and the short term debts of third parties (HUF 32.0 bn).

Equity ratio

$$\frac{\text{Shareholders' equity}}{\text{Total shareholders' equity and liabilities}} * 100$$

2011	2012
$\frac{1,847,096}{3,168,477} = 58.30\ \%$	$\frac{1,853,512}{3,033,242} = 61.11\ \%$

The indicator value exceeded the base level by 2.8 percentage points.
Total shareholders' equity and liabilities increased as a result of the decrease in short-term liabilities detailed explained in capital structure indicator.

4.1.3. Current assets

$$\frac{\text{Current assets + Accruals and prepayments}}{\text{Non-current assets}} * 100$$

2011	2012
$\frac{1,003,050}{2,165,427} = 46.32\ \%$	$\frac{802,229}{2,231,013} = 35.96\ \%$

The change in the indicator value was caused by the decline in current assets, mainly driven by the decrease in receivables as a result of the drop in non-registered investments in 2012 (share in-kind contribution).

4.2. Financial position

Acid liquidity ratio

$$\frac{\text{Cash and cash equivalents + Receivables + Securities}}{\text{Short-term liabilities + Accrued cost and expenses}}$$

2011	2012
$\frac{785,777}{561,055} = 1.40$	$\frac{614,273}{390,523} = 1.57$

The liquidity ratio of the Company went up slightly compared to the previous year, and significantly exceeded the minimal level of 1.0. The total amount of the cash and cash equivalents, receivables and securities decreased by 21.8 % year-on-year, driven by the decrease in receivables, specially the drop among the non-registered investments. Total amount of securities and cash and cash equivalents went up compared to the base period. The lower value of short-term liabilities (details above) and accrued cost and expenses (30.4%) influenced the indicator negatively.

Debtors days

$$\frac{\text{Adjusted average receivable from customers}}{\text{1 day sales revenue}}$$

2011	*2012*
$\frac{169{,}754}{6{,}686} = 25.39$	$\frac{191{,}555}{6{,}911} = 27.72$

From liquidity point of view debtor days changed unfavourably in 2012 year on year , which was caused by the joint effect of the increase in average value of receivables and the increase of 1 day sales revenue.
Average value of debtors went up due to the increase in crude oil products' quoted prices.

Indebtedness

$$\frac{\text{Long-term credits and loans, liabilities from the issue of bonds + Short-term credits and loans - Securities – Cash and cash equivalents}}{\text{Long-term credits and loans, liabilities from the issue of bonds + Short-term credits and loans - Securities – Cash and cash equivalents + Shareholders' equity}} * 100$$

2011	*2012*
$\frac{449{,}138}{2{,}296{,}234} = 19.56\ \%$	$\frac{377{,}822}{2{,}231{,}334} = 16.93\ \%$

The indicator showed a decrease compared to last year, mainly due to the lower net debt value, which effect was strengthened by the increase in shareholder's equity (HUF 6.4 bn). Changes in net debt were caused by the decrease in long and short term credits, loans and bonds (HUF (35.6) bn). Net debt was further decreased by the increase in securities and cash and cash equivalents (HUF 26.1 bn and HUF 9.6 bn).

4.3. Return and performance indicators

4.3.1. Revenues

Description	*2011*	*2012*	*Breakdown (%)*		*Change (%)*
			2011	*2012*	
Net domestic sales revenues	1,890,167	1,920,260	77.46	75.91	1.59
Export net sales revenues	550,081	609,259	22.54	24.09	10.76
Total net sales revenues	2,440,248	2,529,519	100.00	100.00	3.66

The net sales revenue exceeded the base year level by 3.7 %. The wholesale and retail sales revenue from crude oil products and related services - which amounted to 93.4 % from the total net sales revenue- increased by 4.9 % compared to 2011.
Domestic net sales revenue of crude oil products (including LPG sales besides HC production) increased by 2.5 % compared to the previous year, mainly driven by the higher crude oil products' quoted prices, and increase in the gasoil export volume sales.

4.3.2. Costs, expenditures compared to revenue

Description	*2011*	*2012*	*Breakdown (%)*		*Change (%)*
			2011	*2012*	
Net sales revenues total	2,440,248	2,529,519	100.00	100.00	3.66
Raw material costs	1,371,064	1,417,852	56.19	56.05	3.41
Value of services used	90,754	92,566	3.72	3.66	2.00
Other services	214,539	199,612	8.79	7.89	(6.96)
Cost of goods sold	187,026	205,841	7.66	8.14	10.06
Value of services sold (intermediated)	15,700	5,132	0.64	0.20	(67.31)
MATERIAL TYPE EXPENSES	1,879,083	1,921,003	77.00	75.94	2.23
Payroll expenses	37,055	39,816	1.52	1.57	7.45
Other personnel-type expenses	6,094	5,976	0.25	0.24	(1.94)
Tax and contributions	11,157	12,468	0.46	0.49	11.75
PERSONNEL TYPE EXPENSES	54,306	58,260	2.23	2.30	7.28
DEPRECIATION	51,019	49,555	2.09	1.96	(2.87)
OTHER OPERATING EXPENSES	450,756	413,076	18.47	16.33	(8.36)
TOTAL COSTS AND EXPENSES	2,435,164	2,441,894	99.79	96.54	0.28

The cost and expenditures showed a slightly increase compared to 2011, although net sales revenue went up by 3.7 %.
See detailed explanation in Note 8, 32, 33, 34, 35, 43.

4.4. Return and performance indicators

<u>Return on Assets</u>

$$\frac{\text{Profit before tax + paid interest and similar expenses}}{\text{Chronologic average of assets}} * 100$$

2011	*2012*
$\frac{178,882}{3,002,773} = 5.96\ \%$	$\frac{89,448}{3,052,322} = 2.93\ \%$

The reduction in the indicator was the consequence of the lower profit before tax, which was HUF 61.3 bn compared to HUF 150.7 bn in 2011. This change was caused by the lower operating profit of the current year.
The unfavourable trend in operating profit was further deteriorated by the realized loss in financial result, mainly due to the FX loss on debtors and creditors and lower dividend received from related parties. These negative effects were moderated by the favourable realized and unrealized profit on non-derivative transactions, the lower impairment on investment and the impairment on treasury shares compared to the base level.

Return on Assets

$$\frac{\text{Profit after tax}}{\text{Total assets}} * 100$$

	2011	*2012*
	$\frac{149{,}892}{3{,}168{,}477}$ = 4.73 %	$\frac{55{,}241}{3{,}033{,}242}$ = 1.82 %

The significant decrease in the indicator reflects the lower operating profit (mentioned above) and financial result which could not be compensated by the slight decrease in the total shareholders' equity and liability.

ROACE (Return on Average Capital Employed)

$$\frac{\text{Operating profit after tax}}{\text{Average capital employed}} * 100$$

	2011	*2012*
	$\frac{117{,}614}{485{,}472}$ = 24.23 %	$\frac{82{,}756}{447{,}960}$ = 18.47 %

The decrease in the indicator was primarily due to the worsening of the profit after taxation. This effect was moderated by the slight decrease in capital 1.5 %.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio

$$\frac{\text{EBITDA}}{\text{Net sales revenue}} * 100$$

	2011	*2012*
	$\frac{206{,}490}{2{,}440{,}248}$ = 8.46 %	$\frac{159{,}311}{2{,}529{,}519}$ = 6.30 %

EBITDA ratio went down in 2012 as a consequence of the HUF 47.2 bn (22.8 %) drop in EBITDA, while the net sales revenue was higher by HUF 89.3 bn (3.7 %). EBITDA development was influenced by the above mentioned items affected the operating profit. Net sales revenue growth was basically influenced by the increase of crude oil quoted prices.

5. Cash Flow Statement

HUF million

Description	*2011*	*2012*
Profit before taxation	150,715	61,258
Dividend received	(94,322)	(56,791)
Research expenses	16,395	15,024
Exchange rate difference	(83,288)	57,084
Fair valuation difference	109,103	21,786
Asset transfer free of charge	(20,525)	523
Adjusted profit before taxation	78,078	98,884
Depreciation and impairment	92,537	57,215
Write off and reversal of write off	26,072	20,576
Provision recognition and release, net	6,430	704
Gain or loss, realised on sale of non-current assets	(109)	(455)
Change of liabilities to suppliers	7,957	(40,036)
Change of other short-term liabilities	(28,293)	(76,108)
Change of accruals	(9,324)	579
Change of trade receivables	(14,975)	7,993
Change of current assets (excluding trade receivables and cash)	(71,172)	58,463
Change of prepayments	4,415	2,458
Change of reserves	1,370	(3,112)
Corporate tax paid, payable, temporary surplus tax	(10,990)	(5,988)
Dividend paid, payable	(23)	(45,033)
Operating cash flow	81,973	76,140
Purchase of non-current assets	(41,324)	(48,674)
Purchase of non-current financial investments	(70,235)	(62,544)
Sale of non-current assets	243	455
Sale of non-current financial investments	0	1,081
Cash and cash equivalent given free of charge	(280)	(648)
Research expenses	(16,395)	(15,024)
Dividend received	94,322	56,791
Investment cash flow	(33,669)	(68,563)
Bonds and debt securities	11,000	0
Long-term loans received	178,822	209,635
Cash received free of charge	426	409
Repayment of bonds and debt securities	0	(5,051)
Repayment of long-term credits and loans	(258,331)	(186,098)
Change of short-term credits and loans	3,961	(16,841)
Financing cash flow	(64,122)	2,054
Change of cash	(15,818)	9,631

6. Intangible assets

Gross book value HUF million

Movements	*Capitalized value of formation/reorganization expenses*	*Capitalised research and development cost*	*Property rights*	*Intellectual property*	*Goodwill*	*Total intangible assets*
Opening balance 01.01.2011	0	1,962	5,133	46,242	57,920	111,257
Increase due to purchases	0	1,120	2,258	751	0	4,129
Increase due to reclassification	0	0	34,575	1,089	0	35,664
Other increase	0	0	0	567	0	567
Decrease due to reclassification	0	(613)	(250)	(34,233)*	0	(35,096)
Other decrease	0	(57)	(8)	(55)	(245)	(365)
Closing balance 31.12.2011	0	2,412	41,708	14,361	57,675	116,156
Increase due to purchases	414	1,220	2,950	1,112	0	5,696
Increase due to reclassification	310	0	4,750	476	0	5,536
Other increase	0	0	0	495	4,853	5,348
Decrease due to reclassification	0	(391)	0	(4,660)	0	(5,051)
Other decrease	0	(18)	(21)	(14)	(788)	(841)
Closing balance 31.12.2012	724	3,223	49,387	11,770	61,740	126,844

* Reclassification of software's users rights to property rights.

Depreciation HUF million

Movements	*Capitalized value of formation/re organization expenses*	*Capitalised research and development cost*	*Property rights*	*Intellectual property*	*Goodwill*	*Total intangible assets*
Opening balance of 01.01.2011	0	0	3,244	34,676	4,461	42,381
Of which: Depreciation	*0*	*0*	*3,189*	*34,350*	*0*	*37,539*
Impairment	*0*	*0*	*55*	*326*	*4,461*	*4,842*
Increase of depreciation	0	0	3,702	1,040	0	4,742
Increase of impairment based on market valuation	0	0	0	0	41,242*	41,242
Increase due to reclassification	0	0	25,992**	0	0	25,992
Other increase	0	57	101	285	0	443
Decrease due to reclassification	0	0	0	(25,992)**	0	(25,992)
Other decrease	0	(57)	(8)	(43)	0	(108)
Closing balance 31.12.2011	0	0	33,031	9,966	45,703	88,700
Of which: Depreciation	*0*	*0*	*32,976*	*9,640*	*0*	*42,616*
Impairment	*0*	*0*	*55*	*326*	*45,703*	*46,084*
Increase of depreciation	0	0	4,287	664	0	4,951
Increase of impairment based on market valuation	0	0	0	0	2,840	2,840
Increase due to reclassification	0	0	948	0	0	948
Other increase	0	18	376	12	788	1,194
Decrease due to reclassification	0	0	0	(948)	0	(948)
Other decrease	0	(18)	(4)	(13)	(788)	(823)
Closing balance 31.12.2012	0	0	38,638	9,681	48,543	96,862
Of which: Depreciation	*0*	*0*	*38,583*	*9,355*	*0*	*47,938*
Impairment	*0*	*0*	*55*	*326*	*48,543*	*48,924*

Net book value as of 31.12.2011	0	2,412	8,677	4,395	11,972	27,456
Net book value as of 31.12.2012	724	3,223	10,749	2,089	13,197	29,982

* Impairment of goodwill in IES S.p.A. amounts to HUF 41,170 million.

** Reclassification of the depreciation in connection with softwares to property rights.

7. Property, plant and equipment

Gross book value HUF million

Movements	*Land and building and related property rights*	*Plant, machinery and vehicles*	*Other equipment, fixtures and vehicles*	*Assets under construction and related advances*	*Total property, plant and equipment*
Opening balance 01.01.2011	488,786	384,582	43,780	34,943	952,091
Increase due to capital expenditure	0	0	0	38,622	38,622
Capitalisation	15,777	11,403	1,750	(28,930)	0
Increase due to reclassification	21	53	6	28	108
Other increase	4,260	79	28	2,350	6,717
Decrease due to scraping, damages and shortages	(342)	(4,009)*	(683)	(51)	(5,085)
Decrease due to reclassification	(78)	(26)	(56)	(597)	(757)
Other decrease	(177)	(167)	(93)	(998)	(1,435)
Closing balance 31.12.2011	508,247	391,915	44,732	45,367	990,261
Increase due to capital expenditure	0	0	0	38,195	38,195
Capitalisation	15,886	19,568	1,587	(37,041)	0
Increase due to reclassification	11	21	6	176	214
Other increase	3	12	6	420	441
Decrease due to scraping, damages and shortages	(570)	(1,922)	(978)	(519)	(3,989)
Decrease due to reclassification	(136)	(33)	(388)	(660)	(1,217)
Other decrease	(1,021)	(405)	(532)	(1,718)	(3,676)
Closing balance 31.12.2012	522,420	409,156	44,433	44,220	1,020,229

* This amount contains refinery catalyst scrapings in value of HUF 2,452 million.

Depreciation

HUF million

Movements	*Land and building and related property rights*	*Plant, machinery and vehicles*	*Other equipment, fixtures and vehicles*	*Assets under construction and related advances*	*Total property, plant and equipment*
Opening balance 01.01.2011	307,531	302,488	38,062	66	648,147
Of which: Depreciation	*286,492*	*301,250*	*37,990*	*0*	*625,732*
Impairment	*21,039*	*1,238*	*72*	*66*	*22,415*
Increase of depreciation	22,897	21,367	2,013	0	46,277
Increase of impairment based on market valuation	3,814*	1	2	0	3,817
Other increase	894	228	56	51	1,229
Reversal of impairment	(3,863)*	(4)	0	0	(3,867)
Decrease due to scraping, damages and shortages	(342)	(4,009)**	(683)	(51)	(5,085)
Other decrease	(186)	(204)	(107)	0	(497)
Closing balance 31.12.2011	330,745	319,867	39,343	66	690,021
Of which: Depreciation	309,769	318,644	39,270	0	667,683
Impairment	20,976	1,223	73	66	22,338
Increase of depreciation	23,845	18,932	1,827	0	44,604
Increase of impairment based on market valuation	4,912*	12	13	0	4,937
Other increase	66	570	54	519	1,209
Reversal of impairment	(1,730)*	0	0	0	(1,730)
Decrease due to scraping, damages and shortages	(570)	(1,922)	(978)	(519)	(3,989)
Other decrease	(120)	(238)	(913)	0	(1,271)
Closing balance 31.12.2012	357,148	337,221	39,346	66	733,781
Of which: Depreciation	333,037	335,994	39,266	0	708,297
Impairment	24,111	1,227	80	66	25,484
Net book value as of 31.12.2011	177,502	72,048	5,389	45,301	300,240
Net book value as of 31.12.2012	165,272	71,935	5,087	44,154	286,448

Items marked with * contain the impairment related to field abandonment provision capitalised in the value of mining properties, and the reversal of previous years' impairment. (See also Note 3.4.6.)
** This amount contains refinery catalyst scrapings in value of HUF 2,425 million.

8. Depreciation

Depreciation HUF million

Description	*Straight-line*		*Unit of production*		*Lump sum*		*Total value*	
	2011	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*	*2012*
Property rights	3,700	4,283	0	0	2	4	3,702	4,287
Intellectual property	1,040	664	0	0	0	0	1,040	664
Intangible assets	4,740	4,947	0	0	2	4	4,742	4,951
Land and building and related property rights	11,436	10,994	11,461	12,851	0	0	22,897	23,845
Plant, machinery and vehicles	18,785	16,070	2,574	2,853	8	9	21,367	18,932
Other equipment, fixtures and vehicles	1,890	1,650	0	0	123	177	2,013	1,827
Property, plant and equipment	32,111	28,714	14,035	15,704	131	186	46,277	44,604
Total:	36,851	33,661	14,035	15,704	133	190	51,019	49,555

Impairment and reversal of impairment HUF million

Description	*Impairment based on market valuation*		*Impairment due to scrapping, damages and shortages*		*Reversal of impairment*		*Total value*	
	2011	*2012*	*2011*	*2012*	*2011*	*2012*	*2011*	*2012*
Property rights	0	0	57	18	0	0	57	18
Intellectual property	0	0	0	12	0	0	0	12
Goodwill	41,242	2,840	0	788	0	0	41,242	3,628
Intangible assets	41,242	2,840	57	818	0	0	41,299	3,658
Land and building and related property rights	3,814*	4,912*	94	51	3,863*	1,730*	45	3,233
Plant, machinery and vehicles	1	12	107	220	4	0	104	232
Other equipment, fixtures and vehicles	2	13	17	7	0	0	19	20
Assets under construction	0	0	51	519	0	0	51	519
Property, plant and equipment	3,817	4,937	269	797	3,867	1,730	219	4,004
Total:	45,059	7,777	326	1,615	3,867	1,730	41,518	7,662

Items marked with * contain the impairment of field abandonment provision capitalised in the value of mining properties, and the reversal of previous years' impairment. (See also Note 3.4.6.)

9. Revision of estimated useful life of intangible assets and property, plant and equipment

The impact on P&L and balance sheet of revision of useful life of tangible assets results HUF 626 million in 2012, meanwhile the revision of useful life of intangible assets was not significant (the impact on P&L and balance sheet amounts to HUF 12 million).
See also Note 3.4.3. Depreciation policy, annual review of economic useful life.

10. Property, plant and equipment used for environmental protection

Gross book value HUF million

Movements	*Land and building and related property rights*	*Plant, machinery and vehicles*	*Other equipment, fixtures and vehicles*	*Assets under construction*	*Total property, plant and equipment*
Opening balance 01.01.2011	18,347	5,755	985	167	25,254
Increase due to capital expenditure	0	0	0	419	419
Capitalisation	82	154	9	(245)	0
Other increase	1	0	0	42	43
Other decrease	(2)	(24)	0	(204)	(230)
Closing balance 31.12.2011	18,428	5,885	994	179	25,486
Increase due to capital expenditure	0	0	0	242	242
Capitalisation	449	156	2	(607)	0
Other increase	24	0	0	296	320
Other decrease	(1)	(67)	(2)	(1)	(71)
Closing balance 31.12.2012	18,900	5,974	994	109	25,977

Depreciation HUF million

Movements	*Land and building and related property rights*	*Plant, machinery and vehicles*	*Other equipment, fixtures and vehicles*	*Assets under construction*	*Total property, plant and equipment*
Opening balance 01.01.2011	8,299	4,019	898	0	13,216
Increase of depreciation	964	381	18	0	1,363
Other decrease	(2)	(24)	0	0	(26)
Closing balance 31.12.2011	9,261	4,376	916	0	14,553
Increase of depreciation	830	300	20	0	1,150
Other increase	21	0	0	0	21
Other decrease	(1)	(67)	(2)	0	(70)
Closing balance 31.12.2012	10,111	4,609	934	0	15,654

Net book value as of 31.12.2011	9,167	1,509	78	179	10,933
Net book value as of 31.12.2012	8,789	1,365	60	109	10,323

11. Research and development

HUF million

Research and development areas	*2011*			*2012*		
	Expenditure in current year	*Of the expenditure*		*Expenditure in current year*	*Of the expenditure*	
		capitalised	*accounted as cost*		*capitalised*	*accounted as cost*
Domestic HC exploration	15,301	0	15,301	14,006	0	14,006
Foreign HC exploration	702	0	702	507	0	507
Technology and asset development	1,102	888	214	1,254	908	346
Product development	213	35	178	314	210	104
Environmental protection	9	9	0	70	18	52
Other (studies)	188	188	0	93	84	9
Total:	17,515	1,120	16,395	16,244	1,220	15,024

12. Hazardous waste and environmentally harmful substances (not audited)

rounded to tons

EWC category	*Title of hazardous waste group*	*Adjusted opening quantity*	*Increase in current year*	*Decrease in current year*	*Closing quantity*
01	Wastes from research, mining, quarrying, physical and chemical treatment of minerals	0	275	275	0
05	Wastes from petroleum refining, natural gas purification and coal pyrolityc treatment	7,642	10,450	3,500	14,592
06	Wastes from inorganic chemical processes	0	15	15	0
07	Wastes from organic chemical processes	0	240	240	0
10	Wastes from thermic manufacturing processes	0	7	7	0
12	Wastes from shaping, physical and mechanical surface treatment of metals and plastics	1	132	125	8
13	Oil wastes and wastes of liquid fuels	7,923	17,518	18,661	6,780
15	Packaging waste, absorbents, filter materials, wiping cloths and protective clothing (not detailed)	55	746	749	52
16	Not detailed waste materials in the catalogue	129	6,972	6,892	209
17	Building and demolition wastes (including soil extraction from contaminated area)	105	18,397	18,435	67
19	Wastes from waste treatment facilities, waste water treatment plants (treatment of waste water out from the original plant), the services of drinking water and industrial water	1,496	5,616	5,260	1,852

EWC category	Title of hazardous waste group	Adjusted opening quantity	Increase in current year	Decrease in current year	Closing quantity
20	Municipal waste (domestic waste, and similar wastes of trade, industry and institution), including selective waste	0	26	26	0

The classification of hazardous waste and assignment of individual waste types and categories to codes are regulated in compliance with EU norms. There is no record keeping of hazardous waste materials in value only in quantity.

13. Long-term investments

13.1. MOL Plc.'s subsidiaries, classified as long-term investments

HUF million

ID	Name of the company	2011				2012			
		Ownership %	Gross book value	Accumulated impairment and reversal	Net book value	Ownership %	Gross book value	Accumulated impairment and reversal	Net book value
1.	INA d.d. Croatia, Zagreb, Avenija Veceslava Holjevca 10.	49.08	424,537	0	424,537	49.08	396,968	0	396,968
2.	Slovnaft, a.s. Slovak Republic, Bratislava, Vlčie hrdlo 1.	98.41	377,519	0	377,519	98.41	353,445	0	353,445
3.	Italiana Energia e Servizi S.p.A. Italy, Mantova, Strada Cipata 79.	100.00	90,926	68,629	22,297	100.00	214,759	68,629	146,130
4.	TVK Nyrt. Tiszaújváros, TVK Ipartelep hrsz:2119/3	86.79	120,263	0	120,263	94.86	123,819	0	123,819
5.	Theatola Ltd.* Cyprus, Nicosia, Spyrou Kyrpianou Avenue 20.	-	-	-	-	100.00	135,299	19,672	115,627
6.	FGSZ Földgázszállító Zrt. Siófok, Tanácsház u. 5.	100.00	83,589	0	83,589	100.00	83,589	0	83,589
7.	Kalegran Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	33,344	8,763	24,581	99.99	48,648	13,034	35,614
8.	MOL Romania PP Srl. Romania, Cluj-Napoca, Calea Dorobantilor nr. 14-16.	100.00	27,713	0	27,713	100.00	25,268	0	25,268
9.	TIFON d.o.o. Croatia, Zagreb, Alexandera von Humboldta 4/V.	100.00	25,783	0	25,783	100.00	24,108	0	24,108
10.	MOL Caspian Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	24,368	0	24,368	99.99	23,451	0	23,451
11.	MMBF Zrt. Budapest, Budafoki út 79.	72.46	21,376	0	21,376	72.46	20,013	0	20,013
12.	Bohemia Realty Company s.r.o. Czech Republic, Praha 6, Drnovská 1042/28	-	-	-	-	100.00	18,353	0	18,353

ID	Name of the company	2011				2012			
		Owner-ship %	*Gross book value*	*Accumulated impairment and reversal*	*Net book value*	*Owner-ship %*	*Gross book value*	*Accumulated impairment and reversal*	*Net book value*
13.	Intermol d.o.o.** Serbia, Beograd, Omladinskih Brigada 88/V	100.00	15,795	0	15,795	100.00	14,165	3,735	10,430
14.	Pronodar Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	27,832	17,245	10,587	99.99	27,234	17,873	9,361
15.	MOL Slovenija d.o.o. Slovenia, Murska Sobota, Lendavska 5.	100.00	7,302	5	7,297	100.00	6,837	5	6,832
16.	MOL Austria GmbH. Austria, Wien, Gartenbaupromenade 2.	100.00	5,301	0	5,301	100.00	4,963	0	4,963
17.	Petrolszolg Kft. Százhalombatta, Olajmunkás út 2.	100.00	5,126	1,183	3,943	100.00	3,708	0	3,708
18.	Geofizikai Szolgáltató Kft. Budapest, Szántóföld u. 7-9.	100.00	1,890	0	1,890	100.00	3,403	0	3,403
19.	Roth Heizöle GmbH. Austria, Graz, Conrad-von-Hötzendorferstraße 160.	49.80	3,624	0	3,624	49.80	3,393	0	3,393
20.	MOL-LUB Kft. Almásfüzítő, Fő út 21.	100.00	2,603	0	2,603	100.00	2,603	0	2,603
21.	Hawasina GmbH. Switzerland, Zug, Bundesstr. 3.	100.00	3,568	3,568	0	100.00	6,405	4,203	2,202
22.	MOLTRADE-Mineralimpex Zrt. Budapest, Budafoki u 79.	100.00	1,340	0	1,340	100.00	1,340	0	1,340
23.	Terméktároló Zrt. Budapest, Montevideo u. 16/B.	74.07	1,200	0	1,200	74.07	1,200	0	1,200
24.	Panfora Oil & Gas s.r.l.*** Romania, Cluj-Napoca, Calea Dorobantilor nr.14-16.	-	-	-	-	50.00	1,165	0	1,165
25.	Geoinform Kft. Szolnok, Kőrösi út 43.	100.00	1,125	0	1,125	100.00	1,125	0	1,125
26.	E.M.S. Management Services Ltd. Cyprus, Larnaka, City House,Artemidos Avenue	99.99	15	15	0	99.99	1,032	87	945
27.	FER Tűzoltóság és Szolgáltató Kft. Százhalombatta, Olajmunkás u. 2.	91.84	693	0	693	91.84	693	0	693
28.	MOLTRANS Kft. Budapest, Petróleumkikötő u. 5-7.	100.00	619	0	619	100.00	619	0	619
29.	MOL Pakistan Oil and Gas Co. B.V. The Netherlands, Amsterdam, Hemonystraat 11.	100.00	623	0	623	100.00	572	0	572
30.	MOL Germany GmbH. (MK Mineralkontor GmbH.)	100.00	268	0	268	100.00	515	0	515

ID	Name of the company	2011				2012			
		Owner-ship %	Gross book value	Accumulated impairment and reversal	Net book value	Owner-ship %	Gross book value	Accumulated impairment and reversal	Net book value
	Germany, München, Otto Strasse 5.								
31.	UBA Services Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	677	390	287	99.99	654	390	264
32.	MOL-RUSS OOO Russia, Moscow, Kosmodamianskaya nab., d. 52. str. 3.	100.00	146	0	146	100.00	142	0	142
33.	MOL Reinsurance Company Ltd. Cyprus, Nicosia, Arch. Makariou III. Evagorou Avenue	100.00	113	0	113	100.00	103	0	103
34.	MOL Ukraine Llc. Ukraine, Kijev, Moskovskyi Ave. 23.	-	-	-	-	100.00	69	0	69
35.	Multipont Program Zrt. Budapest, Budafoki út 79.	81.00	65	0	65	81.00	65	0	65
36.	MOL Commodity Trading Kft. Budapest, Október huszonharmadika u. 18.	100.00	50	0	50	100.00	50	0	50
37.	MOL Central Asia B.V. The Netherlands, Amsterdam, Hemonystraat 11.	100.00	5,084	5,084	0	100.00	5,072	5,032	40
38.	Tadmor Ltd. Malta, Sliema, Bisazza Street, Regent House 52.	100.00	35	0	35	100.00	35	0	35
39.	Platounko Investments Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	36	32	4	99.99	41	14	27
40.	HEXÁN Kft. Százhalombatta, Ipartelep hrsz: 2704/1	100.00	25	0	25	100.00	25	0	25
41.	Bravoum Investments Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	23	0	23	99.99	24	0	24
42.	Alfagas Kft. Záhony, Ady E. út 17. I/1.	60.00	186	163	23	60.00	186	163	23
43.	Tűzoltó és Műszaki Mentő Kft. Tiszaújváros, Tűzoltó u. 1.	30.00	1	0	1	60.00	12	0	12
44.	MOL Libya Ltd. Malta, Sliema, Bisazza Street, Regent House 52.	99.99	5	0	5	99.99	9	0	9
45.	MOL Group Finance SA Luxembourg, Luxembourg, rue des Maraichers 102.	-	-	-	-	100.00	9	0	9
46.	MOL Vagyonkezelő Kft. (Hermész Tanácsadó Kft.) Budapest, Budafoki út. 59.	98.18	5	0	5	100.00	6	0	6
47.	Ménrót Kft. Szolnok, Ady Endre út 26.	98.18	5	0	5	100.00	6	0	6

ID	Name of the company	2011				2012			
		Owner-ship %	Gross book value	Accumulated impairment and reversal	Net book value	Owner-ship %	Gross book value	Accumulated impairment and reversal	Net book value
48.	MH Oil and Gas B.V. The Netherlands, Amsterdam, Hemonystraat 11.	100.00	6	0	6	100.00	5	0	5
49.	MK Oil and Gas B.V. The Netherlands, Amsterdam, Hemonystraat 11.	100.00	6	0	6	100.00	5	0	5
50.	BHM Oil Invest Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	50	48	2	99.99	57	56	1
51.	MCT Slovakia S.r.o. Slovak Republic, Bratislava, Vlčie hrdlo 1.	30.00	1	0	1	30.00	1	0	1
52.	Antinum Kft. Budapest, Október huszonharmadika u 18.	-	-	-	-	100.00	1	0	1
53.	Emona Investment Kft. Budapest, Október huszonharmadika u 18.	-	-	-	-	100.00	1	0	1
54.	Ticinum Kft. Budapest, Október huszonharmadika u 18.	-	-	-	-	100.00	1	0	1
55.	MOL Yemen Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	20,860	20,860	0	99.99	20,860	20,860	0
56.	ENERGOPETROL d.d. Bosnia and Herzegovina , Sarajevo, Marsala Tita Street 36.	33.50	4,974	4,974	0	33.50	4,974	4,974	0
57.	MOL Oman Ltd. (Lamorak Enterprises Ltd). Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	2,995	2,995	0	99.99	2,998	2,998	0
58.	BMN Investment Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	100.00	2,435	2,435	0	100.00	2,487	2,487	0
59.	MOL Agram d.o.o.**** Croatia, Zagreb, Fallerovo šetalište 22.	100.00	1,141	1,141	0	100.00	1,141	1,141	0
60.	RUSI Services Ltd. Cyprus, Nicosia, Acropolis Avenue 59-61.	99.99	706	705	1	99.99	708	708	0
61.	Pyrogol Ltd. Cyprus,Nicosia, Acropolis Avenue 59-61.	99.99	626	625	1	99.99	629	629	0
62.	PAP Oil Cerpaci Stanice s.r.o.***** Chech Republic, Praha 6, Drnovská 1042/28	-	-	-	-	100.00	0	0	0
63.	I&C Energo a.s.****** Chech Republic, Trebic, Prazská 684/49	99.00	7,991	0	7,991	-	-	-	-
	Total		1,356,589	138,860	1,217,729		1,589,068	166,690	1,422,378

The ownership and voting rights are the same in all companies contained in the table except for Alfagas Zrt., where the 60 % ownership provides 50 % voting rights to MOL Plc..

Long-term investments not involved in full consolidation: MOL Agram d.o.o., Alfagas Kft., Hexán Kft., MH Oil and Gas B.V., MK Oil and Gas B.V., Bravoum Investments Ltd., MOL Libya Ltd., Tadmor Ltd., Tűzoltó és Műszaki Mentő Kft., Antinum Kft., Emona Investment Kft., Ticinum Kft..

* Theatola Ltd. was established in 2011, in which MOL CIS Ltd., USI Ltd., Greentrade Ltd. and SHM Seven Investments Ltd. were transferred as contribution in kind. It was accounted as non-registered investment among other receivables at 31 December 2011.

** Intermol d.o.o. from January 2013: MOL Serbia d.o.o.

*** Panfora Oil & Gas s.r.l. was established in 2011 together with MOL Romania PP.Srl, which was registered in 2012.

**** MOL Agram d.o.o. is under dissolution procedure.

***** The book value of PAP Oil Cerpaci Stanice s.r.o. has been accounted as goodwill.

****** I&C Energo a.s. has been sold in 2012.

13.2. MOL Plc.'s joint venture, classified as long-term investment

HUF million

ID	Name of the company	2011				2012			
		Owner-ship %	*Gross book value*	*Accumulated impairment and reversal*	*Net book value*	*Owner-ship %*	*Gross book value*	*Accumulated impairment and reversal*	*Net book value*
1.	CM European Power International B.V. The Netherlands, Rotterdam, Weena 340.	50.00	11,372	0	11,372	50.00	10,647	0	10,647
2.	Rossi Biofuel Zrt. Komárom, Kőolaj u. 2.	25.00	350	0	350	25.00	350	0	350
3.	CEGE Közép-európai Geotermikus Energia Termelő Zrt.* Budapest, Október huszonharmadika u. 18.	50.00	381	209	172	50.00	411	209	202
4.	SEP Company Kft. Budapest, Október huszonharmadika u. 18.	50.00	150	87	63	50.00	150	87	63
5.	MOL-RAG West Kft. Budapest, Bocskai út 134-146.	50.00	1	0	1	50.00	1	0	1
	Total:		12,254	296	11,958		11,559	296	11,263

* MOL Plc.'s share in CEGE Zrt. has increased up to 53% based on a one-sided capital increase registered on Court of Registration on 4 February 2013. CEGE Zrt. will be reclassified as subsidiary of the company in 2013.

13.3. *MOL Plc.'s associated companies, classified as long-term investments*

HUF million

ID	Name of the company	2011				2012			
		Ownership %	Gross book value	Accumulated impairment and reversal	Net book value	Ownership %	Gross book value	Accumulated impairment and reversal	Net book value
1.	MOL Energiakereskedő Zrt. Budapest, Benczúr u 13/B.	50.00	866	0	866	40.00	636	0	636
2.	MET Holding AG Switzerland, Zug, Baarerstrasse 141.	-	-	-	-	40.00	10	0	10
3.	MESSER MOL Gáz Kft. Budapest, Váci út 117.	25.00	87	1	86	25.00	87	1	86
4.	TOP Finance Számviteli Szolgáltató Kft. Budapest, Batthyány u. 45.	26.00	1	0	1	26.00	1	0	1
	Total:		954	1	953		734	1	733

13.4. Shareholders' equity of MOL Plc.'s subsidiaries and certain key investments

Unaudited data for informational purposes HUF million

ID	Name of the company	Shareholders' equity	Share capital	Share premium, retained earnings, tied-up reserve and fair valuation reserve	Net income for 2012
	Subsidiaries:				
1.	INA d.d.	598,338	347,310	199,858	51,170
2.	Slovnaft, a.s.	441,541	199,463	216,753	25,325
3.	FGSZ Földgázszállító Zrt.	150,752	18,823	97,213	34,716
4.	Theatola Ltd.	134,777	0	133,685	1,092
5.	TVK Nyrt.	123,424	24,534	98,890	0
6.	Italiana Energia e Servizi S.p.A.	110,406	7,573	120,570	(17,737)
7.	Kalegran Ltd.	60,825	17	59,879	929
8.	MMBF Zrt.	43,538	24,071	9,804	9,663
9.	MOL Romania PP Srl.	39,045	15,912	18,245	4,888
10.	Pronodar Ltd.	22,383	4	22,404	(25)
11.	MOL Caspian Ltd.	16,655	4	16,736	(85)
12.	TIFON d.o.o.	14,032	21,331	(7,134)	(165)
13.	ENERGOPETROL d.d.	(11,843)	10,226	(16,646)	(5,423)
14.	Bohemia Realty Company s.r.o.	9,730	10,460	(739)	9
15.	MOL Slovenija d.o.o.	8,369	4,952	2,586	831
16.	MOL Central Asia B.V.	8,116	2,169	5,080	867
17.	MOL Reinsurance Company Ltd.	7,859	507	5,802	1,550
18.	HAWASINA GmbH.	7,470	380	7,124	(34)
19.	Intermol d.o.o.	7,344	13,659	(5,024)	(1,291)
20.	MOLTRADE-Mineralimpex Zrt.	5,656	1,627	3,027	1,002
21.	Geoinform Kft.	4,563	1,125	2,131	1,307
22.	MOL Austria GmbH.	4,110	106	4,032	(28)

ID	*Name of the company*	*Shareholders' equity*	*Share capital*	*Share premium, retained earnings, tied-up reserve and fair valuation reserve*	*Net income for 2012*
23.	Geofizikai Szolgáltató Kft.	3,977	1,890	5,313	(3,226)
24.	Petrolszolg Kft.	3,710	716	1,899	1,095
25.	MOL-LUB Kft.	2,513	2,603	(207)	117
26.	Terméktároló Zrt.	2,399	1,620	79	700
27.	Panfora Oil & Gas s.r.l.	2,325	2,331	0	(6)
28.	MOL Pakistan Oil & Gas Co. B.V.	1,339	131	492	716
29.	FER Tűzoltóság és Szolgáltató Kft.	1,122	640	388	94
30.	MOLTRANS Kft.	623	619	94	(90)
31.	Tűzoltó és Műszaki Mentő Kft.	448	3	437	8
32.	MOL Germany GmbH (MK Mineralkontor GmbH)	437	15	162	260
33.	Roth Heizöle GmbH.	423	10	281	132
34.	MOL Commodity Trading Kft.	416	50	92	274
35.	MOL Agram d.o.o. *	373	1,296	(1,103)	180
36.	UBA Services Ltd.	256	557	(295)	(6)
37.	MOL-RUSS OOO	164	142	56	(34)
38.	Hexán Kft.	101	7	33	61
39.	BMN Investment Ltd.	(100)	12	(103)	(9)
40.	Alfagas Kft.	96	10	52	34
41.	MOL Ukraine Llc.	78	1	50	27
42.	Multipont Program Zrt.	52	16	61	(25)
43.	MOL Vagyonkezelő Kft. (Hermész Tanácsadó Kft.)	50	5	48	(3)
44.	E.M.S. Management Services Ltd.	29	8	546	(525)
45.	MOL Yemen Ltd.	27	652	21,131	(21,756)
46.	MOL Group Finance SA	21	9	0	12
47.	Platounko Investments Ltd.	17	3	18	(4)
48.	BHM Oil Invest Ltd.	10	37	(21)	(6)
49.	Ménrót Kft.	6	5	1	0
50.	MCT Slovakia S.r.o.	4	1	57	(54)
51.	Tadmor Ltd. **	3	4	2	(3)
52.	Bravoum Investments Ltd.	2	3	2	(3)
53.	MH Oil and Gas B.V. **	1	6	(5)	0
54.	MK Oil and Gas B.V. **	1	6	(5)	0
55.	MOL Libya Ltd. **	1	6	(2)	(3)
56.	Emona Investment Kft.	0	1	0	(1)
57.	Ticinum Kft.	0	1	0	(1)
58.	Antinum Kft.	0	1	0	(1)
59.	Pyrogol Ltd.	0	2	2	(4)
60.	RUSI Services Ltd.	(1)	55	(52)	(4)

ID	Name of the company	Shareholders' equity	Share capital	Share premium, retained earnings, tied-up reserve and fair valuation reserve	Net income for 2012
61.	MOL Oman Ltd. (Lamorak Enterprises Ltd.)	(75)	1,031	(1,051)	(55)
62.	PAP Oil Cerpaci Stanice s.r.o.	(245)	12	(259)	2
	Joint ventures:				
63.	CM European Power International B.V.	19,040	16,468	5,547	(2,975)
64.	ROSSI Biofuel Zrt.	7,822	1,400	4,188	2,234
65.	CEGE Közép-európai Geotermikus Energia Termelő Zrt.	397	105	353	(61)
66.	SEP Company Kft.	71	281	(98)	(112)
67.	MOL-RAG West Kft. **	5	1	27	(23)
	Associated companies:				
68.	MOL Energiakereskedő Zrt.	17,241	2,295	5,095	9,851

Companies having registered office in Hungary are presented according to Hungarian Accounting Act and companies with registered office abroad are presented according to IFRS.

* Data presented in the Annual Report as at 31 December 2006.

** Data presented in the Annual Report as at 31 December 2011.

13.5. MOL Plc.'s other investments, classified as long-term investments

HUF million

ID	Name of the company	2011				2012			
		Ownership %	Gross book value	Accumulated impairment and reversal	Net book value	Ownership %	Gross book value	Accumulated impairment and reversal	Net book value
1.	Pearl Petroleum Company Ltd. British Virgin Islands, Tortola, Road Town, Flemming House, Wichams Cay	10.00	69,509	0	69,509	10.00	63,805	0	63,805
2.	OTP Bank Nyrt. Budapest, Nádor u. 16.	8.57	55,468	0	55,468	8.57	55,468	0	55,468
3.	Budapesti Értéktőzsde Zrt. Budapest, Andrássy út 93.	2.18	431	0	431	2.18	431	0	431
4.	OVERDOSE Vagyonkezelő Kft. Budapest, Acélcső u. 2-22.	10.00	40	0	40	10.00	40	0	40
5.	NGF Nemzetközi Gazdaságfejlesztési Kht. „f.a."* Budapest, Lajos u. 160-162.	11.49	1	0	1	11.49	1	0	1
6.	Nabucco Doğal Gaz Boru hatti İnşaati ve İşletmeciliği Limited Şirketi** Turkey, Ankara, Bilkent Plaza A-2 Blok Kat: 6	0.50	0	0	0	0.50	0	0	0
	Total:		125,449	0	125,449		119,745	0	119,745

* The company is in under liquidation.

** The gross value of investment is under HUF 1 million.

13.6. Impairment of long-term investments and its reversal

HUF million

Description	*Subsidiaries*	*Joint ventures*	*Associated companies*	*Other investments*	*Total*
Closing gross balance of 2011	1,356,589	12,254	954	125,449	1,495,246
Closing gross balance of 2012	1,589,068	11,559	734	119,745	1,721,106
Opening impairment balance of 2011	74,947	87	1	0	75,035
Increase of impairment*	94,299	209	0	0	94,508
Decrease of impairment due to write off**	19,504	0	0	0	19,504
Increase of impairment due to reclassification	5,210	0	0	0	5,210
Reversal of impairment***	16,200	0	0	0	16,200
Reversal of impairment due to write off	108	0	0	0	108
Closing impairment balance of 2011	138,860	296	1	0	139,157
Increase of impairment****	29,011	0	0	0	29,011
Decrease of impairment due to write off	587	0	0	0	587
Increase of impairment due to reclassification	72	0	0	0	72
Reversal of impairment	925	0	0	0	925
Reversal of impairment due to write off	259	0	0	0	259
Closing impairment balance of 2012	166,690	296	1	0	166,987
Closing net balance of 2011	1,217,729	11,958	953	125,449	1,356,089
Closing net balance of 2012	1,422,378	11,263	733	119,745	1,554,119

* In 2011 72.62 % of the impairment valued at HUF 68,629 million related to impairment on investment of IES S.p.A..

** The reason of decrease of impairment is the derecognition of four Russian subsidiaries in 2011 as contribution in kind.

*** In 2011 significant proportion (94.14 %) of reversal of impairment related to Intermol d.o.o..

****From the accounted impairment in 2012 67.81 % relates to Theatola Ltd. (HUF 19,672 million), and further 14.72 % relates to Kalegran Ltd. (HUF 4,271 million).

14. Details of long-term loans to related parties and other investments

HUF million

Description	*2011*	*2012*
HUF loans to related parties	*142,806*	*115,874*
Loans disbursed in EUR	233,907	124,791
Loans disbursed in USD	71,631	80,610
Loans disbursed in RUB	8,376	20,076
Loans disbursed in HRK	9,689	8,560
FX loans to related parties	*323,603*	*234,037*
Total long-term loans to related parties	466,409	349,911
Loans disbursed in USD	15,226	10,552
Total long-term loans to other investments	15,226	10,552

15. Impairment on long-term loans

HUF million

Description	*Long-term loans to related parties*	*Long-term loans to other investments*	*Other long-term loans*	*Total*
Closing gross balance of 2011	468,262	15,226	7	483,495
Closing gross balance of 2012	351,231	10,552	1	361,784
Opening balance of impairment 2011	66,765	0	0	66,765
Increase of impairment	1,340	0	0	1,340
Decrease of impairment*	(66,252)	0	0	(66,252)
Closing impairment balance of 2011	1,853	0	0	1,853
Increase of impairment	0	0	0	0
Decrease of impairment	(533)	0	0	(533)
Closing impairment balance of 2012	1,320	0	0	1,320
Closing net balance of 2011	466,409	15,226	7	481,642
Closing net balance of 2012	349,911	10,552	1	360,464

* The decrease in impairment was attributable to the capital increase with loan barter in 2011.

16. Non-current assets disposable within a year, reclassified to inventories

HUF million

Description	*Gross book value*	*Impairment*	*Impairment*	*Reversal of impairment*	*Net book value*
Land and building and related property rights	1,672	993	189	7	497
Plant, machinery and vehicles	2	2	0	0	0
Total reclassification in 2011	1,674	995	189	7	497
Land and building and related property rights	1,789	1,084	182	0	523
Plant, machinery and vehicles	21	21	0	0	0
Other equipment, fixtures and vehicles	375	373	0	0	2
Total reclassification in 2012	2,185	1,478	182	0	525

17. Write off of inventories

The opening balance of write off of inventories amounts to HUF 3 million, the closing balance amounts to HUF 176 million. The most significant item is the impairment of finished products with the value of HUF 110 million.

18. Receivables from related parties

HUF million

Description	*2011*	*2012*
Receivables from subsidiaries	193,951	127,866
Receivables from the supply of goods and services	77,857	86,680
Receivables from short-term loans	110,249	39,491
Other receivables	5,845	1,695
Receivables from joint ventures	1,558	5,561
Receivables from short-term loans	0	4,824
Receivables from the supply of goods and services	1,558	736
Other receivables	0	1
Receivables from associated companies	289	93
Receivables from the supply of goods and services	289	92
Other receivables	0	1
Total:	195,798	133,520

19. Other receivables

HUF million

Description	*2011*	*2012*
Receivables related to financial investments*	148,594	25,926
Book value of lent MOL shares	6,039	6,609
Deposit**	10	5,584
Tax to be refunded	12,448	1,958
Receivables from joint operation	1,546	1,136
Advance payment for services	165	233
Receivables purchased and received	309	210
Various other receivables	1,783	293
Total:	170,894	41,949

* The balance of 2011 includes the value of investments given as in kind contribution (HUF 141,739 million) based on Articles of Association until registration in Court of Registration. The balance of 2012 contains the capital increase not registered amounts to HUF 19,982 million.
** The value of 2012 contains the deposit of letter of credit related to the purchase of import sulphur diesel oil.

20. Valuation of receivables

Historical cost

HUF million

Description	*Trade receivables*	*Receivables from related parties*	*Other receivables*	*Derivative transactions*	*Total receivables*
31.12.2011 Closing balance	112,399	197,094	173,105	19,693	502,291
Of which: receivables impaired	*1,707*	*1,292*	*8,293**	*0*	*11,292*
31.12.2012 Closing balance	97,854	133,525	43,540	18,011	292,930
Of which: receivables impaired	*1,388*	*1,168*	*8,223 **	0	*10,779*

* The original value of lent treasury shares where impairment is accounted for, classified as other receivables amounts to HUF 8,020 million in 2011 and 2012.
The decrease of book value of other receivables is mainly resulted by registration on court in 2012 the not registered companies given as contribution in kind in 2011(HUF 141,739 million).

Impairment/ Reversal of impairment HUF million

Description	*Trade receivables*	*Receivables from related parties*	*Other receivables*	*Derivative transactions*	*Total receivables*
01.01.2011 Opening balance	1,225	1,293	13,648	0	16,166
Impairment change*	66	3	(20,032)	0	(19,963)
Reversal of impairment change	0	0	8,595	0	8,595
31.12.2011 Closing balance	1,291	1,296	2,211	0	4,798
Impairment change**	(230)	(1,548)	(3,902)	0	(5,680)
Reversal of impairment change	0	257	3,282	0	3,539
31.12.2012 Closing balance	1,061	5	1,591	0	2,657

Net income for the period ended 31.12.2011	111,108	195,798	170,894	19,693	497,493
Net income for the period ended 31.12.2012	96,793	133,520	41,949	18,011	290,273

* From the decrease of impairment in 2011, HUF 15,423 million realised due to financial settlements, and HUF 327 million realised from write off receivables. The accounted impairment values HUF 2,059 million in 2011.
** From the decrease of impairment in 2012, HUF 5,361 million realised due to financial settlements, and HUF 1,882 million realised from write off receivables. The accounted impairment values HUF 1,909 million in 2012.

21. Short-term investments

21.1. Investment to be sold, liquidated or wound up, classified as short-term investments

HUF million

ID	*Name of the company*	*2011*				*2012*			
		Owner-ship %	*Gross book value*	*Accumulated impairment and reversal*	*Net book value*	*Owner-ship %*	*Gross book value*	*Accumulated impairment and reversal*	*Net book value*
1.	TVK Italia S.r.l. Italy, Milano, Via PietroTeulie 1.	-	-	-	-	100.00	396	0	396
2.	Balatongáz Kft. “under liquidation” Monostorapáti, Iskola u. 1.	77.22	505	505	0	-	-	-	-
Total divested subsidiaries			505	505	0		396	0	396
1.	Pusztaföldvár Földgáztároló Zrt. “v.a.”* Budapest Október huszonharmadika u. 18.	50.00	123	37	86	-	-	-	-
Total divested joint ventures			123	37	86		0	0	0
1.	IN-ER Erőmű Kft. Nagykanizsa, Kölcsey F. u. 13/A	30.00	6	0	6	30.00	6	0	6

ID	Name of the company	2011				2012			
		Owner-ship %	Gross book value	Accumulated impairment and reversal	Net book value	Owner-ship %	Gross book value	Accumulated impairment and reversal	Net book value
2.	Magyar-Amerikai Geotermia (MAG) Kft. "v.a." Budapest, Október huszonharmadika u. 18.	25.00	1	1	0	25.00	1	1	0
Total divested associates			7	1	6		7	1	6
1.	OMV AG** Wien, Otto-Wagner Platz 5.		0	0	0		0	0	0
Total divested investments			635	543	92		403	1	402

* The liquidation procedure of Balatongáz Kft., and the winding up procedure at Pusztaföldvár Földgáztároló Zrt. have been finished.

** OMV AG: the value of investment is under HUF 1 million (book value is HUF 69 th as of 31.12.2012.)

21.2. Impairment and reversal of impairment on short-term investments

In 2011, the closing balance of impairment on investments in affiliated companies accounted as current assets amounted to HUF 543 million. From this, HUF 505 million related to shares of subsidiaries, and HUF 37 million related to joint ventures. Due to derecognising the impairment of concerned subsidiaries and joint ventures, the value of total impairment decreased by HUF 542 million in 2012. The closing value is HUF 1 million relates to associated company.

22. Changes of treasury shares in the current year

Description / Title	*Number of shares (pieces)*	*Book value of shares (HUF million)*
Opening balance of treasury shares in 2011	7,435,315	140,057
Sold treasury shares	(2,914,692)	(54,905)
Impairment of treasury shares	-	(21,461)
Derecognised reversal of impairment	-	(6,970)
Decreases	(2,914,692)	(83,336)
Resumed lent treasury shares	1,273,271	25,312
Derecognise of impairment	-	6,970
Increases	1,273,271	32,282
Closing balance of treasury shares in 2011	5,793,894	89,003
Sold treasury shares	(646,361)	(12,176)
Lend treasury shares	(371,301)	(8,020)
Derecognised reversal of impairment	-	(1,546)
Decreases	(1,017,662)	(21,742)
Resumed lent treasury shares	371,301	8,020
Reversal of impairment	-	7,440
Derecognise of impairment	-	3,077
Increases	371,301	18,537
Closing total of treasury shares in 2012	5,147,533	85,798

23. Prepayments, accruals

Details of prepayments HUF million

Description	*2011*	*2012*
Interest receivable	5,489	4,999
Deferred income of joint operations	503	0
Other deferred income	713	779
Accrued income	6,705	5,778
Mining royalty	6,759	5,327
Deferred loss on MOL shares lent	5,081	5,081
Prepaid rent and lease fee	1,843	1,745
Issue of long-term zero coupon bonds	1,806	1,341
Other	450	821
Prepaid costs and expenses	15,939	14,315
Total:	22,644	20,093

Details of accruals HUF million

Description	*2011*	*2012*
Deferred revenues	274	472
Deferred revenues	274	472
Interest payable	13,725	14,211
Accrued personnel expenses	4,168	4,702
Other accrued costs and expenses	322	393
Accrued costs and expenses	18,215	19,306
Received compensation for cost of redeemed production well and cable, caused by motorway constructions	2,861	2,246
Received development subsidy, grant	107	333
Badwill related to acquisition	315	0
Other	312	325
Deferred income	3,595	2,904
Total:	22,084	22,682

24. Changes in equity

HUF million

Description	*Share capital*	*Share premium*	*Retained earnings*	*Tied-up reserve*	*Valuation reserve*	*Net income*	*Shareholders' equity*
Balance as of 01.01.2011	104,519	223,866	1,151,167	152,916	0	103,195	1,735,663
Transfer of net income of previous year	0	0	103,195	0	0	(103,195)	0
Profit adjustments to previous years	0	0	5,171	0	0	0	5,171
2011 profit after tax	0	0	0	0	0	149,892	149,892
Dividend payable	0	0	0	0	0	(45,000)	(45,000)
Decrease in retained earnings (additional contribution)	0	0	(1,100)	0	0	0	(1,100)
Change of tied-up reserve	0	0	48,529	(48,529)	0	0	0
Valuation reserve of fair valuation	0	0	0	0	2,470	0	2,470
Balance as of 31.12.2011	104,519	223,866	1,306,962	104,387	2,470	104,892	1,847,096
Transfer of net income of previous year	0	0	104,892	0	0	(104,892)	0
Profit adjustments to previous years	0	0	287	0	0	0	287
2012 profit after tax	0	0	0	0	0	55,241	55,241
Dividend payable	0	0	0	0	0	(46,000)	(46,000)
Decrease in retained earnings (additional contribution)	0	0	(3,780)	0	0	0	(3,780)
Change of tied-up reserve	0	0	6,165	(6,165)	0	0	0
Valuation reserve of fair valuation	0	0	0	0	668	0	668
Balance as of 31.12.2012	104,519	223,866	1,414,526	98,222	3,138	9,241	1,853,512

25. Breakdown of the tied up reserve

HUF million

Description	*2011*	*2012*	*Change*
Book value of treasury shares	89,003	85,798	(3,205)
Research and development, not yet written off	2,412	3,947	1,535
Development reserve	500	1,000	500
Other tied-up reserves*	12,472	7,477	(4,995)
Total tied-up items	104,387	98,222	(6,165)

* The Company recognised tied-up reserve in an amount corresponding to the capitalised field abandonment provision included in the closing balance of property, plant and equipment (see Note 3.4.6. for further details).

26. Provisions

Provisions for contingent liabilities

HUF million

Description	*2011*					*2012*			
	Opening balance	*Use of provisions*	*Provision recognised against profit*	*Provision capitalised against fixed assets*	*Closing balance*	*Use of provisions*	*Provision recognised against profit*	*Provision capitalised against fixed assets**	*Closing balance*
Provisions for field abandonment	100,102	5,458	5,552	4,258	104,454	8,498	6,242	(1,012)	101,186
Provisions recognised on pending payable mining royalty**	7,201	2	2,017	-	9,216	0	1,914	-	11,130
Provisions for environmental liabilities***	11,518	1,610	807	-	10,715	1,127	1,459	-	11,047
Provisions for litigation, liabilities	4,843	348	3,964	-	8,459	62	1,510	-	9,907
Provisions for emission rights	6,080	2,605	0	-	3,475	599	0	-	2,876
Provisions for retirement liabilities	2,570	234	378	-	2,714	214	320	-	2,820
Provisions for loyalty bonus	1,951	220	1,164	-	2,895	399	318	-	2,814
Provisions for severance payment and termination of common agreed employment	0	0	0	-	0	0	1,403	-	1,403
Other provisions	3,016	1,246	243	-	2,013	771	221	-	1,463
Total provisions for contingent liabilities:	137,281	11,723	14,125	4,258	143,941	11,670	13,387	(1,012)	144,646

* See Note 3.4.6.

** Due to mining royalty classification change.

*** The environmental expenses recognised were HUF 1,822 million in 2011 and HUF 1,851 million in 2012.

27. Long-term liabilities

Details of long-term liabilities by maturity HUF million

Balance sheet item 2011	*Within a year*	*Long-term*		
		Between one and five years	*Over five years*	*Total*
Liabilities from bond issue	5,051	244,347	233,348	477,695
Liabilities from other long-term loans	71,784	110,263	24,088	134,351
Long-term liabilities to related parties	1	1	0	1
Other long-term liabilities	0	450	19	469
Total:	76,836	355,061	257,455	612,516

HUF million

Balance sheet item 2012	*Within a year*	*Long-term*		
		Between one and five years	*Over five years*	*Total*
Liabilities from bond issue	0	447,935	0	447,935
Liabilities from other long-term loans	29,862	70,282	13,857	84,139
Long-term liabilities to related parties*	0	1	108,808	108,809
Other long-term liabilities	0	302	0	302
Total:	29,862	518,520	122,665	641,185

* The long-term value contains the liability of subsidiary loan received.

The Company does not have any liabilities secured with a mortgage or similar rights.

28. Liabilities, where the repayable amount exceeds the amount received

Description	*Amount received EUR*	*Amount repayable*		*Maturity*
		EUR	HUF million	
Long-term liabilities from bond issue	746,707,500	750,000,000	218,467.5	05.10.2015
Long-term liabilities from bond issue	743,977,500	750,000,000	218,467.5	20.04.2017

Apart from the EUR 750 million Eurobonds with fix 3.875 % interest p.a., issued on 5 October 2005, the Company issued another EUR 750 million Eurobond with 5.875 % fixed interest rate p.a. on 20 April 2010. The bonds are in the denomination of EUR 50,000 each. The notes were offered as part of a private placement in both cases and are listed on the Luxembourg Stock Exchange.

Bonds issued at par value

Description	*Amount received* HUF million	*Amount repayable* HUF million	*Maturity*
Long-term liabilities from bond issue	11,000	11,000	18.04.2014

In the framework of the MOL Bond Scheme 2010-2011, MOL issued bonds of HUF 11,000,000,000 total face value on 18 April 2011. The bonds were listed on Budapest Stock Exchange. The face value of each bond is HUF 10,000, the duration is 3 years and the interest rate is fixed 7 % p.a..

29. Short-term loans, credits

The Company does not have short-term loans in 2012. The value of short-term liabilities from bond issue amounted to HUF 5,051 million in 2011.
The closing balance of short-term credits amounts to HUF 30,241 million as at 31.12.2012 and HUF 71,784 million in the previous year.

30. Breakdown of short-term liabilities to related parties

HUF million

Description	*2011*	*2012*
Liabilities to subsidiaries	115,683	70,566
Suppliers	43,672	36,129
Short-term loans	48,541	30,698
Other liabilities	23,470	3,739
Liabilities to joint ventures	4,274	3,841
Suppliers	4,028	3,841
Other liabilities	246	0
Liabilities to associated companies	5,054	3,920
Suppliers	5,054	3,920
Total:	125,011	78,327

31. Other short-term liabilities

HUF million

Description	*2011*	*2012*
Tax and contribution liabilities	58,233	48,204
Of which: VAT	*34,142*	*33,602*
Excise duty	*16,863*	*12,253*
Energy companies' extra tax	*3,556*	*1,259*
Liabilities to shareholders	45,356	46,316
Of which: Dividend payable	*45,127*	*46,094*

Description	*2011*	*2012*
Liabilities to employees	1,906	2,291
Liabilities from joint operation	964	2,213
Liabilities to the social security system	1,183	1,722
Settlements with Magyar Szénhidrogén Készletező Szövetség	1,030	909
Liabilities from filling station cards and services	682	828
Deposit, forfeit money	274	408
Advances related to the sale of investments	3,300	284
Other other short-term liabilities	979	374
Total:	113,907	57,549

32. Net sales revenues by market segments

HUF million

Market segment, region	*2011*			*2012*		
	Product	*Service*	*Total*	*Product*	*Service*	*Total*
European Union	440,306	12,374	452,680	499,849	3,792	503,641
Other Europe	93,532	512	94,044	101,695	717	102,412
Outside Europe	2,684	673	3,357	2,351	855	3,206
Export total	536,522	13,559	550,081	603,895	5,364	609,259
Total domestic	1,857,989	32,178	1,890,167	1,892,433	27,827	1,920,260
Total	2,394,511	45,737	2,440,248	2,496,328	33,191	2,529,519

33. Net sales revenues by core activities

From the balance of net sales revenue HUF 2,362,016 million, HUF 145,998 million and HUF 21,505 million represents the Refining & Marketing, Exploration and Production and Management Services, respectively. The excise duty amounts to HUF 429,708 million from the sales revenue of Refining & Marketing, Energy.

34. Import purchase by market segment

HUF million

Market segment, region	*2011*			*2012*		
	Product	*Service*	*Total*	*Product*	*Service*	*Total*
European Union	304,490	21,684	326,174	251,788	8,700	260,488
Other Europe	549,453	2,679	552,132	586,642	1,805	588,447
Outside Europe	291,411	1,002	292,413	320,409	1,021	321,430
Total import	1,145,354	25,365	1,170,719	1,158,839	11,526	1,170,365

The table does not contain performed but non-invoiced deliveries.

35. Other operating income and expenses

HUF million

Other operating income	*2011*	*2012*
Provision used	11,723	11,670
Of which: Release of field abandonment provision	*5,458*	*8,498*
Release of environmental provision	*1,610*	*1,127*
Release of CO_2 emission rights provision (surplus emission)	*2,605*	*599*
Reversal of deferred income concerning emission rights received free of charge	6,206	4,152
Surplus inventory	2,997	3,161
Derecognition of impairment on receivables*	79,186	2,691
Reversal of impairment of tangible assets	3,867	1,730
Receivables sold	1,247	1,464
Concession rights sold	0	1,302
Received penalty, fine, default interest and compensation	6,674	1,276
Incomes from the sale of intangibles and property, plant and equipment	243	757
Write off of badwill arisen from acquisitions	2,017	315
Other	625	900
Total other operating income	114,785	29,418

* Derecognition of impairment on loans given to related parties due to repayment amounts to HUF 72,358 million in 2011.

HUF million

Other operating expenses	*2011*	*2012*
Excise duty	321,369	319,169
Tax and duties paid to Government	38,438	43,453
Of which: Energy companies' extra tax	*28,561*	*29,820*
Local business tax	*8,819*	*9,496*
Provisions recognised	13,895	13,387
Of which: Provision recognised for field abandonment	*5,552*	*6,242*
Provisions recognised for litigations	*3,964*	*1,510*
Provision recognised for environmental obligations	*807*	*1,459*
Provision recognised for severance payment and contributions	*0*	*1,403*
Fee to the Magyar Szénhidrogén Készletező Szövetség	13,358	12,392
Impairment*	45,385	9,392
Use of emission rights	6,380	4,349
Recognised impairment	6,306	3,186
Depreciation, scrapping and shortage of stocks	2,144	2,595
Book value of receivables sold	1,239	1,471
Grants and benefits	529	928
Paid penalty, fine, default interest and compensation	769	657

Other operating expenses	*2011*	*2012*
Net book value of intangible assets and property, plant and equipment sold	133	301
Other	811	1,796
Other operating expenses	450,756	413,076

* HUF 41,170 million impairment was recognised on goodwill of IES S.p.A. in 2011.

36. Other financial income and expenses

HUF million

Other financial income	*2011*	*2012*
FX gain on monetary assets and liabilities denominated in foreign currency	222,086	82,549
Of which: Realised FX gain on cash and cash equivalents	*67,464*	*30,982*
Realised FX gain of trade payables denominated in foreign currency	*21,511*	*29,352*
Realised FX gain of loans and borrowings denominated in foreign currency	*25,466*	*10,951*
Realised FX gain of trade receivables denominated in foreign currency	*17,009*	*8,572*
Realised FX gain of other payables denominated in foreign currency	*509*	*1,779*
Realised FX gain of other receivables denominated in foreign currency	*5,591*	*913*
Unrealised FX gain at year-end valuation	*84,536*	*0*
Gain on non-hedge-type derivative transactions	29,595	49,056
FX gain realised on sold treasury shares	13,295	2,567
Loss given to the partner due to joint operation	548	1,105
Other, not specified financial income	1,237	2,121
Total other financial income	266,761	137,398

HUF million

Other financial expenses	*2011*	*2012*
FX loss on monetary assets and liabilities denominated in foreign currency	117,700	154,173
Of which: Realised FX loss on cash and cash equivalents	*47,715*	*40,187*
Realised FX loss on loans and borrowings denominated in foreign currency	*20,060*	*26,856*
Realised FX loss on suppliers denominated in foreign currency	*36,831*	*16,298*
Realised FX loss on trade receivables denominated in foreign currency	*7,933*	*13,363*
Realised FX loss on other receivables denominated in foreign currency	*3,991*	*904*
Realised FX loss on other payables denominated in foreign currency	*1,170*	*349*
Not realised FX gain summarised year-end	*0*	*56,216*
Loss on non-hedge-type derivative transactions	170,760	58,268
Loss taken over due to joint operation	6,940	10,043
Other, not specified financial expenses	2	9
Total other financial expenses	295,402	222,493

37. Extraordinary revenues and expenses

HUF million

Extraordinary revenues	*2011*	*2012*
Extraordinary revenues related to investments	405	1,081
Non-repayable cash received	426	409
Extraordinary revenues from assets received free of charge	43	42
Contribution in kind value determined by the Articles of Association*	141,739	0
Other extraordinary revenues	75	64
Total extraordinary revenues	142,688	1,596

HUF million

Extraordinary expenses	*2011*	*2012*
Released receivables	1,322	2,061
Extraordinary expenses related to investments	368	1,240
Final transfer of cash and cash equivalents	280	648
Book value and non-deductible VAT of assets given free of charge	28	176
Book value of contribution in kind*	121,384	0
Total extraordinary expenses	123,382	4,125

* Items in connection with MOL CIS Ltd., USI Ltd., Greentrade Ltd. and SHM Seven Investments Ltd. in kind contribution.

38. Grant received for development purposes

During the year HUF 16 million has been spent from the grant for development purposes received on the 1st January 2012 which amounted to HUF 22 million. The remaining amount is HUF 6 million.

39. Revenues from related parties

HUF million

Description	*2011*	*2012*
Net revenues from related parties	696,639	785,776
Net revenues from subsidiaries	679,895	779,568
Net revenues from joint ventures	16,087	5,535
Net revenues from associated companies	649	672
Net revenues from other related companies	8	1
Other revenues from related parties	75,736	4,881
Other revenues from subsidiaries	75,677	4,860
Other revenues from joint ventures	59	21
Financial income from related parties	314,991	111,435
Financial income from subsidiaries	283,540	96,915
Financial income from joint ventures	2,000	1,177
Financial income from associated companies	6,582	8,257
Financial income from other related companies	22,869	5,086
Extraordinary income from related parties	142,143	1,081
Extraordinary income from subsidiaries	142,020*	1,000
Extraordinary income from joint ventures	123	81

* Includes the income resulted from in kind contribution of MOL CIS Ltd., USI Ltd., Greentrade Ltd. and SHM Seven Investments Ltd..

40. Permanent establishment abroad

MOL Plc. owns permanent establishment in Slovakia. The name of permanent establishment is MOL Hungarian Oil and Gas Public Limited Company MOL Plc., address: Vlčie hrdlo 1, 82107 Bratislava, Slovak Republic.
MOL concluded an agreement with CM European Power Slovakia s.r.o. for engineering and construction activities; during the implementation in Bratislava the current thermal plant will be modernised and its capacity will be increased. The permanent establishment as a part of MOL Plc. is presented within the Company's balance sheet and income statement. MOL Plc's corporate income tax base has been adjusted with the tax based on the permanent establishment.

The total value of short-term liabilities amounts to HUF 380 million as at 31 December 2012 related to permanent establishment abroad. From this balance the supplier liability is HUF 366 million. Other receivables values at HUF 10 million, which includes the recoverable prepaid profit tax liability.
The net income of 2012 is HUF 366 million, and the payable tax liability after this result is HUF 33 million.

41. Tax liabilities

Corporate tax base

HUF million

Titles	*2011*	*2012*
Profit before taxation	150,715	61,258
Temporary tax base adjustments:		
Not realised FX difference of financial assets not covered by hedges and long-term liabilities	(78,910)	18,618
Tax base adjustment of depreciation	5,975	7,159
Tax base adjustment of impairment and reversal based on market valuation	41,192	6,047
Tax base adjustment of provisions made and used	2,172	1,717
Tax base adjustment of impairment	(76,613)	(1,519)
Other tax base adjustments:		
Accounted amount as decrease of book value of received shares based on beneficiary share swap, derecognition of book value in the current tax year	0	19,672
Tax base adjustments of non-repayable grants and benefits given	839	1,753
Accounted costs and expenses not relating to business activities	1,580	987
Other tax base adjustment	669	261
Tax base adjustment of the sale, contribution in kind, destruction or shortage of intangible assets and property, plant and equipment	(1,677)	61
Realised FX gain on cancelled investment based on beneficiary share swap	(41,807)	0
Non-repayable grants received as revenue	(404)	(355)
50 % of received royalty revenues	(317)	(434)
Development reserve	(500)	(500)
100 % of research and development costs	(1,323)	(1,412)
Deferred loss from previous years	0	(28,133)
Dividend received	(94,322)	(56,791)
Tax base of the permanent establishment	468	(366)
Tax base of interest income abroad	0	0
Tax base	(92,263)	28,023

Variance of the corporate tax

HUF million

Description	*2011*	*2012*	*Change*
Profit before taxation	150,715	61,258	(89,457)
Tax base increasing items	196,258	121,141	(75,117)
Tax base decreasing items	(439,704)	(154,010)	285,694
Tax base of permanent establishment	468	(366)	(834)
Change of tax base	(92,263)	28,023	120,286
Calculated tax	0	5,279	5,279
Tax credit	0	(495)	(495)
Corporate tax	0	4,784	4,784

The tax payable in the P&L of 2012 include HUF 1,161 million temporary surplus tax and HUF 72 million separately paid profit tax apart from the current year corporate tax. The temporary surplus tax was HUF 823 million in 2011.

42. Material errors of the previous years and their impact

HUF million

Balance Sheet	*Original amounts of previous year (2011)*	*Adjustments of current year*			*Adjusted amounts of previous year*
		until 2010	*2011*	*Total*	
		Years			
NON-CURRENT ASSETS	2,165,427	317	(186)	131	2,165,558
Intangible assets	27,456	278	4	282	27,738
Property, plant and equipment	300,240	39	(190)	(151)	300,089
Non-current financial assets	1,837,731	0	0	0	1,837,731
CURRENT ASSETS	980,406	(296)	434	138	980,544
Inventories	194,629	(344)	(49)	(393)	194,236
Receivables	497,493	48	483	531	498,024
Securities	89,095	0	0	0	89,095
Cash and cash equivalents	199,189	0	0	0	199,189
PREPAYMENTS	22,644	0	0	0	22,644
TOTAL ASSETS	3,168,477	21	248	269	3,168,746
SHAREHOLDERS' EQUITY	1,847,096	335	(48)	287	1,847,383
Share capital	104,519	0	0	0	104,519
Share premium	223,866	0	0	0	223,866
Retained earnings	1,306,962	0	0	0	1,306,962
Tied-up reserve	104,387	0	0	0	104,387
Valuation reserve	2,470	0	0	0	2,470
Net income for the period	104,892	335	(48)	287	105,179
PROVISIONS	143,941	0	0	0	143,941

Balance Sheet	*Original amounts of previous year (2011)*	*Adjustments of current year*			*Adjusted amounts of previous year*
		until 2010	*2011*	*Total*	
		Years			
LIABILITIES	1,155,356	(325)	287	(38)	1,155,318
Long-term liabilities	612,516	0	0	0	612,516
Short-term liabilities	542,840	(325)	287	(38)	542,802
ACCRUALS	22,084	11	9	20	22,104
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,168,477	21	248	269	3,168,746

HUF million

Income statement	*Adjustments of current year*		*Total*
	until 2010	*2011*	
	Years		
Net sales revenue	65	125	190
Own performance capitalized	305	0	305
Other income	22	51	73
Material-type expenses	226	283	509
Personnel-type expenses	11	98	109
Depreciation	462	200	662
Other expenses	(113)	(34)	(147)
PROFIT OR LOSS OF OPERATING ACTIVITIES	(194)	(371)	(565)
FINANCIAL PROFIT OR LOSS	(1)	18	17
ORDINARY BUSINESS PROFIT	(195)	(353)	(548)
EXTRAORDINARY PROFIT OR LOSS	0	0	0
PROFIT BEFORE TAXATION	(195)	(353)	(548)
Income tax	(530)	(305)	(835)
PROFIT AFTER TAXATION	335	(48)	287
NET INCOME FOR THE PERIOD	335	(48)	287

43. Employees

HUF million

Staff categories	*2011*			*2012*		
	Average statistical staff (persons)	*Wages and salaries (HUF million)*	*Personnel-type expenses (HUF million)*	*Average statistical staff (persons)*	*Wages and salaries (HUF million)*	*Personnel-type expenses (HUF million)*
Full-time employees	5,333	35,605	5,898	5,378	38,325	5,539
- blue-collar	2,501	10,750	2,399	2,466	11,539	2,138
- white-collar	2,832	24,855	3,499	2,912	26,786	3,401
Other	73	1,450	196	90	1,491	437
Total:	5,406	37,055	6,094	5,468	39,816	5,976

44. Board of Directors, Supervisory Board and top management

Remuneration paid to members of Board of Directors and Supervisory Board

HUF million

Description	*2011*			*2012*		
	Board of Directors	*Supervisory Board*	*Total*	*Board of Directors*	*Supervisory Board*	*Total*
Honorarium	117	83	200	130	92	222

Shares held by the members of the Board of Directors and Supervisory Board

Description	*Number of shares held*	
	2011	*2012*
Board of Directors	239,574	229,443
Supervisory Board	63,300	54,588
Total:	302,874	284,031

Loans given to the members of the Board of Directors and Supervisory Board

MOL Plc. did not provide any loans, advances or guaranties to its responsible executive officers in 2011 and 2012 and has no pension liabilities to its former responsible executive officers either.

45. Commitments and contingent liabilities

Capital and contractual commitments

The total value of capital commitments as of 31 December 2012 was HUF 5,698 million. Capital commitments relate to obligations to purchase of tangible and intangible assets.

Gas Purchases Obligation, Take or Pay Contract

MOL Plc. has concluded a long-term gas purchase contract with MET Zrt. in order to ensure the continuous natural gas supply of the Group's plants. According to the agreement, contracted volumes have been set for each year for the period ending in 2015 but the volumes for the actual period are subject to annual renegotiation with the supplier. The major part of the renegotiated yearly contracted volumes are under take-or-pay commitment (140 mcm as of 31 December 2012).

Operating lease liabilities

At the end of 2012 the operative lease liability of the Company amounts to HUF 23 million. From this amount, the liability within a year amounts to HUF 15 million, while the remaining part is due within 2-5 years.
In 2011, the operative lease liability amounted to HUF 40 million. The total value was divided in the portion of 50-50% between mature within a year and within 2-5 years.

Guarantees

Form of liability	*Currency*	*Amount*
Comfort letter	EUR	3,000,000
Guarantee	USD	158,000,000
Guarantee	EUR	39,494,689
Guarantee	HRK	12,000,000
Guarantee	HUF	1,820,000,000
Parent company guarantee	USD	1,675,509,739
Parent company guarantee	EUR	91,739,115
Parent company guarantee	CZK	940,000,000
Parent company guarantee	RON	41,107,036
Parent company guarantee	PLN	85,000,000

The Company has given comfort letter with guarantees without any limit for MOL Commodity Trading Kft. and Panfora Oil&Gas s.r.l. subsidiaries.

Emission rights (CO_2 allowances) futures

The off balance sheet item liability of emission rights is EUR 716,737 as of 31 December 2012.

46. Effect of fair valuation

Fair valuation differences in assets and liabilities subject to fair valuation

HUF million

Description	*2011 Closing balance*	*Cash flow*		P & L impacts		*Equity impact*	*2012 Closing balance*
		Changes of historical value	*Exercise option*	Revenues from financial transac-tions	Expenses of financial transac-tions		
Option for MOL shares	11,140	1,533	(5,182)	5,182	2,652	0	10,021
Share swap	0	0	0	346	0	0	346
Commodity transaction	626	0	0	0	190	0	436
Non-hedge derivative transactions	11,766	1,533	(5,182)	5,528	2,842	0	10,803
Positive valuation difference of Cash-flow hedges	7,927	0	0	0	0	(719)	7,208
Positive valuation difference of derivative transactions	19,693	1,533	(5,182)	5,528	2,842	(719)	18,011
Liabilities from Swap Agreement	13,668	(7,591)	0	0	12,872	0	18,949
Fair valuation difference of other long-term liabilities	13,668	(7,591)	0	0	12,872	0	18,949
Option for MOL shares	63,984	(17,359)	14,012	34,202	30,551	0	28,962
Share swap	4,585	0	0	4,585	0	0	0
Commodity transaction	280	0	0	0	82	0	362
Non-hedge derivative transactions	68,849	(17,359)	14,012	38,787	30,633	0	29,324
Negative valuation difference of Cash-flow hedges	5,457	0	0	0	0	(1,387)	4,070
Negative valuation difference of derivative transactions	87,974	(24,950)	14,012	38,787	43,505	(1,387)	52,343

Financial instruments subject to fair valuation

HUF million

Description	*Purchase value*	*Valuation difference*	*Fair value*
Option for MOL shares	146,761	(136,740)	10,021
Share swap	0	346	346
Commodity transaction	0	436	436
Non-hedge derivative transactions	146,761	(135,958)	10,803
Positive valuation difference of Cash-flow hedges	0	7,208	7,208
Positive valuation difference of derivative transactions	146,761	(128,750)	18,011
Liabilities from Swap Agreement	(11,517)	30,466	18,949
Other long-term liabilities	(11,517)	30,466	18,949
Option for MOL shares	0	28,962	28,962
Commodity transaction	0	362	362
Non-hedge derivative transactions	0	29,324	29,324
Negative valuation difference of Cash-flow hedges	0	4,070	4,070
Negative valuation difference of derivative transactions	(11,517)	63,860	52,343

Open derivatives on the balance sheet date

HUF million

Description	*Subject of transaction*	*Transaction value /volume*	*Result not settled**	*Expected effect on cash flow*
Option for MOL shares	Call and put option to MOL shares	16,458,338 pc	(20,971)	(168,915)
Share swap	MOL share swap	5,010,501 pc	4,932	0
Liability from Swap Agreement		-	(12,872)	0
Commodity transaction	Commodity price hedging	-	(272)	0
Non-hedge derivative transactions		-	(29,183)	(168,915)
Total derivative transactions		-	(29,183)	(168,915)

Effectiveness of hedges

HUF million

Description	*Hedging effectivenesy (%)*	*Amount*	
		P & L	Equity
Cash-flow hedges	100	1,188	3,138

Derivative transactions closed in the current year

HUF million

Description	*Subject of transaction*	*Current year*		*Total effect on profit*	*Effect on cash flow*
		Results settled financially	*Results not settled financially**		
Option for MOL share	Call and put option to MOL shares	12,578	0	12,578	5,182
Option for MOL share	Call and put option to MOL shares	14,573	0	14,573	(14,012)
FX transactions	Exchange rate hedging	0	0	0	0
Commodity transaction	Commodity price risk hedge	6,024	(301)	5,723	5,723
Non-hedge derivative transactions		33,175	(301)	32,874	(3,107)
Total derivative transactions		33,175	(301)	32,874	(3,107)

* Result not settled financially includes result of deals which are closed until the balance sheet preparation date but the financial settlement will be after that date. Corresponding receivables and liabilities are presented within the other receivables and other short-term liabilities.

Profit effect of derivative transactions in the current year

HUF million

Description	*Results settled in the current year*	*Result not settled*	*Total profit effect*
Open derivative transactions	0	(29,183)	(29,183)
Closed derivative transactions	33,175	(301)	32,874
Total	33,175	(29,484)	3,691
Of which: Other financial income			*49,056*
Other financial expense			*(45,365)*

47. MOL Plc.'s securities offered as security deposit on 31 December 2012

On 31 December 2012, MOL Plc. did not have any shares placed as a security deposit.

48. Events after the preparation of balance sheet

The option rights regarding 3,561,053 pieces of MOL Series “A” Ordinary shares (“Shares”) under the share option agreement concluded between UniCredit Bank AG (UniCredit) and MOL on 7 February 2012, were cash settled in respect of all the Shares on 13 February 2013.

MOL and UniCredit concluded a share purchase agreement in respect of 519,443 Shares and share option agreements in respect of 4,080,496 Shares. As a result of these transactions, MOL receives American call options and UniCredit receives European put options regarding 4,080,496 number of Shares on 13 February 2013. The maturity of both the call and the put options is 1 year, such maturity being subject to yearly extensions with one year, up to a total tenor of 3 years. The strike price of both the call and put options is EUR 61.26705 per on Share.

49. Licensed electricity trading activity (not audited)

In order to achieve the Company's aims, MOL Plc. has started electricity trading activity and connected services on 1 March 2011 in line with legal environment. The Company mainly concentrates on fulfilling the electrical energy requirements of MOL-group utilizing the synergies of purchases and other electricity trading activities.

The electricity trading activity of MOL Plc. is in effect under Act LXXXVI of 2007 on Electricity (hereafter "Vet."). On the basis of Vet., the Company is classified as horizontally integrated electricity enterprise, therefore is obliged to present the licensed activity in the Supplementary Notes as an independent activity.

The presentation of the equity and financial position of the licensed electricity trading activity based on the company's internal regulation prepared as "Regulation on Accounting Separation of Electricity Trading Activity". The separation methodology of MOL Plc.'s licensed activity conforms with law and legal rules, as well as the accounting rules and controlling principles of the Company.

The licensed activity reports include the Balance Sheet ("A" version) and Profit and Loss account with total cost method ("A" version) as presented in appendix of theAccounting Act.
The year-ended Annual Report is prepared on the basis of actual data (actual naturals, actual comparison basis).

Principles of activity separation based on law:
- principle of completeness
- principle of transparency and simplicity principle
- principle of going constancy
- principle of continuity
- principle of consistency
- principle of matching
- principle of cost-benefit

The activity separation based on artificial separation method does not provide a totally balanced Balance Sheet. That is the reason why the required balance between assets and liabilities prescribed by accounting law provided by a technical balancing line on the liability side of Balance Sheet.

Principles of activity separation on the basis of business rationality
- The purchased and consumed electrical energy are presented in the Profit and Loss account among incomes and expenditures as purchased for trading, or rather sold to third parties by the Company.
- The services used at MOL Plc. are presented as services provided by third parties and these internal transfer accounts are recorded in the appropriate P&L lines, The amounts recorded in the proper P&L account equals the value of recorded internal performance accounted in the internal accounting system of MOL Plc..

The Company prepares the activity separation annually for the whole reporting period. The itemised revision and the separation of expenditures and assets are not prepared on monthly basis.

Method of separation:
The regulation of separation and the method are established by principles mentioned below. During the elaboration of detailed separation rules, the possibilities of the applied accounting system (SAP) in MOL Plc. and the principle of cost-benefit were taken into account.

1. Directly related Cost centres/Profit centres of the licensed electricity trading activity
   Cost centres/Profit centres related directly to the licensed activity shall be recorded directly. In the course of separation the main goal is to account the significant part of assets, liabilities, incomes and costs/expenditures reported directly as licensed activity. The direct items shall be maximised with proper assignment of costs object and the indirect ones shall be minimised.

2. Indirectly related Cost centres/Profit centres of the licensed electricity trading activity

Separation of indirect items is prepared by appropriate determined comparison method. Assets, liabilities, incomes and costs, expenditures not related directly to the licensed activity shall be separated on the basis of appropriate determined comparison method or itemised examination. If the internal service item is appropriate to licensed activity in connection of items separable, the procedure of that shall be applied.

3. Non-related Cost centres/Profit centres of the licensed electricity trading activity

Based on the activity and organisation structure of the Company, there are some assets, liabilities, incomes and costs, expenditures not related to the licensed activity at all. These shall be left out of consideration during the separation process.

Licensed electricity trading activity (not audited)

Balance Sheet, asset side

data in HUF million

Code	*Description*	*01.03.2011 – 31.12.2011*	*2012*
A.	NON-CURRENT ASSETS	67	9
I.	INTANGIBLE ASSETS	11	0
1.	Capitalised cost of foundation and restructuring	0	0
2.	Capitalised research and development cost	0	0
3.	Property rights	11	0
4.	Intellectual property	0	0
5.	Goodwill	0	0
6.	Advances on intellectual property	0	0
7.	Revaluation of intangible assets	0	0
II.	PROPERTY, PLANT AND EQUIPMENT	5	9
1.	Land and building and related property rights	0	0
2.	Plant, machinery and vehicles	0	0
3.	Other equipment, fixtures and vehicles	0	0
4.	Livestock	0	0
5.	Assets under construction	5	9
6.	Advances on assets under construction	0	0
7.	Revaluation of property, plant and equipment	0	0
III.	NON-CURRENT FINANCIAL INVESTMENTS	51	0
1.	Long-term investments	51	0
2.	Long-term loans to related parties	0	0
3.	Other long-term investments	0	0
4.	Long-term loans to other investments	0	0
5.	Other long-term loans	0	0
6.	Long-term debt securities	0	0
7.	Revaluation of financial investments	0	0
8.	Fair valuation difference of financial investments	0	0

Licensed electricity trading activity (not audited)

Balance Sheet, asset side

data in HUF million

Code	*Description*	*01.03.2011 – 31.12.2011*	*2012*
B.	CURRENT ASSETS	3,830	3,172
I.	INVENTORIES	0	0
1.	Raw materials and consumables	0	0
2.	Unfinished production and semi-finished products	0	0
3.	Grown, fattened and other livestock	0	0
4.	Finished products	0	0
5.	Merchandises	0	0
6.	Advances on stocks	0	0
II.	RECEIVABLES	3,663	3,172
1.	Receivables from the supply of goods and services (customers)	2	71
2.	Receivables from related parties	2,892	934
3.	Receivables from other investments	0	0
4.	Receivables from bills of exchange	0	0
5.	Other receivables	769	2,167
6.	Fair valuation difference of receivables	0	0
7.	Positive valuation difference of derivative transactions	0	0
III.	SECURITIES	0	0
1.	Investments in related parties	0	0
2.	Other investments	0	0
3.	Treasury shares	0	0
4.	Debt securities for trading purposes	0	0
5.	Fair valuation difference of securities	0	0
IV.	CASH AND CASH EQUIVALENTS	167	0
1.	Cash and cheques	0	0
2.	Bank accounts	167	0
C.	PREPAYMENTS	0	0
1.	Accrued income	0	0
2.	Prepaid cost and expenses	0	0
3.	Deferred expenses	0	0
TOTAL ASSETS		3,897	3,181

Licensed electricity trading activity (not audited)

Balance Sheet, liability side

data in HUF million

Code	*Description*	*01.03.2011 – 31.12.2011*	*2012*
D.	SHAREHOLDERS' EQUITY	839	34
I.	SHARE CAPITAL	57	3
II.	Of which: treasury shares at nominal value	0	0
III.	REGISTERED BUT UNPAID CAPITAL (-)	0	6
IV.	SHARE PREMIUM	86	393
V.	RETAINED EARNINGS	0	3
VI.	TIED-UP RESERVE	0	0
1.	VALUATION RESERVE	0	0
2.	Revaluation adjustment reserve	0	0
VII.	Fair valuation reserve	393	164
VIII.	NET INCOME FOR THE PERIOD	303	(535)
E.	PROVISIONS	0	0
1.	Provisions for expected liabilities	0	0
2.	Provisions for future expenses	0	0
3.	Other provisions	0	0
F.	LIABILITIES	2,993	2,954
I.	SUBORDINATED LIABILITIES	0	0
1.	Subordinated liabilities to related parties	0	0
2.	Subordinated liabilities to other investment	0	0
3.	Subordinated liabilities to third parties	0	0
II.	LONG-TERM LIABILITIES	0	0
1.	Long-term loans	0	0
2.	Convertible bonds	0	0
3.	Liability from bond issue	0	0
4.	Liabilities from capital investment and development loans	0	0
5.	Liabilities from other long-term loans	0	0
6.	Long-term liabilities to related parties	0	0
7.	Long-term liabilities to other investments	0	0
8.	Other long-term liabilities	0	0

Licensed electricity trading activity (not audited)

Balance Sheet, liability side

data in HUF million

Code	*Description*	*01.03.2011 – 31.12.2011*	*2012*
III.	SHORT-TERM LIABILITIES	2,993	2,954
1.	Short-term borrowings	0	0
	Of which: convertible bonds	0	0
2.	Short-term loans	0	0
3.	Advances from customers	0	0
4.	Liabilities from the supply of goods and services (suppliers)	2,236	2,484
5.	Bills of exchange	0	0
6.	Short-term liabilities to related parties	274	30
7.	Short-term liabilities to other investments	0	0
8.	Other short-term liabilities	483	440
9.	Fair valuation difference of liabilities	0	0
10.	Negative valuation difference of derivative transactions	0	0
G.	ACCRUALS	65	193
1.	Deferred revenues	0	0
2.	Accrued cost and expenses	65	193
3.	Other deferred income	0	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,897	3,181

Licensed electricity trading activity (not audited)

Profit and Loss Account

data in HUF million

Code	*Description*	*01.03.2011 – 31.12.2011*	*2012*
01.	Net domestic sales revenue	23,102	25,947
02.	Net export sales revenue	0	0
I.	NET SALES REVENUES	23,102	25,947
03.	Changes in own produced inventory	0	0
04.	Work performed by the enterprise and capitalised	0	0
II.	CAPITALISED OWN PERFORMANCE	0	0
III.	OTHER OPERATING INCOME	25	11
	of which: reversed impairment	0	0
05.	Raw material costs	31	15
06.	Value of services used	43	54
07.	Other services	5	16
08.	Cost of goods sold	22,177	25,360
09.	Value of services sold (intermediated)	0	0
IV.	MATERIAL EXPENSES	22,256	25,445
10.	Wages and salaries	48	50
11.	Other personnel expenses	4	3
12.	Tax and contributions	14	15
V.	PERSONNEL EXPENSES	66	68
VI.	DEPRECIATION	3	4
VII.	OTHER OPERATING EXPENSES	339	387
	of which: impairment	0	0
A.	PROFIT OR LOSS FROM OPERATING ACTIVITIES	463	54

Licensed electricity trading activity (not audited)

Profit and Loss Account

data in HUF million

Code	*Description*	*01.03.2011 – 31.12.2011*	*2012*
13.	Received (due) dividend	0	0
	of which: received from related parties	0	0
14.	Gain from the sale of investments	0	0
	of which: received from related parties	0	0
15.	Interest and exchange rate gains on financial investments	0	0
	of which: received from related parties	0	0
16.	Other received (due) interest and interest-type revenues	52	26
	of which: received from related parties	0	0
17.	Other revenues of financial transactions	734	595
	of which: fair valuation difference	0	0
VIII.	TOTAL FINANCIAL INCOME	786	621
18.	Exchange rate loss on financial investments	0	0
	of which: to related parties	0	0
19.	Interest and interest-type expenses	233	40
	of which: to related parties	0	0
20.	Impairment on investments, securities, bank deposits	0	0
21.	Other financial expenses	464	406
	of which: fair valuation difference	0	0
IX.	TOTAL FINANCIAL EXPENSES	697	446
B.	FINANCIAL PROFIT OR LOSS	89	175
C.	ORDINARY BUSINESS PROFIT	552	229
X.	Extraordinary revenues	0	0
XI.	Extraordinary expenses	13	4
D.	EXTRAORDINARY PROFIT OR LOSS	(13)	(4)
E.	PROFIT BEFORE TAXATION	539	225
XII.	Income tax	146	61
F.	PROFIT AFTER TAXATION	393	164
22.	Use of retained earnings for dividend	0	0
23.	Approved dividend and profit share	0	0
G.	NET INCOME FOR THE PERIOD	393	164

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF 2012 RESULTS

In 2012, MOL Group generated a clean CCS-based EBITDA of HUF 573bn, down by only 7%, despite the fact that whereas Syrian production contributed HUF 75bn to results in 2011, there was no contribution in 2012. Key drivers of Divisional performances were (1) lack of any Syrian contribution in 2012 partly offset by higher average realised price in Upstream, (2) a better crack spread environment and efficiency improvement efforts in Downstream, (3) increased gas trading losses in Croatia in Gas Midstream. Group EBITDA, excluding special items, fell by 9% YoY partly driven by lower inventories and FX gains in Downstream. The Group generated HUF 454bn operating cash flow, a 22% increase YoY, hence our net gearing dropped to 25% from 28% compared to year-end 2011.

- **Upstream:** EBITDA before special items fell by 14% YoY to HUF 417bn in 2012. Benefits from a 4% YoY increase in the average realised price and a stronger USD (by 12% and 9% against the HUF and HRK, respectively) were more than offset by the following negative factors. Firstly, the Group has not received any revenues from Syria since October 2011; excluding the Syrian contribution of HUF 75 bn in 2011, EBITDA before special items slightly increased in 2012. Secondly, production excluding the Syrian contribution fell 9% YoY to 115 mboepd, driven by the natural depletion of mature CEE and Russian fields as well as the encroachment of water in Croatian offshore fields. Thirdly, EBITDA was adversely affected by the new residential gas price regulation in Hungary.
- **Downstream:** The clean CCS-based EBITDA of Refining & Marketing amounted to HUF 168bn, the highest since 2008 and more than twice that of 2011. Our performance benefited from a favourable crack spread environment, especially for gasoline, a stronger US dollar, the Group's improving product slate moving towards white products and the Group's efficiency improvement efforts in the New Downstream ProgramProgram which delivered USD 150mn in savings compared with the prior period. At the same time, the Brent-Urals differential tightened YoY, demand for motor fuels and petrochemicals products fell further in our core regions and maintenance activities were more intensive than a year ago. Downstream EBITDA, including inventory and FX effects, rose to HUF 169bn, up 42% YoY, despite a HUF 20bn fall in Petrochemicals results.
- **Gas Midstream:** EBITDA, excluding special items, decreased by 32% YoY to HUF 58bn in 2012. Prirodni Plin in Croatia, INA's gas trading arm had a negative impact on the Division's results with a HUF 38bn operating loss due to rising import prices and a regulated price cap for certain customer groups.
- **Net financial expenses** were HUF 47bn in 2012, representing mainly net interest expenses. In 2012, a HUF 43bn foreign exchange gain on bank loans, designated as net investment hedging instruments, was accounted for as translation reserve, within equity.
- **CAPEX spending** increased by 5% to HUF 289bn in 2012. Investments focused on the Kurdistan Region of Iraq, the CEE region and Russia in Upstream and maintenance-related expenditure in Downstream. It also comprises the acquisition costs of new exploration licences in Kazakhstan and Oman and of the Pap Oil retail network in the Czech Republic.
- **Operating cash flow** increased by 22% YoY and amounted to HUF 454bn, partly driven by a lower working capital outflow of HUF 35bn versus HUF 182bn in 2011. Operating cash flow before changes in working capital decreased by 9% to HUF 551bn mainly due to lack of cash inflow from Syria.
- **Net debt** decreased to HUF 743bn in 2012 from HUF 871bn in 2011, driven by the stronger Hungarian forint and MOL Group cash flow generation. The net gearing ratio stood at 24.8% as of 31st December 2012, versus 28.0% at the end of 2011.

Key financial data by business segment

Net sales revenues	2012 (HUF mn)	2011 (HUF mn)	2012 (USD mn)[5]	2011 (USD mn)[5]
Upstream	779,080	795,305	3,456	3,959
Downstream	4,811,224	4,564,311	21,345	22,719
Gas Midstream	462,924	430,184	2,054	2,141
Corporate and other	158,535	164,998	703	821
Total	**6,211,763**	**5,954,798**	**27,558**	**29,640**

Net external sales revenues [1]	2012 (HUF mn)	2011 (HUF mn)	2012 (USD mn)[5]	2011 (USD mn)[5]
Upstream	270,104	358,800	1,198	1,786
Downstream	4,793,031	4,547,765	21,264	22,637
Gas Midstream	422,590	397,715	1,875	1,979
Corporate and other	36,591	38,954	162	194
Total	**5,522,316**	**5,343,234**	**24,449**	**26,596**

EBITDA	2012 (HUF mn)	2011 (HUF mn)	2012 (USD mn)[5]	2011 (USD mn)[5]
Upstream	402,381	475,893	1,786	2,369
Downstream	140,019	85,789	621	427
Gas Midstream	58,072	81,844	258	407
Corporate and other	(41,480)	(26,772)	(184)	(133)
Inter-segment transfers [2]	(19,005)	(13,732)	(84)	(68)
Total	**539,987**	**603,022**	**2,397**	**3,002**

EBITDA excl. special items [3]	2012 (HUF mn)	2011 (HUF mn)	2012 (USD mn)[5]	2011 (USD mn)[5]
Upstream	417,421	483,624	1,852	2,407
Downstream	168,948	118,670	750	591
Clean CCS-based R&M EBITDA [3,4]	167,625	81,535	744	406
Gas Midstream	58,367	85,992	259	428
Corporate and other	(38,523)	(29,462)	(171)	(147)
Inter-segment transfers [2]	(19,005)	(13,732)	(84)	(68)
Total	**587,208**	**645,092**	**2,606**	**3,211**
Clean CCS-based EBITDA [3,4]	**573,308**	**615,092**	**2,545**	**3,063**

Operating profits	2012 (HUF mn)	2011 (HUF mn)	2012 (USD mn)[5]	2011 (USD mn)[5]
Upstream	255,748	321,639	1,135	1,601
Downstream	2,315	(74,230)	10	(369)
Gas Midstream	35,760	61,905	159	308
Corporate and other	(56,517)	(44,510)	(251)	(222)
Inter-segment transfers [2]	(16,885)	(11,622)	(75)	(58)
Total	**220,421**	**253,182**	**978**	**1,260**

Operating profits excl. special items [3]	2012 (HUF mn)	2011 (HUF mn)	2012 (USD mn)[5]	2011 (USD mn)[5]
Upstream	281,704	330,140	1,250	1,643
Downstream	37,855	(463)	168	(2)
Gas Midstream	36,055	66,053	160	329
Corporate and other	(53,560)	(47,200)	(238)	(235)
Inter-segment transfers [2]	(16,885)	(11,622)	(75)	(58)
Total	**285,169**	**336,908**	**1,265**	**1,677**

Notes and special items listed in Appendix I and II.

OUTLOOK ON THE STRATEGIC HORIZON

MOL was able to counterbalance the lack of Syrian revenues by showing its strength and diversified profile

In 2012, in line with previous years' trends, around half of MOL Group's earnings came from outside Hungary. We expect this tendency to continue in the coming years. The Upstream Division's contribution has grown significantly over the last few years and delivered roughly ⅔ of Group EBITDA in 2012. However, our main success was that we were able to counterbalance the lack of Syrian revenues in the P&L to a significant extent which clearly shows the strength and diversified profile of our Group.

We are going to derisk our 1.6 Bboe resource potential, including 725 MMboe from Kurdistan

In Upstream, the major task over the coming years will be to derisk our current 1.6 Bboe recoverable resource potential. The main focus will be on the Kurdistan Region of Iraq where we have already achieved three discoveries. As a result of our intensive exploration and appraisal programs, carried out together with our partners, we expect reserve bookings from Shaikan and Akri-Bijeel blocks in 2013 and 2014, respectively. Moreover, the fast track development program in the Shaikan field will deliver the first visible barrels from the region which may not only stabilise Group-level production but support unit profitability as well.

Beyond that, derisking our new core country Kazakhstan and mitigating a natural CEE production decline will be our main focus

Beyond that, there will be more and more emphasis on our new core country, Kazakhstan, where we further increased our presence in 2012. We have acknowledged recoverable resource potential of 135 MMboe which is planned to be derisked in 2013 and 2014. Barrels from Kazakhstan should be one of the main pillars of our midterm production growth. In the CEE, our mission has remained unchanged; our aim is to mitigate the natural decline rate of below 5% by maximising recovery rates and continuing exploration of remaining CEE upside.

In Upstream, 170-180 mboepd production is targeted by 2017-2020

Due to previous years' exploration successes, our hydrocarbon resource potential could well be a solid basis to reach our strategic target of a 100% reserve replacement ratio in 3 years, on average. We expect Group-level production to achieve 170-180 mboepd by 2017-2020 with relatively stable unit profitability.

Our New Downstream Program is to deliver USD 500-550mn in efficiency improvements by 2014, compared to the 2011 base year

In our Downstream business, the main focus remained on efficiency improvements, especially considering that a very challenging environment is also expected for the coming years. The New Downstream ProgramProgram was launched in 2012 and is now in full swing. USD 150mn in efficiency improvements were delivered in 2012 compared to the 2011 base year. The goal for 2013 is to achieve a further USD 250mn in improvements while the ultimate goal is to deliver USD 500-550mn in cost savings and revenue increases compared to the base period. As part of the program, the entire value chain is being reviewed. However, the main focus on key cost elements aimed at significant operating cost reduction. Beyond that, management continues to evaluate all possible options for profitable operations of small, less efficient assets.

More emphasis on Retail and Logistics due to a changed market situation

Another key area for focus is how to cope with the difficult situation of shrinking demand. In such a difficult business environment, the importance of the captive market concept has increased all the more. This is especially true in the gasoline market. Here we aim to expand our retail network in the region further and rationalise and then increase our Retail portfolio. The focus is on areas which provide captive markets, good profitability and growth opportunities. Finally, we are committed to continuing the refinery modernisation program in Rijeka, Croatia. Final investment decision is expected after the basic design of the unit is completed.

CAPEX should be financed from operating cash-flow in a flexible way; USD 1.5 bn in 2013

In principle, all our organic CAPEX spending should be fully covered by operating cash flow. While in 2013 our organic CAPEX program requires USD 1.5bn in the mid-term, we are maintaining our up to USD 2 bn per annum guideline. More than 50% is allocated to Upstream, 28% to Downstream, 3% to Gas and the remainder serves as a contingency fund. On the other hand, MOL continuously monitors both growth opportunities and the external environment so as to be able to react in a flexible way in CAPEX spending.

M&A: Active portfolio management has priority in Upstream

As far as our M&A activities are concerned, we are open to adding new elements to our Upstream portfolio just as we did in Russia, Oman, Kazakhstan and Egypt in 2012. We prefer entering projects in their early, exploration phases, where most of the value is created. It should be noted, however, that in all cases, balance between cash-in and cash-out cycles should be approximately balanced so as to be active in farm-outs as well to optimise our financing and risk profile. In Downstream, in line with the above-mentioned captive market strategy, we are further extending our Retail network.

UPSTREAM OVERVIEW

Highlights

- EBITDA, excluding special items, reached HUF 417bn, below 2011 results due to lack of a Syrian contribution, worth HUF 75bn in 2011.
- The Group's total SPE 2P reserves stood at 647 MMboe as of 31st December 2012.
- Current best estimates of unrisked recoverable resource potential is 1.6 Bboe (on a working interest basis) from 11 countries, which will be derisked in the coming years (725 MMboe in the Kurdistan Region of Iraq, 135 MMboe in Kazakhstan).
- In 2013, we are expecting around 110 mboepd hydrocarbon production, without any Syrian contribution.
- As a result of successful Kurdistani activities, the first barrels from the region will contribute to production in 2013.
- More emphasis will be given to active portfolio management.
- 2013 accomplishments will provide a solid basis for reaching our strategic target of 170 – 180 mboepd production.

Overview of 2012

Upstream remained the main driver of EBITDA in 2012

EBITDA, excluding special items, decreased compared to the base period. The main reason behind the drop was the lack of Syrian revenues since October 2011. INA ceased operations, declaring 'force majeure' on February 26th, 2012. Beyond that, Group performance was negatively affected by lower production, mainly in the CEE region, which was partially offset by the positive effects of:

- higher crude oil sales to the Sisak refinery in current period since:

- o there were no sales during Q3 2011 due to a fire at the refinery
  - o at the beginning of 2012, stocks accumulated during the previous year's refinery shutdown were sold
- increased average realized hydrocarbon price
- favourable changes in FX rates

Excluding the Syrian contribution (HUF 75bn) in 2011, EBITDA, excluding special items, slightly increased in 2012.

EBITDA deteriorated by HUF 15bn in special items, the majority of which related to an additional payment for the Angolan concessions and a provision for project abandonment in Iran. (See Appendix I.)

Daily production levels decreased mostly due to the Syrian 'force majeure' pullout...

... depletion of mature CEE and Russian fields & water cut on Croatian offshore fields

Average daily hydrocarbon production decreased compared with 2011, mostly due to the Syrian 'force majeure' since volumes were recognised only up to the date of the 'force majeure' announcement on 26th February 2012. **Average daily hydrocarbon production, excluding the Syrian contribution, was 115 mboepd**, a 9% decrease compared to the same period in 2011. One of the main reasons behind this drop was a natural decline, water cuts at the Adriatic offshore gasand further decreases in Croatian condensate production due to abandoned C2+ production. In addition, CAPEX delays in the Russian ZMB field and a natural decline in Hungarian oil production both had negative impacts on production.

The average realized price increased, mainly in line with higher gas prices in international operations.

Hydrocarbon Production (mboepd)	FY 2011	FY 2012	Ch. %
Crude oil production	**46.4**	**42.8**	**(8)**
Hungary	12.4	12.2	(1)
Croatia	9.1	8.8	(3)
Russia	18.7	17.5	(6)
Syria	2.8	0.1	(96)
Other International	3.4	4.2	23
Natural gas production	**85.6**	**66.7**	**(22)**
Hungary	31.6	29.0	(8)
Croatia	35.7	30.7	(14)
ow. Croatia offshore	21.8	15.8	(28)
Syria	13.5	2.3	(83)
Other International	4.8	4.7	(3)
Condensate	**15.4**	**9.0**	**(42)**
Hungary	4.8	5.1	5
Croatia	6.0	2.5	(57)
Syria	4.0	0.7	(82)
Other International	0.7	0.7	0
Average daily hydrocarbon production	**147.4**	**118.5**	**(20)**

Main reasons behind production changes:

- **Hungarian hydrocarbon production decreased** as a consequence of natural depletion. In 2012, the company fully completed an oil production optimisation project in Algyő to further increase oil recovery. Intensive field development was carried out in the southern part of Békés county, putting new gas wells into production which partly compensated for decreasing production.
- **In 2012, total Croatian production decreased** by 8.8 mboepd or 17% versus prior year. The major part came from offshore gas (-6.0 mboepd or 28 %) as a result of natural decline, water cut and decreased INA

share due to the start of recording decommissioning costs, maintenance work on the Aiza Laura Contract Area (INAgip) and the postponed start-up of the Izabela field (EdINA) which therefore could not compensate for the natural decline. Onshore condensate production also decreased due to natural decline and changed presentation methodology i.e. exclusion of C2+ from condensate starting from 2012 related to a modified production process due to discontinued ethane production and showing NGL within onshore gas production. A slight decrease was also experienced in onshore oil, due to natural decline.

- **Russia**:
  i.) In the Zapadno-Malobalik (ZMB) field, MOL Group's share of production amounted to 7.9 mboepd in 2012. The Central Processing Station was upgraded, while water injection pipelines were built or re-constructed. In accordance with government regulations, associated gas utilisation exceeded 95% at the end of the year.
  ii.) In the Matjushkinsky Block production increased to 4.2 mboepd, a 26% rise compared to 2011. This was mainly a consequence of development activities in the Severo-Ledovoye and Kvartovoye fields. The drilling program continued in the Severo-Ledovoye field and 16 wells were completed in 2012. A drilling program started in the Kvartovoye field in April 2012; 9 producing wells were drilled by the end of 2012 in total. Among other field development activities, the construction of an oil transmission pipeline 40km long was finished in the Severo-Ledovoye field,
  iii.) Production reached 5.5 mboepd in the **Baitugan field**, an increase of 14% compared to 2011. In 2012, 34 oil producing wells were drilled in total and 2 producing wells were converted to water injection wells. Installation of water injection centres at the Central Processing Facility was completed in 2012.
- In **Syria** the Company encountered significant obstacles in the collection of receivables from its Syrian partner for its share of hydrocarbon production in Q4 2011; there was no significant payment after October 2011. On 26th February, 2012, INA delivered the 'force majeure' notice to the General Petroleum Company of Syria in relation to the Production Sharing Agreement for the Hayan Block signed in 1998 and the Production Sharing Agreement for the Aphamia Block signed in 2004. Thus after 26th February, 2012, no further production was accounted for. Neither INA nor MOL Group expects to receive any revenues or to realise their production share in Syria until the termination of the 'force majeure'. INA still maintains its economic interest and the 'force majeure' does not mean that the project is terminated.
- In Q4 2012, in **Pakistan's Tal Block**, we started drilling a new development well (Manzalai-10) and the tie-in of Manzalai-9 to a Central Processing Facility was finished. Augmentation of the Makori Early Production Facility was finished in December and the Makori East-2 well also started to produce gas and condensate in the same month. Makori Gas Processing Facility construction started in 2012 and hand-over is expected to take place by the end of 2013. In the Karak Block, test production from the Halini-1 well has been ongoing since January. The plan is to increase the production rate through new facilities from March 2013.

Expenditures

Upstream expenditures, excluding special items, increased by HUF 22bn to HUF 501bn compared with 2011. Royalties paid on Upstream production, including export duties connected to Russian sales, amounted to HUF 163bn, a decrease of 3% due to lower production and the impact of lower regulated gas prices. This was partly offset by unfavourable changes in the USD/HUF exchange rate. In addition, expenditures grew further due to higher energy, material, purchased product and exploration costs. **Unit OPEX, excluding DD&A,** amounted to USD 7.3/boe in 2012.

Exploration activities in 2012

Outstanding exploration drilling success maintained, reaching 64% in 2012

Our intensive exploration activities delivered successes in the Kurdistan Region of Iraq, Kazakhstan, Pakistan and in the CEE region . During 2012, 25 exploration wells were tested out of which 16 were successful. 13 additional wells were under or waiting for testing, while 5 wells were under drilling at the end of the period**. As in previous years, we maintained our outstanding exploration drilling success rate which reached 64% in 2012.**

Status of exploration and appraisal wells:

Exploration and appraisal wells	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Progress	Comment / Test result
KURDISTAN REGION OF IRAQ						
Bijell-3 (Aqra-1)					tested	Drilling started on 17 January 2012, final depth reached was 4,980m in August. Testing was finished and well was classified as unsuccessful in December 2012.
Bakrman-1					under testing	Bakrman-1 well was spud on 7th of May 2012, final depth reached in December was 3,930m. The Second Open Hole test of Bakrman exploration well resulted 2,616 bbl oil (32-35°API) and 5.86 MMscfd (1,070 boepd) gas inflows.
Gulak-1					under testing	Gulak-1 well was spud on 15 July 2012, final depth reached was 3,640m in November 2012. The test program was finished. Due to the limited volume of oil shows resulted by the DST #4, the well will be suspended.
Bijell-7 (Sharfuna-1)					under drilling	Well was spud on 19th of December 2012. B-7 depths was 353m at the end of the December.
Shaikan-4					tested	Five out of the seven tests produced hydrocarbon inflow: Triassic Kurra Chine formation from intervall 3,010-3,030m yielded condensate 5,086 bcpd and gas 7,151 mscfd. Jurassic Sargelu formation from zones 1,370-1,390 and 1,450-1,460m had inflow oil 4,580 bpd and 1,050 mscfd gas).
Shaikan-5					tested	Drilling started on 28 October 2011, drilling finished in June 2012 at 3,745m. Well test was finished and the well has been completed as a Jurassic producer with 3,420 boepd heavy oil inflow.
Shaikan-6					tested	Drilling started in December 2011, final depth reached was 3,545m in May 2012. Suspended, pending further evaluation.
PAKISTAN						
Makori East-2					tested	Drilling started on 5 July 2011, finished on 15 March 2012. Well test was finished by end May 2012. The well proved to be a gas and oil producer from multiple reservoirs. It was tied to Makori EPFand started producing on 20 December, 2012. Production at 48/64" choke 23.5 mmcfd gas and 5,045 bblpd condensate, FWHP 3,949 psi.
Mami Khel-2					tested	Drilling started in 11 June and finished by end of August 2012. The well proved to be a gas and condensate producer from multiple reservoirs.Completion of the well was finished by the end October 2012.Tie-in works to CPF are in progress. Production at 48/64" choke 39.3 mmcfd gas and 1,854 bblpd condensate, FWHP 3,379 psi.
Maramzai-2					tested	Drilling started in 28 June and the rig was released after successful testing and completion on 15 December 2012. Tie-in works to CPF are in progress. Production at 48/64" choke 38,4 mmcfd gas and 1,500 bblpd condensate, FWHP 3,259 psi.
Manzalai-10					under drilling	Drilling started in 2 November 2012, with planned T.D.:3,938m. Well test is expected in Q1 2013.
RUSSIA						
Surgut Ayskaya 1					waiting for test	Test continues with hydrofracturing of Jurassic layer and with test production as well.
Surgut Atayskaya 2					waiting for test	Test continues with hydrofracturing of Jurassic layer and with test production as well.
Prikoltogorskaye-127					waiting for test	Drilling started on 08.04.2012. Target depth reached on 24 of June (3,365m). The well was conserved on 3 September and currently it is on waiting status. Continuation of testing with hydrofracturing will be performed in the winter season of 2013.
Kedrovskoye-105					under testing	Drilling started on 17.05.2012. Target depth reached on 20 of September was 2,899m (planned: 2,960m). The well test still ongoing at the end of 2012 due to the discovery of a new interval, acquisition of new geological information and the insolvency of a drilling subcontractor

Exploration and appraisal wells	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Progress	Comment / Test result
KAZAKHSTAN						
Rhozkovsky U-21					waiting for test	Well test expected in H1 2013.
Rhozkovsky U-22					waiting for test	Well test expected in H1 2013.
Rhozkovsky U-23					tested	Testing started in August 2012 and finished in December 2012. Test result of the well on the 11 mm choke – Tournasian reservoir: gas (239.611 m3/day) and condensate (351 m3/day) and Bobrikovsky reservoir: gas (124.562 m3/day and light oil (301 m3/day). Total: ~2,193 boepd gas, 3,912 boepd condensate.
Rhozkovsky U-26					under drilling	The well was spudded in October 20, 2012; the planned TD is 5,200 m. Current depth at end December was 3,680m. Well test is expected in Q1 2013.
SK-1					under drilling	Drilling of SK-1 well started on 21st September and MOL acquired 49% share in the North Karpovsky block on 15 November 2012. Actual depth at end of December was 3,742m, well test is expected in Q2 2013.
OMAN						
Hawasina-1					under drilling	Drilling started on 4 December 2012 with planned T.D.: 4,100m . Depth was 159m at the end of 2012. Well test is expected in Q3 2012.
HUNGARY						
Komádi-Ny-2					tested	Discovery. Test result: 276 boepd oil and 38 boepd gas via 6mm choke
Nagykörös-D-3					tested	Discovery. Test result: 202 boepd gas via 8mm choke
Nagyszénás-ÉK-1					tested	Dry with gas show
Vízvár-S-2					tested	Discovery. Test result: 246 boepd oil via 6 mm choke and 391 boepd gas via 8mm choke
Tiszi-2					tested	Discovery. Test result: 382 boepd gas via 8mm choke
Tápióság-1					tested	Dry
Gutorfölde-1					tested	Discovery. Test result: 484 boepd gas via 9.5mm choke
Rádi-1					tested	Discovery. Test result: 336 boepd gas via 7.5 mm choke
Bak-D-1					tested	Dry
Bak-DNy-1					tested	Dry
Zaláta-K-1					tested	Dry with gas shows
Belezna-K-2					tested	Discovery. Probably not commercial quantity. Test result: 37 boepd gas via 6mm choke
Nagykáta-Ny-1					under testing	Well test completed 9, January 2013. Discovery. Test result: 1,206 boepd oil via 6mm choke
Csévharaszt-2					under testing	Well test completed 10, January 2013. Dry.
Beru-4 / unconventional					under testing	Drilled, fracturing program completed, under testing, long pilot production test. Gas production rate has stabilized at the level of 16,000 m3/d (84 boepd). In 2012 total gas production: 7.3m m3, condensate production: 678m3. In 2012 total CH production was 0.06 Mmboe from the well.
Beru-6 / unconventional					waiting for test	Drilling completed, conventional test completed, waiting for hydraulic fracturing
SYRIA						
Mudawara 3					waiting for test	Well drilled in Q4 2010, test postponed due to force majeure.
CROATIA						
Hrastilnica-3					tested	Drilled in Q1 2012. Tested in Q3 2012. Test data showed daily oil production of approximately 1,450 bbl (Qo=cca 400m3/day).
Đeletovci-1 Zapad					tested	Start of drilling at the end of Q1 2012 (March). Drilling finished in Q2 2012 (at the end of April). Tested in Q3. Tests showed daily oil production of approximately 600 bbl. (Totally obtained: Qo= 391.7 m3; Qw= 3.74 m3 in 108.5 hours of testing.)
Antunovac-1					unsuccessful	Drilled in Q4 2012 (from October to December). There were no hydrocarbon shows while drilling - not tested, unsuccessful.
EGYPT						
Rawda SE-1					unsuccessful	Drilled in Q2. Not tested. Unsuccessful. There were no hydrocarbon shows while drilling and the well was plugged and abandoned.
Sidra-2					tested	Drilled and completed in Q3. Tested in Q3. Oil producer well from Lower Abu Roash "G" Member. Test results: 1,245 BOPD for 24 hr; WC 1,2%; API 39.5.

drilling	test	drilling and test in the same period

Key exploration results were as follows:

- **In the Kurdistan Region of Iraq:**

  \- After finalising drilling in 2012 in the Akri-Bijeel Block, our second discovery was announced at the beginning of 2013 when medium density crude was found in the Bakrman-1 exploration well. The Gulak-1 exploration well's test program was completed but, due to the limited volume of oil shows, the well will be suspended. Surface facility construction and commissioning of the Bijell Extended Well Test on the Bijell Appraisal is ongoing. The appraisal program of the Bijell-1 discovery started with the Bijell-3 appraisal well, which was the riskiest from a geological point of view. There was no measurable oil flow thus it is proposed to abandon the well. Our extensive appraisal program continued and the Bijell-7 appraisal well was spud.

- In the Shaikan Block, appraisal and the early development program were executed, the appraisal activity finishing when the Shaikan-6 well test was completed. To reach the ultimate goal of significantly increased production, assembly work on the first Shaikan production facility commenced.

- **In Kazakhstan**
  - In the Fedorovskoye Block, testing of the U-23 appraisal well was finished successfully; the well produced gas and condensate from additional reservoirs. The drilling of the U-26 appraisal well started in October.
  - The agreement to acquire a 49% share in the North Karpovskiy block, located in the vicinity of Fedorovskoye, was completed in November. Drilling of the first exploration well, SK-1, commenced in Q3 2012 and was ongoing at year end.
- **In Pakistan** testing of the Mami Khel-2 and Maramzai-2 wells was successfully finished; the wells were completed as gas and condensate producers and were tied in to the early production facility. Within the scope of development work a new production well was started and another well was tied in to the central processing facility.
- **In the CEE**, the main result of our exploration activities was the aggregated 5 000 boepd discovery during 2012 from two Croatian and seven Hungarian wells.

Licences acquired in 2012

After MOL was awarded an exploration concession in 2011 in the Oman 66 block, an exploration and production sharing agreement was concluded with the Omani Government in September 2012. As a result, MOL can now start implementing the exploration program at the block by acquiring seismic data to define drillable prospects.

In Russia, the Yerilkinskiy block was acquired by BaiTex LLC, a 100% subsidiary of MOL Group, at auction in July, 2012. The Yerilkinskiy block is located close to the Baitugan producing oilfield. Strong operating synergies will accrue since main surface facilities already installed at Baitugan are ready to serve future Yerilikinskiy production. As a first step, our future exploration commitments include acquisition of seismic data.

MOL was already expanding its exploration and production activities to build a broader portfolio in the CEE when the Romanian Ex-6 Block was awarded to a consortium in which we participate. Exploration activities will start with 3D seismic acquisition. In January 2013, MOL increased its stake in the Ex-6 Block to 100%.

647 MMboe SPE 2P booked reserves

MOL Group's 2012 annual production reduced SPE proved plus probable figures to 647 MMboe by year-end.

SPE 2P reserves, MMboe	FY 2012
Hungary	159.0
Croatia	221.6
Russia	176.2
Syria	35.8
Kazakhstan	36.7
Other	17.7
Total	**647.0**

Changes in the upstream regulatory environment

Upstream: Changes in the mining royalty framework in Hungary with regard to regulated volumes of natural gas

The Mining Act, which regulates the mining royalty regime in Hungary, introduced changes from 01.01.2011 and 01.08.2012 as royalty regime compensation in connection with regulated gas prices for eligible customers in Hungary from December 2010. These changes apply only to volumes available from fields put into production before 1998 and sold at regulated prices.

MOL paid 33% of its crude oil and natural gas revenues as a mining royalty to the Hungarian State based on crude oil and natural gas produced in Hungary in 2012. In 2012, the average rate of mining royalty payable on non-inert natural gas produced from fields put into production after 1998 and for crude oil production was 18%, excluding volumes from enhanced oil recovery which represented 18% of oil production and which are subject to a zero royalty rate in Hungary.

Changes in export duty regulations in Russia…

The extraction tax and export duty in Russia is dependent upon average Urals blend listed prices (Rotterdam and Mediterranean markets) and the Russian Rouble/US Dollar exchange rate and are calculated by formulae set out in tax legislation. The tax authorities inform the public of the extraction tax rate through official announcements on a monthly basis. The extraction tax rate as of 31st December, 2012 was USD 22.3/bbl with an annual average extraction tax rate of 20.5%, based on the annual average Urals blend price in 2012. The export duty rate as of 31st December 2012 was USD 55.5/bbl with an annual average export duty rate of 50.9%, based on the annual average Urals blend price in 2012. Favourable regulatory change took place in the area of export duty, with effect from October, 2011. The percentage above the highest threshold was reduced from 65% to 60%. The Mineral Extraction Tax rate increased by 6.4 % compared to the previous year, which was RUB 419 per ton for 2011 versus RUB 446 per ton for 2012.

…no further changes in royalty regulations in Croatia

The Croatian royalty rate in Q1 2011 amounted to 3.6% but the regulation was changed with effect from April 2011 with the royalty rate being increased to 5.0%. In 2012, no further amendments occurred.

Upstream outlook

Upstream: on the way of monetizing company maker stories

MOL's upstream portfolio consists of a well-balanced mixture of exploration assets with the capability of securing mid-term growth and fields generating strong operating cash flows. Building on this firm asset base, combined with relevant industry know-how, MOL Group wishes to focus on the following areas:

- De-risking of 1.6 Bboe recoverable resource potential in the coming years with the main focus on the Kurdistan Region of Iraq (725 Mmboe) and Kazakhstan (135 Mmboe).
- Production in the Kurdistan Region of Iraq remains the key source of growth long term. It has already manifested itself in 3 discoveries which will already ensure early production in 2013.
- Active portfolio management will secure renewal of the existing asset base with an early harvest on a secured upside.

First visible barrels in the Kurdistan Region of Iraq

Our work program in the Kurdistan Region of Iraq aims at securing the first barrels from the region and reserve booking in 2013 & 2014.
On the basis of our second discovery, we will continue working further In the Akri-Bijeel Block. Our program consists of surface facility development

for early production, completing the Bakrman-1 well test, continuation of the Bijell appraisal program by drilling 5 wells and 3D seismic acquisition.
In Shaikan, targeted increased production will take place with surface facility construction. Subsequent to Shaikan Production Facility-1, Shaikan Production Facility-2 is expected to be commissioned by mid-2013. As a result the combined production capacity will be 40,000 boepd.

Further production growth potential …
…in the mid-term in Kazakhstan

There is further value in Kazakhstan's Fedorovsky Block, where appraisal and development activities are underway. The start of production is currently scheduled for 2015. The Group is focusing on drilling 3 and testing 5 appraisal wells.
In the North-Karpovsky block - which shows similarities to neighbouring Fedorovsky - 120 Mmboe recoverable resource potential will be tested for the first time in 2013 by testing SK-1 & -2 wells until the first half of 2014.

…in the long-term in Russia

In Russia we maintain our long-term growth forecast. However, we have adjusted our exploration strategy by focusing more on higher potential mid-term projects which will result in a later than previously expected ramp-up in production, but we are still targeting 40 mboepd peak production. As a result, more emphasis will be placed on exploration activities in the Matjushkinsky block. In Baitugan, production increases are expected as 40 producing and injection wells are drilled.

Pakistan: improving production, increasing profitability through a more favourable oil-to-gas ratio

In Pakistan's Tal Block, field development is scheduled through commissioning additional surface facilities which will trigger new abilities to handle increasing oil and gas production. The Makori GPF hand-over date is expected by 2013 year-end. Profitability will be increased as production shifts to a more favourable oil-to-gas ratio. In the Karak block, seismic acquisition over the Halini discovery and its vicinity is targeted for upside exploration potential. As a result of our efforts in Pakistan, reserve booking is anticipated in 2013.

CEE: maximising the recovery rate

In the CEE region, as in previous years, we will maximise recovery rates and mitigate decline rates. In Croatia, we are pursuing the implementation of EOR projects and drilling several development wells in existing oil & gas fields, while continuing with our on-shore drilling campaign. Off-shore, 2 wells will be drilled for the first time in several years. In Hungary, the drilling of 8 new conventional exploratory wells, completion of several new field developments including efficiency improvement projects and the start-up of low caloric gas fields will be progressed. Romanian E&P Division exploration activities will start with 3D seismic measurements.

Sizeable production growth is expected in mid-term

The accomplishments of 2013 described above will contribute to the Group's strategic aim of reaching 170–180 mboepd production from the current level of 110 mboepd by 2017–2020 with stable unit profitability. At the same time the long-term reserve replacement rate is targeted to reach an average of 100% in the next few years, similar to past achievements.

DOWNSTREAM OVERVIEW

Highlights

Despite the still challenging external environment...

- MOL Group more than doubled its CCS Refining & Marketing EBITDA
- Our two largest refineries performed relatively well, which highlights the strength of our complex assets
- With the clear aim of remaining in Europe's top quartile in operational efficiency and profitability we launched our New Downstream Program targeting USD 500-550mn in efficiency improvements by 2014
- …delivery is on track: USD 150mn was already saved in 2012
- MOL will optimise its assets at MOL Group Level through selective organic growth projects and reshaping of less efficient assets

Overview of 2012

The European oil industry environment remained challenging...

In 2012, the downstream macroeconomic environment was driven by high crude prices, lower light-heavy differential, variable refinery margins, depressed petrochemicals spreads, low demand levels and increasing energy and operational costs.

... despite some temporary positive signs in 2012

Refinery margins were temporarily increased by one-off factors such as low inventories and tight oil product markets in mid-2012. In the last quarter of 2012, however, large plants returned to full capacity leading to a record decline in global margins as they hit 2011 lows. The reason for this is the persistent capacity overhang in the global system. Integrated petrochemicals margins were poisoned as well, by a correspondingly oversupplied environment.

	FY 2011	FY 2012	Ch. %
Brent dated (USD/bbl)	111.3	111.7	0
Brent Ural spread (USD/bbl)	1.67	1.09	(35)
Crack spread – premium unleaded (USD/t)	143	192	34
Crack spread – gasoil 10ppm (USD/t)	117	135	15
Crack spread – naphtha (USD/t)	64	65	2
Crack spread – fuel oil 3.5 (USD/t)	(238)	(220)	8
Crack spread – premium unleaded (USD/bbl)	6.9	12.8	86
Crack spread – gasoil 10ppm (USD/bbl)	17.4	19.9	14
Crack spread – naphtha (USD/bbl)	(9.6)	(9.5)	1
Crack spread – fuel oil 3.5 (USD/bbl)	(15.9)	(13.0)	18
Integrated petrochemicals margin (EUR/t)	279	262	(6)

Almost 30% of the New Downstream Program target was already achieved in 2012...

To meet the challenges of the environment, a M**OL Group-level Downstream Program** was launched to improve profitability through the whole value chain and to reach USD 500-550mn EBITDA growth by 2014 on a like-for-like basis, compared with 2011. In 2012, the program delivered USD 150mn in savings, with like-for-like comparison, which is fully in line, or even slightly above, our expectations. The most profitable initiatives affected different key elements in our value chain:

- Energy management: a ca. USD 20mn cost decrease was the result of energy efficiency and optimisation measures and additional profit improvement was achieved by renegotiated gas, electricity and steam contracts.
- Hydrocarbon loss reduction: loss-decreasing actions were implemented in our 5 refineries, logistics and retail network. The total effect of these efforts was worth more than USD 10mn in 2012.
- Refining and Petrochemicals margin revenues: portfolio revision and optimisation of monomer, polymer and fuel sales delivered a revenue increase of USD 50mn.

However, the positive effects of efficiency improvements were partly offset by the above-mentioned negative effects of the business environment.

Improving Downstream performance, supported by the R & M Division..

In 2012, Downstream EBITDA, excluding special items, amounted to HUF 169 bn, representing a more than 40% improvement compared with the previous year with a much higher contribution from the Refining & Marketing Division on one hand, but deteriorated by Petrochemicals Division losses on the other. Despite a higher level of maintenance activities in the actual year the **Refining & Marketing Division's clean CCS-based EBITDA doubled compared with the base period,** supported by the following:

- Key positive effects were
  (1) higher average crack spreads of motor fuels, especially gasoline
  (2) internal efficiency improvements as part of the New Downstream Program - roughly a positive effect of USD 150mn
  (3) an improved product slate
  (4) a weaker HUF versus the USD.
- Negative effects moderated the improvement, due to
  (1) a tightening light-heavy crude oil differential – a negative effect of ca. HUF 20bn
  (2) a significant drop in regional product demand due to weak economic conditions and high fuel prices
  (3) rising energy prices, (a negative effect of ca. HUF 20bn)
  (4) a higher level of maintenance activities
  (5) unplanned shutdowns in the year at the Danube and Bratislava refineries decreased throughput and sales volumes.

CCS-based R&M EBITDA [3,4]	FY 2011	FY 2012	Ch. %
MOL Group	**81.5**	**167.6**	**106**
MOL excl. INA	135.3	187.0	38
INA	(53.8)	(19.4)	64

CCS-based R&M operating profits [3,4]	FY 2011	FY 2012	Ch. %
MOL Group	**(19.9)**	**54.8**	**n.a.**
MOL excl. INA	51.6	101.9	97
INA	(71.5)	(47.1)	34

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

Excluding INA's contribution, 'clean' CCS-based EBITDA increased significantly by 38%. While crack spreads improved, depressed regional demand and a longer shutdown period resulted in 1 Mt lower sales year-on-year. INA's clean CCS-based EBITDA improved significantly in 2012 but the figure was still in the red. Enhanced feedstock selection as well as smoother operations and higher VGO processing in the new Rijeka HCK unit improved product yield, resulting in 6% higher white product output. On-demand operations at the Sisak refinery also supported these results. On the other hand, higher volumes and the price of energy purchased had a dampening effect on profits.

Refinery processing (kt)	FY 2011	FY 2012	Ch. %
Own produced crude oil	1,027	1,117	9
Imported crude oil	17,168	15,597	(9)
Condensates	276	275	0
Other feedstock	3,331	3,248	(2)
Total refinery throughput	**21,802**	**20,237**	**(7)**
Purchased and sold products	1,193	955	(20)

...while Petrochemicals went further into the red

The Petrochemicals segment's contribution deteriorated dramatically in 2012, reaching a HUF 30bn operating loss, excluding special items. Besides further decreased petrochemicals margins - by 6% to 262 EUR/t - high energy prices, lower demand for polymer products and the general turnaround were the main reasons for this weak performance.

Total sales volumes decreased...

External refined and petrochemicals product sales by product (kt)	FY 2011	FY 2012	Ch. %
Total refined products	**19,011**	**17,781**	**(6)**
o/w Motor gasoline	4,211	4,036	(4)
o/w Diesel	9,392	9,065	(3)
o/w Fuel oil	740	332	(55)
o/w Bitumen	1,275	1,015	(20)
o/w Retail segment sales	**3,507**	**3,375**	**(4)**
o/w Motor gasoline	1,183	1,099	(7)
o/w Gas and heating oils	2,231	2,186	(2)
Total Petrochemicals product sales	**1,504**	**1,229**	**(18)**
o/w Olefin products	341	318	(7)
o/w Polymer products	1,163	911	(22)
Total refined and Petrochemicals product sales	**20,515**	**19,010**	**(7)**

The consumption of motor fuels in the CEE region decreased further due to the worsening economic outlook which negatively affected diesel consumption and high price levels which negatively impacted gasoline consumption in particular.

Changes in regional motor fuel demand FY 2012 vs. FY 2011 in %	Market*			MOL Group sales**		
	Gasoline	Diesel	Motor fuels	Gasoline	Diesel	Motor fuels
Hungary	(8.0)	(6.1)	**(6.7)**	(7.7)	(7.3)	**(7.4)**
Slovakia	(0.9)	(3.6)	**(2.9)**	(2.4)	1.0	**(0.0)**
Croatia	(7.2)	(5.5)	**(6.0)**	(2.0)	4.7	**2.6**
Other	(4.9)	(4.2)	**(4.4)**	(8.5)	(0.9)	**(3.0)**
CEE 10 countries	**(5.2)**	**(4.4)**	**(4.6)**	**(6.6)**	**(2.0)**	**(3.4)**

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

...but Group's motor fuel sales performed better than the market average

Total refined product and petrochemicals sales decreased by 7% year-on-year partly due to depressed market demand. However the Group's motor fuel sales performed better than the market average driven by increasing sales in Croatia as a result of continuous efforts in wholesale. Our diesel sales only eroded mildly across the CEE region. The latter also reflected our yield improvement efforts: beside almost flattish diesel sales, sales of loss-making black products decreased considerably, by 20% yoy.

Decreasing retail sales in line with lower market demand

Total retail sales volumes, including LPG and lubricants volumes, decreased by 4% in line with lower market demand.

Total retail sales (kt)	FY 2011	FY 2012	YoY %
Hungary	804	767	(5)
Slovakia	452	424	(6)
Croatia	1,226	1,134	(8)
Romania	451	469	4
Other	574	581	1
Total retail sales	**3,507**	**3,375**	**(4)**

In Hungary, Slovakia and Croatia, retail fuel sales decreased as a result of the economic slowdown and increasing retail fuel prices, however our market share was maintained in other key countries.

In Romania, retail fuel sales increased in line with our network development growth and intensive marketing activities and thus achieved 12% market share.

Retail: successful implementation of strategy continued...

Starting on 1st October, 2012, Pap Oil became part of MOL Group with 125 filling stations in the Czech Republic. In INA, we continued the retail business efficiency improvement program.

Downstream outlook

The New Downstream Program: most of the benefit is due by 2013

As a response to the challenging Downstream business environment, in 2012, MOL initiated its comprehensive, Group-level efficiency program, the New Downstream Program, targeting USD 500-550mn EBITDA improvement by 2014 on a like-for-like basis compared with 2011. In Downstream, the spotlight will be on the continuation of the program and the successful achievement of its ambitious target. Most of the total benefit, USD 400mn, compared with the base period, should be achieved by the end of 2013.

Efficiency improvement through cost management - 70% of the benefits...

The primary focus of the program is on cost reduction, which will represent 70% of the benefits. Actions targeting key cost elements, such as energy, maintenance, organisational costs and hydrocarbon losses will deliver more than 50% of the total benefits.

Energy costs are expected to reduce significantly by 2014 through more efficient energy consumption and distribution, increased flexibility, diversification of energy sources and achieving more favourable supply conditions and prices.

Maintenance costs have been revised throughout our value chain aiming at decreasing Complex Maintenance Spending (CMS) by 20% by 2014.

Further optimisation of existing assets, advanced hydrocarbon loss management, review of our business processes and streamlining of our organisation are also among the key cost reduction measures.

…and increases in revenues of 30%

In our main growth markets, Serbia and Romania, we are extending our wholesale, retail and logistics presence in parallel. New initiatives were launched to increase sales of LPG, lubricants, fuel cards and implement the local market supply concept for further profit maximisation.

Revision of our petrochemicals product portfolio resulted in new concepts in monomer and polymer sales. By making use of our production flexibility and marketing opportunities, we are aiming to achieve significant revenue growth for these product lines.

Selective investments to strengthen captive markets

Beside small and mid-scale projects in the New Downstream Program, MOL Group Downstream is committed to strategic investments in the region. Two projects were launched in 2012 by the Petrochemicals Division: a new butadiene extraction unit in Tiszaújváros with the strategic aim of improving olefin co-product value from 2015 onwards and the installation of a new LDPE unit by the end of 2015 in Bratislava, replacing three old, subscale units thus creating further benefits from Refining-Petrochemicals integration.

We are also committed to further improving our retail network in the CEE region, with special focus on Romania, Serbia and the Czech Republic, to provide greater captive markets for our refineries. Secure sales are especially important in the oversupplied gasoline market, while higher margin contribution can improve Divisional profitability.

Improve Croatian Downstream

Flexible operation of assets and short-term efficiency measures are aimed at improving Croatian downstream profitability. By implementing modernisation and efficiency improvement measures in the Logistics, Refining, Lubricants and Retail Divisions, INA is now a significant contributor to the MOL Group's New Downstream Program.

In the mid-term, a residue upgrade project is planned in the Rijeka refinery to increase the proportion of white product yield. A final investment decision is expected after basic design completion.

GAS MIDSTREAM SEGMENT OVERVIEW

The Division's results decreased in full year 2012, since positive contributions from FGSZ and MMBF, on the back of increased international transit and commercial storage activities, were more than offset by increasing losses at our Croatian trading company, Prirodni Plin.

FGSZ Ltd.

FGSZ received an ITO licence - among the first in 2012

In line with EU Directive 2009/73/EC, natural gas suppliers must operate independently of both holding companies and subsidiaries. FGSZ took the necessary measures to continue its system operations and gas transmission activities within the framework of the new legal model. FGSZ was therefore among the first companies to receive an Independent Transmission Operator (ITO) licence in 2012.

A stable operating profit contribution

Operating profits for FGSZ in 2012 were in line with higher revenues which were able to compensate for increased expenditure.

Domestic transmission revenues increased by 8% after the end of tariff freezing

Revenues from domestic transmission totalled HUF 79.8bn, 8% higher than the base period, mainly due to surplus daily and monthly capacity bookings and lower base figures as a result of tariff freezing which had no effect in 2012.

Slightly higher transit revenues due to the favourable FX effects

Revenue from natural gas transit showed a 9% increase compared with the base period, mainly due to southward (Serbian and Bosnian) transit transmission. While volumes decreased by 6%, favourable changes in foreign exchange rates over-compensated for this negative effect.

Higher gas prices and higher depreciation increased operating costs

Operating costs were higher by 13% than the base period mainly due to increased natural gas consumption by the transmission system, increased natural gas prices and increased depreciation as a result of tangible assets capitalised in the previous year.

Changes in the regulatory environment

Changes in regulated gas transmission tariffs

A dual tariff system was introduced on 4th December, 2010. In compliance with this system, tariffs for 2012 were calculated on an asset-based return of 4.5% with regard to consumers entitled to universal service, while for customers purchasing gas in the competitive marketplace, the calculation continued to be on asset-based returns of 8.78%.

Taking into account the rate of consumers entitled to universal service, which rate is used by the Hungarian Energy Office to calculate transmission tariffs. The weighted average revenue of the natural gas transmission system was therefore approximately 6.5% in 2012. The unfavourable effect of the change in the number of consumers entitled to universal service in the second half of 2012 was compensated for by higher revenues and cost reductions.

Starting from 1st January 2013, the asset-based return was decreased to 2.28% from 4.5% for consumers entitled to universal service, while for customers purchasing gas in the competitive marketplace, the calculation remained unchanged. This implied a weighted average natural gas transmission system revenue of approximately 5.5%, for the time being.

MMBF Ltd.

Strategic and commercial gas storage

With three years operational experience, the underground gas storage facility proved to be a reliable part of Hungary's domestic gas infrastructure which guarantees the security of supply.

Net profits of MMBF Ltd. amounted to HUF 9.6bn in 2012. The company accounted for capacity booking fees on its 1.2 bcm strategic gas storage and on its 700 mcm commercial gas storage volumes. In addition to storage activities, MMBF sold the oil and condensate production of the Szőreg-1 field at a profit.

Changes in the regulatory environment

In 2012, the strategic gas reserve volume was below the contracted 1,200 Mm^3, according to the relevant ministerial decree statutory maximum but this had no effect on the contracted capacity and business situation of the company. At the end of 2012, the regulatory background of the strategic gas reserve was modified.

The major changes in the regulation were as follows:

- The strategic gas stock may now only be stored in gas storage sites which are majority state-owned from 1^{st} July, 2013.
- Strategic gas storage activities can now only be executed by a strategic gas storage licensee.
- The Minister responsible will regulate stock levels and the location of the strategic stock storage site.

MMBF meets all such requirements. This means that there is no regulatory obstacle to continuing its strategic gas storage activities in 2013 and, moreover, from 1^{st} January 2012, storage fees were announced by the Hungarian Energy Office, not by the Minister. This decision by the HEO makes regulated storage fees compulsory with regard to commercial gas storage. MMBF re-aligned its long-term contracts to meet the new criteria, which had no negative effect on revenues.

MMBF Ltd., the company conducting strategic storage, has all the technical conditions and authorizations required for strategic and commercial storage activities and the company has valid long-term contracts with its gas storage partners. There was no negative change in the technical or financial situation of the Company.

Prirodni Plin d.o.o.

Loss-making Croatian gas trading…

Prirodni Plin, INA's gas trading company, reported a HUF 38.4bn loss in 2012 as a consequence of increased natural gas import prices, capped gas prices to eligible customers until September 2012 and the fixed maximum price level for household customers.

Changes in the regulatory environment

Regulatory changes in gas trading in Croatia (Prirodni Plin)

The maximum level of natural gas pricing for eligible customers, i.e. HRK 2.13/m^{3}, was in effect until 30^{th} June. As of 1^{st} July, 2012, this was increased to 2.75 HRK/m^3. This regulation was in effect until 30^{th} September. The regulated gas price for households was raised to HRK 2.2/m^3 from the previous level (HRK 1.7/m^3) as of May 1^{st}, 2012.

Power – Joint Venture with CEZ

The Hungarian CCGT project is subject to a final investment decision while the Slovak CCGT project was suspended…

In 2012, site levelling and engineering was carried out at Százhalombatta as the first phase of the Hungarian CCGT project. As part of the joint venture between MOL Group and CEZ, this unit obtained all the permits necessary to start construction and the main contract was signed in October, 2011. The final investment decision by MOL and CEZ on the construction phase is subject to developments in the global and regional macro environment.

Based on a decision by the JV partners, the Slovakian CCGT project was suspended.

CAPITAL EXPENDITURE PROGRAM

Capital expenditures	2011 (HUF bn)	2012 (HUF bn)
Upstream	111.8	138.0
Downstream	110.7	132.4
Gas Midstream	18.3	9.9
Corporate	33.4	9.3
Intersegment	0.6	(0.8)
Total	**274.8**	**288.8**

A disciplined, selective investment policy

Total CAPEX increased by 5% in 2012. Investments focused on the Kurdistan Region of Iraq, the CEE region and Russia in Upstream and maintenance-related spending in Downstream. Inorganic CAPEX included the acquisition costs of new exploration licences in Kazakhstan, Oman and the Pap Oil retail network in the Czech Republic.

Upstream CAPEX

FY 2012 (HUF bn)	Hungary	Russia	The Kurdistan Region of Iraq	Croatia	Pakistan	Other	Total (HUF bn)	
Exploration	10.3	3.6	26.8	6.3	2.9	2.6 Oman 2.0 Kaz 0.8 Other	**55.3**	**40%**
Development	11.0	25.2	6.0	11.9	1.5	2.0 Egypt 0.7 Angola 0.4 Other	**58.7**	**43%**
Upgrade maintenance. service companies & other	3.5			7.0		13.5: Acqusitions	**24.0**	**17%**
Total	**24.8**	**28.8**	**32.8**	**25.2**	**4.4**	**22.0**	**138.0**	**100%**

Increasing Upstream CAPEX - more focus on the Kurdistan Region of Iraq, Croatia and Kazakhstan

Upstream CAPEX increased by 23% y-o-y to HUF 138bn, primarily as a result of increased expenditure in the Kurdistan Region of Iraq, Croatia and Kazakhstan. Due to the political situation, investments in Syria were suspended.

Downstream CAPEX

CAPEX (in bn HUF)	FY 2011	FY 2012	YoY %	Main projects in 2012
R&M CAPEX and investments. excluding retail	63.3	56.8	(10)	• Maintenance projects
Retail CAPEX and investments	21.9	45.4	107	• PAP Oil acquisition: 125 sites; 22 new sites above Pap Oil • 183 filling stations modernisation
Petrochemicals CAPEX	7.2	19.8	175	• General turnaround. maintenance • New LDPE units in Slovnaft
Power and other	18.3	10.4	(43)	• Finalisation of the Thermal Power Plant in Bratislava
Total	**110.7**	**132.4**	**20**	

Increased Downstream CAPEX…

Organic Downstream CAPEX was flat, year-on-year, mainly driven by general turnarounds in key refineries and other maintenance projects, as well as finalisation of Thermal Power Plant investment in the Bratislava refinery. Further CAPEX relates to acquisition of the Pap Oil retail network in the Czech Republic (125 filling stations).

Gas Midstream CAPEX

HUF bn	FY 2011	FY 2012	Ch. %	Main projects in 2012
FGSZ	16.4	9.2	(44)	• Reconstruction projects
MMBF	1.1	0.7	(36)	• Replenishment of cushion gas
Other	0.8	0.0	(100)	
Total	**18.3**	**9.9**	**(46)**	

Gas Midstream CAPEX halved

Total Gas Midstream Division CAPEX halved in 2012 after completion of cross-border pipelines and capacity-increasing projects of previous years.

Corporate & Other Divisional CAPEX decreased due to the INA share purchase in 2011

Capital expenditures of Corporate and Other segment totalled HUF 9.3bn in 2012 versus HUF 33.4bn in 2011.

FINANCING OVERVIEW

MOL further improved its strong financial position

Corporate financial positions and the ability to generate operational cash flow are key priorities due to the turbulent financial environment and economic slowdown.

MOL's key target for 2012, to maintain its strong liquidity position, was successfully achieved as a result of the Group's improved financial results.

Sufficient external financing

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

Enhancing the maturity profile

MOL Plc. has extended EUR 561mn by 1 additional year, up to 10th June, 2017, out of its EUR 1bn revolving credit facility agreement, signed on 10th June, 2011, originally with 5 years' tenor. To further diversify the Group's funding portfolio, MOL Group Finance S.A. (a 100% subsidiary of MOL Plc.) established a USD 1bn Euro Medium-Term Note Program guaranteed by MOL on 12th September, 2012. Under the program, a senior unsecured bond was issued in the amount of USD 500mn on 26th September, 2012, with 7 years' tenor and a 6.250% fixed coupon. MOL Plc. signed an 8.5 year USD 150mn loan agreement with the European Bank for Reconstruction & Development (EBRD) on 2nd July, 2012, to finance capital expenditures on a new LDPE unit and the upgrade of a steam cracker at the Slovnaft site.

5-year low gearing ratio

Indebtedness

	2011	2012
Simplified Net debt/EBITDA	1.44	1.38
Net gearing	28.0%	24.8%

70% EURO-denominated debt

Proportion and amount of total debt denominated in the following currencies

31 Dec 2011 (bn own currency)	31 Dec 2011 (bn HUF)	Portion %	Currency	31 Dec 2012 (bn own currency)	31 Dec 2012(bn HUF)	Portion %
1.18	283	27.1	**USD**	1.16	255	27.0
2.34	728	69.6	**EUR**	2.29	665	70.4
n.a.	35	3.3	**Other***	n.a.	25	2.6
n.a.	**1,046**	**100**	**Total**	**n.a.**	**945**	**100**

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

NOTES TO THE PROFIT & LOSS STATEMENT

Sales, Operating Expenses and Operating Profits

Increases in sales revenues

Despite the lack of Syrian contribution, Group net sales revenues increased by 3% to HUF 5,552.3bn. Other operating income increased by 29% to HUF 30.0bn mainly due to the foreign exchange gain realised on trade receivables and payables (HUF 14.3bn).

Decreases in operating expenses

Other operating expenses decreased by HUF 10.9bn to HUF 370.5bn in 2012, mainly as the combined effect of a decrease in mining royalty expenses (HUF 8.0bn) and foreign exchange loss on trade receivables and payables (HUF 10.5bn) in the comparative period.

Non-recurring items in total operating expenses

The temporary crisis tax imposed on the energy sector increased Other operating expenses by HUF 30.4bn and HUF 29.0bn in 2012 and 2011, respectively. Depreciation expenses in 2012 included a HUF 6.6bn impairment recorded with respect to the refining assets of the Sisak and Rijeka refinery and HUF 6.6bn relating to the unsuccessful Bijell-3 well in Kurdistan. A further HUF 4.3bn impairment was recorded with respect to INA's Ferdinandovac field. An additional expense of HUF 10.1bn reflects the penalty payment and provision at the Group's Angolan operations, imposed by the local tax authority. The Group also recorded a provision in the amount of HUF 7.7bn as a conservative estimate for contract termination expenses with respect to the Moghan-2 block in Iran. The effect of these non-recurring expenses was partly offset by a gain on the year-end revision of the Hungarian field abandonment provision (HUF 7.4bn).

Financial results

Lower net financial expenses in 2012

A net financial expense of HUF 47.1bn was recorded in 2012, compared with HUF 54.9bn in 2011. Interest payable was HUF 46.2bn in 2012 versus HUF 41.2bn in 2011, mainly reflecting coupons paid on bonds, while interest received amounted to HUF 6.8bn in 2012 against HUF 9.4bn in 2011. In 2012, a foreign exchange loss of HUF 1.9bn vs. a HUF 55.5bn gain in 2011, was booked on borrowings, since foreign exchange gains of HUF 43.4bn on borrowings designated as net investment hedging instruments were recognized directly in Other comprehensive income. A fair valuation gain on the conversion option embedded in the capital security issued by Magnolia Finance Ltd. was HUF 11.8bn versus the unrealized gain of HUF 10.5bn in FY 2011.

Income from associates

Income from associates amounted to HUF 32.7bn in FY 2012 mainly as the result of the a contribution from MET Zrt., (HUF 16.7bn) and MOL's 10% share from of the operations of the Pearl Petroleum Company (HUF 12.8bn).

Profit before taxation

As a result of the above-mentioned items, the Group's profit before taxation in 2012 was HUF 206.0bn, compared to HUF 218.4bn in 2011.

Taxation

Higher income tax expenses due to revaluation of deferred tax assets

Income tax expenses increased by HUF 16.7bn from the comparative period to HUF 49.9bn in FY 2012, mainly due to the revaluation of deferred tax assets and liabilities resulting in higher deferred tax expenses. Revaluation resulted from the extension and increase of the Robin Hood tax in Hungary from 8% to 31%. This increase implies an effective Robin Hood tax rate of around 22% as it is calculated pro-rata on revenues from energy supply. In addition, the Slovakian corporate income tax rate was also increased, from 19% to 23%. Both taxes are applicable from 1st January 2013. Deferred tax expenses were partly compensated by a decrease in current income tax expenses corresponding to lower profitability compared to 2011.

CASH FLOW

Consolidated Cash flow	2011 restated (HUF mn)	2012 (HUF mn)
Net cash provided by operating activities	372,950	453,844
of which: movements in working capital	(181,968)	(34,660)
Net cash used in investing activities	(198,709)	(297,176)
Net cash provided by/(used in) financing activities	(188,903)	(149,726)
Net increase/(decrease) in cash and cash equivalents	(14,662)	6,942

Operating cash flow increased by 22%

Operating cash inflow in 2012 amounted to HUF 453.8bn, compared with HUF 373.0bn in 2011. Operating cash flow, before movements in working capital, decreased by 9% to HUF 551.6bn, mainly due to the lack of cash inflow from Syria in 2012. Income taxes paid amounted to HUF 63.1bn.

Net cash used in investment activities increased to HUF 297.2bn in 2012 due to increased CAPEX in the CEE region, Russia and the Kurdistan Region of Iraq by the Upstream Division, as well as the acquisition of the Pap Oil retail network in the Czech Republic and higher maintenance-related spending by the Downstream Division.

Net financing cash outflow was HUF 149.7bn, primarily as a result of the repayment of long-term debt, partially financed by the USD 500mn fixed rate bond issued in September, 2012, representing the Group's strong liquidity position and the dividend payment.

SUSTAINABILITY

Improvement of resource efficiency and reduction of emissions

We pay particular attention to improving our CO_2 intensity whilst maintaining competitiveness in a carbon-constrained world. Energy efficiency programs throughout MOL Group delivered improvements in CO_2 intensity per unit of production in the different Business Units. As part of our energy efficiency measures in the New Downstream Program, MOL Group aims to reach energy savings and optimisation worth USD 120mn by 2014. To achieve this ambitious target, we already achieved significant results in 2012 since our major energy efficiency improvement projects resulted in savings worth more than USD 18mn while related CO_2 savings totalled more than 85,000 tons. The Retail Division contributes to these efforts through the eco-conscious design of its filling stations. In Upstream operations in Russia and Pakistan, the aim is to reduce the volume of flared associated gas while in Europe our focus is on operational energy efficiency and enhanced oil recovery using CO_2 injection.

In the field of environmental protection, air emission abatement is an important area of focus for us. Since the industry is considered to be the largest source of emissions of volatile organic compounds (VOCs), MOL Group has taken serious steps towards limiting these types of emission. In 2012, MOL Group continued its LDAR (leak detection and repair) Program to reduce VOC emissions. This program has produced important results for several years at our Slovnaft and IES refineries and in 2012 it was extended to our Hungarian operations. As a result, measured VOC emissions decreased by 8% compared with 2011.

Meeting our work safety target

MOL Group closed a successful year from the lost time injury frequency point of view and we fulfilled the 1.0 LTIF target (INA and its subsidiaries excluded). This performance was significantly better than the CONCAWE (downstream benchmark) average, but it does not reach the OGP (upstream benchmark) average. Despite this positive LTIF result, we are not satisfied with our achievements: 1 employee fatality at INA Group and 3 contractor fatalities highlighted that we should make further efforts to prevent any harm related to our operations.
Process safety remained a priority and we therefore extended the implementation of our management system to further operations. In the refining sector, a new process safety performance indicator was introduced in 2012 to monitor the number and seriousness of process safety incidents.

Focus on ethics and compliance

Ethics continues to be a cornerstone of our non-financial performance. Our Code of Ethics is now available in 11 languages and from 2012 onwards we have 24 ethics officers and managers are obliged to train their colleagues on the code of ethics, personally.

As part of its commitment to ethics, MOL Group is dedicated to fair market behaviour; its activities in the marketplace must be conducted in accordance with the norms of fair competition and the spirit and letter of applicable competition laws. In 2012, the Compliance Team focused on effective risk assessment through market analyses. The Team highlighted the need to ensure regulatory compliance through training sessions. In 2012, in MOL Group, more than 270 employees participated in compliance presentations and more than 380 employees passed through e-learning training and an exam.

Hiring talented young people and experienced professionals

To support the on-going internationalisation of MOL Group, the International Mobility Management team was restructured and a new International Assignment platform was established. Key pillars of the new platform are the home-based employment payroll and home tax equalisation methodology, the new, simplified approval matrix and the international assignment plan based on compensation using balance sheet methodology. These pillars all serve the goal of ensuring fair and standard compensation for employees assigned away from home, based on up-to-date market data in terms of compensation elements.

A total of 76 international assignees from 16 countries started or continued to work in MOL Group HQ in 2012 and 239 international assignees were employed Group-wide.

MOL Group continued its Freshhh and Growww programs to attract and hire talented young people. In 2012, almost 2,000 students from over 250 universities in 60 countries participated in the Group's international oil and gas industry competition called Freshhh. At the same time we received over 7,000 applications - including 2,059 applications to MOL Plc., 3,851 to INA, 765 to Slovnaft, 268 to TVK and about 50 to Pakistan, Russia and Iraq - for the 298 open vacancies in our Growww graduate program world-wide.

INTEGRATED RISK MANAGEMENT

MOL's integrated risk management is one of the best, according to SAM

The aim of MOL Group Risk Management is to deal with the challenges of the external environment to support the stable and sustainable financial position of MOL. It is vitally important to have effective and comprehensive risk management as a prerequisite of good corporate governance. MOL Group has developed its risk management function as an integral part of its corporate governance structure. This was repeatedly confirmed by SAM Research AG in its 2012 benchmarking report for the Dow Jones Sustainability Index when it ranked MOL's risk management as one of the best in class with a 94% performance rating, well above the sector's average. This underlines MOL's well-defined responsibility for risk and crisis management and our well-defined risk response strategy.

Enterprise Risk Management

Incorporation of the broadest variety of risks into one long-term, comprehensive and dynamic system is managed by Enterprise Risk Management (ERM) at MOL Group level for all Divisions. ERM integrates financial and operational risks along with a wide range of strategic and compliance risks. The ERM process identifies the most significant risks to the successful performance of the company and calls for decisions to be made regarding which risks should be retained and which should be mitigated and how.

The main risk drivers of the Group are commodity price risk, foreign exchange risk, regulatory risk, country risk, drilling risk, equipment breakdown, market demand uncertainties and reputational risk. In general, these risks are aggregated, measured and mitigated at Group level. Some of them are managed centrally while others are dealt with by the Divisions, overseen by nominated risk owners.

Main risk management tools:

- **Financial Risk Management**

To ensure the profitability and the financial stability of the Group, Financial Risk Management as part of ERM is in place to handle short-term, market-related risks. Commodity price, FX and interest rate risks are assessed using a complex model based on the Value-at-Risk model and are managed – if necessary - using risk mitigation tools such as swaps, forwards and options.

- **Insurance Management**

Transfer of excess operational risks is the responsibility of Insurance Management. Purchase of insurance is an important risk mitigation tool used to cover the most relevant operational and liability exposures. The major insurance types are: Property Damage, Business Interruption, Liability and Control of Well Insurance. Due to the peculiarities of the insurance business, major tasks in this area are carried out in a yearly cycle e.g. the annual renewal of most insurance programs.

- **Business Continuity Management**

Business Continuity Management is the process of preparing for unexpected disruptions that have low probability but high impact. Emergency Response Plans, Crisis Management procedures. Disaster Recovery and other risk control programs are crucially important to such a business as ours where operational risk exposure is significant as a consequence of the chemical and physical processes underlying most of our operations.

APPENDIX

APPENDIX I

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

	FY 2012	FY 2011 restated
MOL GROUP		
Total impact of special items on operating profit	**64,748**	**83,726**
Total impact of special items on EBITDA	**47,221**	**42,070**
UPSTREAM	**25,956**	**8,501**
Crisis tax imposed by the Hungarian state on the domestic energy sector	2,544	2,599
Provision for redundancy at INA	300	711
Impairment on receivables	1,830	4,421
Impairment on Crosco Group's Libyan exploration equipment		
Impairment / (reversal of impairment) on certain upstream assets in INA Group		770
Recognition of expenses and provision for penalty in Angola	10,061	
Provision for contract termination in Iran	7,673	
Revision of Hungarian field abandonment provision	(7,368)	
Write-off of the unsuccessful Bijell-3 well	6,607	
Impairment of the Ferdinandovac field	4,309	
DOWNSTREAM	**35,540**	**73,767**
Impairment related to the treatment of gas bottles at Proplin which needed to be harmonized with the current situation		6,058
Crisis tax imposed by the Hungarian state on the domestic energy sector	27,055	25,549
Provision for redundancy at INA	445	1,688
Impairment on goodwill of IES		34,828
Provision for Romanian Competition Council fine		5,644
Impairment on receivables		
Provision made for redundancy relating to New DS Program	1,429	
Impairment on INA's refinery assets	6,611	
GAS MIDSTREAM	**295**	**4,148**
Crisis tax imposed by the Hungarian state on the domestic energy sector	295	252
Impairment on receivables		3,896
CORPORATE and OTHER	**2,957**	**(2,690)**
Crisis tax imposed by the Hungarian state on the domestic energy sector	496	560
Recognition and release of provision made for tax penalty at INA		(4,053)
Provision for redundancy at INA	2,461	803

APPENDIX II

Notes

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

[2] This line shows the effect on operating profits of the change in the amount of unrealised profit in respect of intersegment transfers. Unrealised profits arise where the item transferred is held in inventory by the receiving segment and a third-party sale takes place but only in a subsequent quarter. For segmental reporting purposes, the transferor segment records a profit immediately at point of transfer. However, at the Company level, profits are only reported when a related third-party sale has taken place. In previous years, this unrealised profit effect was not shown separately, but was included in the reported segmental result of the receiving segment. Unrealised profits arise principally in respect of transfers from Upstream to Gas Midstream.

[3] Special items affected operating profits and EBITDA is detailed in Appendix I.

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

[5] In converting HUF financial data into USD, the following average NBH rates were used: for FY 2011: 200.9 HUF/USD, for FY 2012: 225.4 HUF/USD.

Statement of responsibility

Undersigned, authorized representatives of MOL Hungarian Oil and Gas Public Limited Company (MOL Plc.) the issuer of MOL ordinary shares, hereby declare that MOL Plc. takes full responsibility for the announced Annual Report of MOL Plc. for the year ended on 31 December 2012, which has been prepared to the best of our knowledge in accordance with Hungarian Accounting Standards, and give a true and fair view of the assets, liabilities, financial position, and profit of MOL Plc. and presents a fair review of the position, development and performance of MOL Plc. with a description of principal risks and uncertainties.

Budapest, 25 April 2012

József Molnár
Group Chief Executive Officer (GCEO)

József Simola
Group Chief Financial Officer (GCFO)